

**HIGHWAY 41 WATER UTILITY**  
**Financial Statements**  
**Year Ended December 31, 2014**

**HIGHWAY 41 WATER UTILITY**  
**Index to Financial Statements**  
**Year Ended December 31, 2014**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors of Highway 41 Water Utility is composed entirely of Directors who are neither management nor employees of the Utility. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and is ultimately responsible for reviewing and approving the financial statements. The Board is also responsible for appointing the Utility's external auditor.

C.S. Skrupski CPA Professional Corporation, an independent Chartered Professional Accountant firm, has been appointed by the Board to audit the financial statements in accordance with Canadian auditing standards and report directly to them. The report of the auditing firm follows. The external auditor has full and free access to, and meets periodically with both the Board and management to discuss its audit findings.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Administrator

Aberdeen, Saskatchewan  
April 9, 2015

*C.S. Skrupski*  
*CPA Professional Corporation*

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Highway 41 Water Utility:

I have audited the accompanying financial statements of Highway 41 Water Utility, which are comprised of the statement of financial position as at December 31, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of Highway 41 Water Utility as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



CPA Professional Corporation

Rosthern, Saskatchewan  
April 9, 2015

**HIGHWAY 41 WATER UTILITY**  
**Statement of Financial Position**  
**As at December 31, 2014**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 870,623	\$ 1,089,257
Accounts receivable	45,416	47,104
Goods and services tax recoverable	11,879	5,429
	<u>927,918</u>	1,141,790
CAPITAL ASSETS (Note 4)	11,662,356	11,756,285
SUBSCRIBER LOANS RECEIVABLE	<u>1,032,866</u>	1,313,102
	<u>\$ 13,623,140</u>	<u>\$ 14,211,177</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 97,297	\$ 115,660
Connection deposits	9,900	8,000
Current portion of long term debt (Note 5)	266,769	252,220
	<u>373,966</u>	375,880
LONG TERM DEBT (Note 5)	<u>579,515</u>	953,629
	<u>953,481</u>	1,329,509
<b>NET ASSETS</b>		
Unrestricted fund	1,007,303	1,125,383
Invested in capital assets	<u>11,662,356</u>	<u>11,756,285</u>
	<u>12,669,659</u>	12,881,668
	<u>\$ 13,623,140</u>	<u>\$ 14,211,177</u>

**ON BEHALF OF THE BOARD**

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements.  
**C.S. Skrupski CPA Professional Corporation**



**HIGHWAY 41 WATER UTILITY**  
**Statement of Operations**  
**Year Ended December 31, 2014**

	2014	2013
<b>REVENUE</b>		
Water revenue	\$ 433,707	\$ 377,153
Meter installations	15,600	25,460
Connection payments (net)	49,920	-
Grant revenue	60,000	-
Interest income	79,564	88,548
	<u>638,791</u>	<u>491,161</u>
<b>EXPENSES</b>		
Advertising and promotion	-	1,005
Amortization	273,927	255,927
Bad debts	-	2,669
Bank charges and interest	3,723	3,900
Dues and memberships	500	100
Insurance	2,055	11,372
Interest on long term debt	43,141	58,708
Office supplies	10,864	14,285
Professional fees	11,740	8,858
Repairs and maintenance	144,228	14,605
Seminars and training	450	3,607
Telephone	8,496	5,718
Travel and conferences	18,065	19,071
Utilities	20,420	17,616
Wages and benefits	107,106	69,767
Water costs	206,085	204,199
	<u>850,800</u>	<u>691,407</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<u>\$ (212,009)</u>	<u>\$ (200,246)</u>

**HIGHWAY 41 WATER UTILITY**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2014**

	Unrestricted Fund	Invested in Capital Assets	2014	2013
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 1,125,383	\$ 11,756,285	\$ 12,881,668	\$ 12,682,743
Deficiency of revenue over expenses	(212,009)	-	(212,009)	(200,246)
Subscribers' contributions	-	-	-	399,171
Invested in capital assets	(179,998)	179,998	-	-
Amortization	273,927	(273,927)	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,007,303</b>	<b>\$ 11,662,356</b>	<b>\$ 12,669,659</b>	<b>\$ 12,881,668</b>

**HIGHWAY 41 WATER UTILITY**  
**Statement of Cash Flows**  
**Year Ended December 31, 2014**

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	\$ (212,009)	\$ (200,246)
Item not affecting cash:		
Amortization of property, plant and equipment	273,927	255,927
	<u>61,918</u>	<u>55,681</u>
Changes in non-cash working capital:		
Accounts receivable	1,688	(11,861)
Accounts payable	(18,361)	(62,551)
Goods and services tax payable	(6,450)	641
Connection deposits	1,900	8,000
	<u>(21,223)</u>	<u>(65,771)</u>
Cash flow from (used by) operating activities	<u>40,695</u>	<u>(10,090)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(180,000)	(153,320)
Decrease (increase) in subscriber loans receivable	280,236	295,226
Cash flow from investing activities	<u>100,236</u>	<u>141,906</u>
<b>FINANCING ACTIVITIES</b>		
Subscriber contributions	-	399,171
Repayment of long term debt	(359,565)	(451,161)
Cash flow used by financing activities	<u>(359,565)</u>	<u>(51,990)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(218,634)</b>	<b>79,826</b>
Cash - beginning of year	<u>1,089,257</u>	<u>1,009,431</u>
<b>CASH - END OF YEAR</b>	<b>\$ 870,623</b>	<b>\$ 1,089,257</b>
<b>CASH CONSISTS OF:</b>		
Cash	<u>\$ 870,623</u>	<u>\$ 1,089,257</u>



**HIGHWAY 41 WATER UTILITY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

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1. PURPOSE OF THE UTILITY

Highway 41 Water Utility (the "Utility") is a not-for-profit organization incorporated provincially under the Non-profit Corporations Act of Saskatchewan. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Land		non-amortizable
Assets under construction		non-amortizable
Office equipment	5 years	straight-line method
Buildings	10 years	straight-line method
Meter equipment	10 years	straight-line method
Vehicles	10 years	straight-line method
Pipes	50 years	straight-line method
Utility infrastructure	50 years	straight-line method

The Utility regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

The Utility recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

*(continues)*

**HIGHWAY 41 WATER UTILITY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

Volunteer services, if any, contributed to the Utility in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their value.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. FINANCIAL INSTRUMENTS

The Utility is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Utility's risk exposure and concentration as of December 31, 2014.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Utility is exposed to credit risk from customers. In order to reduce its credit risk, the Utility reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Utility has a significant number of customers which minimizes concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Utility manages exposure through its normal operating and financing activities. The Utility is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 31,905	\$ -	\$ 31,905	\$ 31,905
Office equipment	6,262	4,764	1,498	2,751
Buildings	202,000	26,800	175,200	15,400
Meter equipment	21,095	6,329	14,766	16,876
Vehicles	24,608	4,923	19,685	22,147
Pipes	2,283,013	182,640	2,100,373	2,146,033
Utility infrastructure	10,112,134	793,205	9,318,929	9,521,173
	<b>\$ 12,681,017</b>	<b>\$ 1,018,661</b>	<b>\$ 11,662,356</b>	<b>\$ 11,756,285</b>

**HIGHWAY 41 WATER UTILITY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

5. LONG TERM DEBT

	2014	2013
Royal Bank subscriber financing loan #1 bearing interest at 4.68% per annum, repayable in monthly blended payments of \$5,244. The loan matures on November 30, 2021.	\$ 256,712	\$ 334,120
Royal Bank subscriber financing loan #2 bearing interest at 3.37% per annum, repayable in monthly blended payments of \$5,714. The loan matures on November 30, 2016.	76,533	150,165
Royal Bank subscriber financing loan #3 loan bearing interest at 4.25% per annum, repayable in monthly blended payments of \$6,326. The loan matures on May 31, 2022.	370,177	473,715
Royal Bank subscriber financing loan #4 loan bearing interest at 3.4% per annum, repayable in monthly blended payments of \$7,468. The loan matures on May 31, 2017.	142,862	247,849
	846,284	1,205,849
Amounts payable within one year	(266,769)	(252,220)
	\$ 579,515	\$ 953,629

Principal repayment terms are approximately:

2015	\$ 266,769
2016	184,981
2017	124,072
2018	129,653
2019	105,681
Thereafter	35,128
	\$ 846,284

6. COMPARATIVE FIGURES

Prior year comparative figures were audited by Davies & Drury Chartered Accountants. Certain figures have been reclassified to conform with the current year's presentation.