

HIGHWAY 41 WATER UTILITY
Financial Statements
Year Ended December 31, 2017

HIGHWAY 41 WATER UTILITY
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Year Ended December 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Highway 41 Water Utility have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

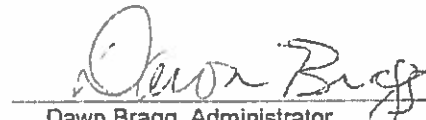
The integrity and reliability of Highway 41 Water Utility's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Executive Committee. The Executive Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Executive Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Cogent Chartered Professional Accountants LLP, in accordance with Canadian accounting standards for not-for-profit organizations.



Graham White, Chairperson



Dawn Bragg, Administrator

Aberdeen, SK
June 13, 2018

Cogent

CHARTERED PROFESSIONAL
ACCOUNTANTS LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Highway 41 Water Utility

We have audited the accompanying financial statements of Highway 41 Water Utility, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flow 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Highway 41 Water Utility as at December 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

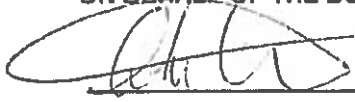
Rosthern, SK
June 14, 2018



Chartered Professional Accountants

HIGHWAY 41 WATER UTILITY
Statement of Financial Position
December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash (Note 4)	\$ 659,613	\$ 549,606
Term deposits (Note 6)	258,717	511,958
Utility fees receivable (Note 5)	76,609	68,306
Goods and services tax recoverable	6,033	4,943
	<u>1,000,972</u>	<u>1,134,813</u>
TANGIBLE CAPITAL ASSETS (Note 8)	10,843,230	11,114,109
SUBSCRIBER LOANS RECEIVABLE (Note 7)	380,212	520,666
TERM DEPOSITS (Note 6)	259,495	-
	<u>\$ 12,483,909</u>	<u>\$ 12,769,588</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 24,580	\$ 54,173
Deposits received	15,500	5,000
Current portion of callable debt (Note 9)	129,785	127,708
Employee deductions payable	2,425	(269)
	<u>172,290</u>	<u>186,612</u>
Callable debt due thereafter (Note 9)	39,355	182,022
	<u>211,645</u>	<u>368,634</u>
NET ASSETS		
Unrestricted net assets	1,598,174	1,596,575
Invested in tangible capital assets	10,674,090	10,804,379
	<u>12,272,264</u>	<u>12,400,954</u>
	<u>\$ 12,483,909</u>	<u>\$ 12,769,588</u>

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

See notes to financial statements

HIGHWAY 41 WATER UTILITY**Statement of Operations****Year Ended December 31, 2017**

	2017	2016
REVENUES		
Water sales	\$ 606,803	\$ 548,702
Connection payments (net)	93,234	249,871
Grants	50,000	50,000
Interest income	10,778	10,458
Meter installations	6,000	9,600
Custom Work	2,515	-
Sundry	-	8,000
	<u>769,330</u>	<u>876,631</u>
EXPENSES		
Amortization	270,879	271,124
Water purchases	265,037	234,941
Repairs and maintenance	147,752	193,898
Salaries and wages	120,877	121,257
Bad debts	30,000	-
Utilities	27,982	24,973
Insurance	13,351	13,032
Interest on callable debt	10,607	23,277
Professional fees	9,442	24,752
Telephone	9,121	9,735
Office	6,443	13,717
Travel	5,685	6,387
Interest and bank charges	2,773	3,618
Memberships	1,358	508
Advertising and promotion	21	-
Meetings and conventions	-	550
	<u>921,328</u>	<u>941,769</u>
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(151,998)	(65,138)
OTHER INCOME		
Expense recoveries	<u>23,308</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (128,690)	\$ (65,138)

See notes to financial statements

HIGHWAY 41 WATER UTILITY
Statement of Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted Net Assets	Invested in Tangible Capital Assets	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 1,596,575	\$ 10,804,379	\$ 12,400,954	\$ 12,466,092
DEFICIENCY OF REVENUES OVER EXPENSES	152,796	(281,486)	(128,690)	(65,138)
Interfund Transfer	(151,197)	151,197	-	-
NET ASSETS - END OF YEAR	<u>\$ 1,598,174</u>	<u>\$ 10,674,090</u>	<u>\$ 12,272,264</u>	<u>\$ 12,400,954</u>

See notes to financial statements

HIGHWAY 41 WATER UTILITY**Statement of Cash Flow****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (128,690)	\$ (65,138)
Item not affecting cash:		
Amortization of tangible capital assets	<u>270,879</u>	<u>271,124</u>
	<u>142,189</u>	<u>205,986</u>
Changes in non-cash working capital:		
Utility fees receivable	(8,303)	(13,881)
Accounts payable	(29,593)	18,521
Goods and services tax payable	(1,090)	11,959
Employee deductions payable	2,694	(269)
Deposits received	<u>10,500</u>	<u>(4,000)</u>
	<u>(25,792)</u>	<u>12,330</u>
Cash flow from operating activities	<u>116,397</u>	<u>218,316</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	-	(1,371)
Loans and notes receivable	140,454	226,971
Term deposits - current	253,241	(511,958)
Term deposits - long-term	<u>(259,495)</u>	<u>-</u>
Cash flow from (used by) investing activities	<u>134,200</u>	<u>(286,358)</u>
FINANCING ACTIVITY		
Repayment of callable debt	<u>(140,590)</u>	<u>(199,933)</u>
INCREASE (DECREASE) IN CASH FLOW	110,007	(267,975)
Cash - beginning of year	<u>549,606</u>	<u>817,581</u>
CASH - END OF YEAR (Note 4)	\$ 659,613	\$ 549,606

See notes to financial statements

HIGHWAY 41 WATER UTILITY

Notes to Financial Statements

Year Ended December 31, 2017

1. PURPOSE OF THE UTILITY

Highway 41 Water Utility (the "Utility") is a public utility board created under the authority of the Municipalities Act of the Province of Saskatchewan by bylaw of the Rural Municipality of Aberdeen No. 373. Municipalities participating in the Utility include the Rural Municipality of Aberdeen No. 373, the Rural Municipality of Corman Park No. 344, the Rural Municipality of Blucher No. 343 and the Rural Municipality of Grant No. 372. 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

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

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Revenue recognition

The Utility recognizes water sales based on consumption by subscribers in the billing period.

Connection payments are recognized as revenue when the utility has completed the connection of the subscriber to the utility's network.

Grants are recognized as revenue when received.

Term deposits

Term deposits, which consist primarily of commercial paper with original maturities at date of purchase beyond three months and less than twelve months, are carried at amortized cost. and presented as current assets on the statement of financial position.

Term deposits, which consist primarily of commercial paper with original maturities at date of purchase beyond twelve months, are carried at amortized cost. and presented as long-term assets on the statement of financial position.

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HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2017

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

Tangible capital assets

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

Land		non-amortizable
Buildings	10 years	straight-line method
Metering equipment	10 years	straight-line method
Vehicles	10 years	straight-line method
Office technology	5 years	straight-line method
Pipes	50 years	straight-line method
Utility infrastructure	50 years	straight-line method
	N/A	

The Utility regularly reviews its tangible capital assets to eliminate obsolete items.

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

Callable debt

The Utility's demand loans are classified as current liabilities because the lender has the right to demand repayment within one year.

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.

3. **FINANCIAL INSTRUMENTS**

The Utility is exposed to various risks through its financial instruments and monitors, evaluates and manages these risks. The following analysis provides information about the Utility's risk exposure and concentration as of December 31, 2017.

(a) 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.

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HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2017

3. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Utility is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

(c) 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.

Unless otherwise noted, it is management's opinion that the Utility is not exposed to significant other price risks arising from these financial instruments.

4. CASH

	2017	2016
Royal Bank of Canada - Incidental	\$ 375,620	\$ 260,650
Royal Bank of Canada - Project	283,993	288,956
	\$ 659,613	\$ 549,606

5. ACCOUNTS RECEIVABLE

	2017	2016
Utility fees receivable	\$ 79,075	\$ 70,629
Allowance for doubtful accounts	(2,466)	(2,323)
	\$ 76,609	\$ 68,306

HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2017

6. TERM DEPOSITS

	<u>2017</u>	<u>2016</u>
Current:		
Royal Bank of Canada - 1 year non-redeemable GIC	\$ 258,717	\$ 511,958
Total current term deposits	<u>258,717</u>	<u>511,958</u>
Long-term:		
Royal Bank of Canada - 3 year non-redeemable GIC	<u>259,495</u>	-
Total long-term term deposits	<u>259,495</u>	-

7. SUBSCRIBER LOANS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Subscriber Loans Receivable	\$ 410,212	\$ 520,666
Allowance for doubtful accounts	<u>(30,000)</u>	<u>-</u>
	<u>\$ 380,212</u>	<u>\$ 520,666</u>

8. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 31,905	\$ -	\$ 31,905	\$ 31,905
Buildings	180,000	72,000	108,000	126,000
Vehicles	24,608	12,305	12,303	14,764
Office equipment	21,095	12,658	8,437	10,547
Furniture and fixtures	7,633	6,810	823	1,371
Pipes	10,118,697	1,400,327	8,718,370	8,920,470
Utility infrastructure	2,283,013	319,621	1,963,392	2,009,052
	<u>\$ 12,666,951</u>	<u>\$ 1,823,721</u>	<u>\$ 10,843,230</u>	<u>\$ 11,114,109</u>

HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2017

9. CALLABLE DEBT

	2017	2016
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 and is secured by a general security agreement which has a carrying value of \$380,212. Loan is callable on demand.	\$ 111,889	\$ 181,433
Royal Bank subscriber financing loan #1 loan bearing interest at 4.68% per annum, repayable in monthly blended payments of \$5,244. The loan matures on November 30, 2021 and is secured by a general security agreement which has a carrying value of \$380,212. Loan is callable on demand.	57,251	128,297
	169,140	309,730
Principal due in one year	(129,785)	(127,708)
	\$ 39,355	\$ 182,022

Principal repayment terms are approximately:

2018	\$ 129,811
2019	39,329
	\$ 169,140

10. COMPARATIVE FIGURES

Some of the comparative figures may have been reclassified to conform to the current year's presentation.