

**WEST INTER LAKE DISTRICT REGIONAL
WATER SERVICES COMMISSION**

ALBERTA BEACH, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of West Inter Lake District Regional Water Services Commission
Alberta Beach, Alberta

We have audited the accompanying financial statements for the West Inter Lake District Water Services Commission, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial 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 public sector accounting standards, 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 the West Inter Lake District Water Services Commission, as at December 31, 2015, and the results of its operations, the changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 9, 2016


Hawkings Epp Dumont LLP
Chartered Accountants

EDMONTON

Mayfield Square I
10476 – Mayfield Road
Edmonton, AB T5P 4P4
T: 780.489.9606
F: 780.484.9689

STONY PLAIN

#101, 5300 – 50 Street
PO Box 3188, Station Main
Stony Plain, AB T7Z 1T8
T: 780.963.2727
F: 780.963.1294

LLOYDMINSTER

5102 – 48 Street
PO Box 10099
Lloydminster, AB T9V 3A2
T: 780.875.7433
F: 780.875.5304

HAWKINGS.COM



WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash	\$ 1,533,203	\$ 5,758,117
Government grant receivable	1,868,729	-
Goods and Services Tax receivable	529,160	233,679
Requisitions receivable	<u>-</u>	<u>484,394</u>
	<u>3,931,092</u>	<u>6,476,190</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,192,060	1,664,583
Deferred revenue (Note 4)	786,529	3,830,137
Advances from Commission members (Note 8)	-	70,000
Long-term debt (Note 5)	<u>1,413,185</u>	<u>1,451,390</u>
	<u>5,391,774</u>	<u>7,016,110</u>
NET FINANCIAL ASSETS (DEFICIT)	(1,460,682)	(539,920)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 3)	<u>27,115,051</u>	<u>16,498,800</u>
ACCUMULATED SURPLUS (Note 6)	\$ <u>25,654,369</u>	\$ <u>15,958,880</u>

CONTINGENT LIABILITIES (Note 13)

ON BEHALF OF THE COMMISSION:

_____ Chairman

_____ Treasurer

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Revenue		
Government transfers for capital	\$ 9,657,172	\$ 4,740,380
Requisitions from members	<u>155,579</u>	<u>1,143,394</u>
	<u>9,812,751</u>	<u>5,883,774</u>
Expenses		
Interest on long-term debt	50,528	27,876
Administration contract	27,168	32,090
Management contract	24,000	18,000
Professional fees	7,000	5,500
Insurance	3,468	1,786
Office	2,994	1,967
Telephone	1,800	1,800
Bank charges	<u>304</u>	<u>15</u>
	<u>117,262</u>	<u>89,034</u>
Excess of Revenue over Expenses	9,695,489	5,794,740
Accumulated Surplus, Beginning of Year	<u>15,958,880</u>	<u>10,164,140</u>
Accumulated Surplus, End of Year	<u>\$ 25,654,369</u>	<u>\$ 15,958,880</u>

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Excess of Revenue Over Expenses	\$ 9,695,489	\$ 5,794,740
Acquisition of tangible capital assets	<u>(10,616,251)</u>	<u>(5,239,110)</u>
Increase (Decrease) in Net Financial Assets	(920,762)	555,630
Net Financial Assets (Deficit), Beginning of Year	<u>(539,920)</u>	<u>(1,095,550)</u>
Net Financial Assets (Deficit), End of Year	<u>\$ (1,460,682)</u>	<u>\$ (539,920)</u>

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Operating Activities		
Excess of revenue over expenses	\$ 9,695,489	\$ 5,794,740
Change in non-cash working capital balances related to operations:		
Government grant receivable	(1,868,729)	1,441,444
Goods and Services Tax receivable	(295,481)	162,884
Requisition receivable	484,394	(484,394)
Accounts payable and accrued liabilities	1,527,477	(708,720)
Deferred revenue	<u>(3,043,608)</u>	<u>1,610,333</u>
	<u>6,499,542</u>	<u>7,816,287</u>
Financing Activities		
Advances from Commission members	(70,000)	-
Repayment of long-term debt	(38,205)	(18,610)
Long-term debt proceeds	<u>-</u>	<u>1,470,000</u>
	<u>(108,205)</u>	<u>1,451,390</u>
Investing Activities		
Purchase of tangible capital assets	<u>(10,616,251)</u>	<u>(5,239,110)</u>
Change in Cash During the Year	(4,224,914)	4,028,567
Cash, Beginning of Year	<u>5,758,117</u>	<u>1,729,550</u>
Cash, End of Year	<u>\$ 1,533,203</u>	<u>\$ 5,758,117</u>

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. NATURE OF THE ORGANIZATION

The Commission is constituted under the *Municipal Government Act* and was approved by the Minister of Municipal Affairs on October 1, 2008, O.C. 463/2008, for the purpose of providing and operating a water supply system.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for local governments established by the Canadian Public Sector Accounting Board.

(b) Revenue Recognition

Revenue is recognized in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenue.

Government transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Investment income is recognized as revenue when earned.

(c) Cash

Cash includes chequing and savings accounts that are readily converted into known amounts of cash and are subject to an insignificant change in value.

(d) Tangible Capital Assets

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Engineered structures	75 years
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Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as an expense in the statement of operations.

(e) Measurement Uncertainty

The preparation of the financial statements in accordance with Canadian public sector accounting standards, requires management to make estimates regarding significant items such as allowances for uncollectible receivables, amounts relating to impairment assessments and amortization of tangible capital assets that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

3. TANGIBLE CAPITAL ASSETS

	<u>Balance</u> <u>Beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>End of year</u>
Engineered Structures	\$ 16,368,760	\$ 10,602,883	\$ -	\$ 26,971,643
Land	<u>130,040</u>	<u>13,368</u>	<u>-</u>	<u>143,408</u>
Net Book Value	<u>\$ 16,498,800</u>	<u>\$ 10,616,251</u>	<u>\$ -</u>	<u>\$ 27,115,051</u>

No amortization expense has been recorded as the project is in progress at year end. Amortization will begin in the period in which the project is completed and the asset is in use.

4. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenses are incurred.

	<u>2015</u>	<u>2014</u>
Federal Water Line Grant	\$ 786,529	\$ 2,188,470
Provincial Water Line Grant	-	1,636,636
Other Grant	<u>-</u>	<u>5,031</u>
Total	<u>\$ 786,529</u>	<u>\$ 3,830,137</u>

5. LONG-TERM DEBT

Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$88,788 including interest at 3.508%; due June 16, 2039.

	<u>2015</u>	<u>2014</u>
	<u>\$ 1,413,185</u>	<u>\$ 1,451,390</u>

Future principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 39,557	\$ 49,231	\$ 88,788
2017	40,957	47,831	88,788
2018	42,406	46,381	88,787
2019	43,907	44,881	88,788
2020	45,461	43,327	88,788
Thereafter	<u>1,200,897</u>	<u>441,677</u>	<u>1,642,574</u>
	<u>\$ 1,413,185</u>	<u>\$ 673,328</u>	<u>\$ 2,086,513</u>

Debenture debt is repayable to Alberta Capital Finance Authority and is issued on the credit and security of the Commission at large.

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

6. ACCUMULATED SURPLUS

	<u>2015</u>	<u>2014</u>
Unrestricted surplus (deficit)	\$ (47,497)	\$ 911,470
Equity in tangible capital assets (Note 7)	<u>25,701,866</u>	<u>15,047,410</u>
	<u>\$ 25,654,369</u>	<u>\$ 15,958,880</u>

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Tangible capital assets (Note 3)	\$ 27,115,051	\$ 16,498,800
Long-term debt (Note 5)	<u>(1,413,185)</u>	<u>(1,451,390)</u>
	<u>\$ 25,701,866</u>	<u>\$ 15,047,410</u>

8. RELATED PARTY TRANSACTIONS

The members of the Commission are considered to be related parties.

The balance owed to Commission members at year end is \$nil (2014 - \$70,000). The 2014 balance related to funds advanced to the Commission by Lac Ste. Anne County and Parkland County to cover business plan costs (\$35,000 each). These amounts were repaid in 2015.

Requisitions receivable from members at year end is \$nil (2014 - \$484,394).

Requisition revenue from members was \$155,579 (2014 - \$1,143,394).

These transactions are in the normal course of operations and are measured at the exchange amounts as established and agreed to by the related parties.

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

9. DEBT LIMITS

Section 3 of the Alberta Regulation No. 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	\$ 311,158	\$ 2,286,788
Total debt	<u>1,413,185</u>	<u>1,451,390</u>
Unused debt limit	\$ <u>(1,102,027)</u>	\$ <u>835,398</u>
Service on debt limit	\$ 54,453	\$ 400,188
Service on debt	<u>88,788</u>	<u>88,788</u>
Unused service on debt limit	\$ <u>(34,335)</u>	\$ <u>311,400</u>

The debt limit is calculated at 2 times revenue of the Commission (as defined in the Alberta Regulation 76/2000) and the debt service limit is calculated as 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Alberta Municipal Affairs. The Commission has obtained the required approval from the Minister of Alberta Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify Commissions that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

10. CREDIT FACILITIES

The Commission has an authorized revolving operating loan with a limit of \$500,000 and a non-revolving term loan with a limit of \$1,200,000. There are no balances outstanding at December 31, 2015.

11. COMMITMENTS

A waterline project was approved at a total cost of \$30 million. This project is 90% funded by the Province of Alberta, with the Commission responsible for the remaining 10%. \$27 million has been spent to December 31, 2015.

12. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Commission is not exposed to significant interest rate, liquidity, currency, credit, market or other price risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximates their carrying values.

13. CONTINGENT LIABILITIES

Legal Claims:

As of December 31, 2015 the Commission was involved in legal disputes related to the construction of the water line. It is not possible to estimate the outcome of these disputes at December 31, 2015.