

**WINTERGREEN WOODS WATER UTILITY LTD.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**WINTERGREEN WOODS WATER UTILITY LTD.**

**INDEX**

|                                    | <b>Page</b> |
|------------------------------------|-------------|
| Independent Auditor's Report       | 1           |
| Statement of Financial Position    | 2           |
| Statement of Operations            | 3           |
| Statement of Changes in Net Assets | 4           |
| Cash Flow Statement                | 5           |
| Notes to Financial Statements      | 6 - 8       |

**DEBORAH V. WALKER PROFESSIONAL CORPORATION**  
**127 CRANWELL CLOSE SE**  
**CALGARY, ALBERTA T3M 1B1**  
**587-353-0525 or 403-399-7742**

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Wintergreen Woods Water Utility Ltd.;

I have audited the accompanying financial statements of Wintergreen Woods Water Utility Ltd., which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets, and cash flows for the year ended December 31, 2016 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 generally accepted 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 Wintergreen Woods Water Utility Ltd. as at December 31, 2016 and its financial performance and its cash flows for the year ended December 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta  
April 3, 2017

**Deborah V. Walker Professional Corporation**  
Chartered Professional Accountant, CGA



**WINTERGREEN WOODS WATER UTILITY LTD.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

|   | <u>2016</u>              | <u>2015</u>              |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>                             |                          |                          |
| <b>CURRENT</b>                            |                          |                          |
| Cash                                      | \$ 148,026               | \$ 101,518               |
| Restricted cash - reserve (Note 3)        | 150,391                  | 130,250                  |
| Accounts receivable (Note 4)              | 11,726                   | 47,946                   |
| GST receivable                            | 2,356                    | 3,457                    |
| Prepaid expenses                          | <u>2,836</u>             | <u>3,560</u>             |
| <b>TOTAL CURRENT ASSETS</b>               | 315,335                  | 286,731                  |
| <b>CAPITAL ASSETS (Note 5)</b>            | <u>310,187</u>           | <u>337,039</u>           |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 625,522</u></u> | <u><u>\$ 623,770</u></u> |
| <b>LIABILITIES</b>                        |                          |                          |
| <b>CURRENT</b>                            |                          |                          |
| Accounts payable and accrued liabilities  | \$ 17,282                | \$ 7,911                 |
| Deferred revenue                          | <u>53,450</u>            | <u>53,450</u>            |
| <b>TOTAL CURRENT LIABILITIES</b>          | 70,732                   | 61,361                   |
| <b>DEFERRED CONTRIBUTIONS (Note 6)</b>    | <u>150,391</u>           | <u>130,250</u>           |
| <b>TOTAL LIABILITIES</b>                  | <u>221,123</u>           | <u>191,611</u>           |
| <b>NET ASSETS</b>                         |                          |                          |
| Net assets invested in capital assets     | 310,187                  | 337,039                  |
| Unrestricted net assets                   | <u>94,212</u>            | <u>95,120</u>            |
| <b>TOTAL NET ASSETS</b>                   | <u>404,399</u>           | <u>432,159</u>           |
| <b>TOTAL LIABILITIES &amp; NET ASSETS</b> | <u><u>\$ 625,522</u></u> | <u><u>\$ 623,770</u></u> |

Approved by the Directors:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**WINTERGREEN WOODS WATER UTILITY LTD.  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <u>2016</u>        | <u>2015</u>      |
|---|--------------------|------------------|
| <b>REVENUE</b>  |                    |                  |
| Revenue   | \$ 125,870         | \$ 127,975       |
| Insurance claim   | -                  | 17,376           |
| RCR maintenance reimbursement   | 2,380              | 4,750            |
| Other revenue   | 100                | 50               |
| Interest  | 76                 | -                |
| Capital reserve allocation  | <u>(20,000)</u>    | <u>-</u>         |
|   | <u>108,426</u>     | <u>150,151</u>   |
| <b>EXPENSES</b>   |                    |                  |
| Repairs and maintenance   | 58,813             | 76,970           |
| Amortization of tangible assets   | 26,852             | 26,852           |
| Utilities   | 21,448             | 18,786           |
| Professional fees   | 8,400              | 8,400            |
| Insurance   | 4,279              | 4,364            |
| Telephone   | 1,057              | 1,045            |
| Memberships and subscriptions   | 880                | 880              |
| Office and general  | 421                | 368              |
| Interest and bank charges   | <u>214</u>         | <u>365</u>       |
|   | <u>122,364</u>     | <u>138,030</u>   |
| <b>(DEFICIENCY) EXCESS OF REVENUE OVER<br/>EXPENSES BEFORE RESERVE AND<br/>EXTRAORDINARY ITEM</b> | <u>(13,938)</u>    | <u>12,121</u>    |
| <b>RESERVE (Note 6)</b>   |                    |                  |
| Reserve income utilized   | -                  | -                |
| Interest income   | -                  | 20               |
| Reserve expenditures  | -                  | (20)             |
| Transfer to operating   | <u>-</u>           | <u>-</u>         |
|   | <u>-</u>           | <u>-</u>         |
| <b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES<br/>BEFORE EXTRAORDINARY ITEM</b>                 | (13,938)           | 12,121           |
| Extraordinary item - flood relief (Note 7)  | -                  | 13,251           |
| Flood expenses  | -                  | (13,251)         |
| Extraordinary item - road repairs (Note 7)  | <u>(13,822)</u>    | <u>-</u>         |
| <b>(DEFICIENCY) EXCESS OF REVENUE OVER<br/>EXPENSES</b>   | <u>\$ (27,760)</u> | <u>\$ 12,121</u> |

**WINTERGREEN WOODS WATER UTILITY LTD.  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

| <b>NET ASSETS</b>                             | <u>Invested in<br/>capital assets</u> | <u>Restricted</u>  | <u>Unrestricted</u>     | <b>Total<br/>2016</b>    | <b>Total<br/>2015</b>    |
|---|---------------------------------------|--------------------|-------------------------|--------------------------|--------------------------|
| Balance, beginning of year                    | \$ 337,039                            | \$ -               | \$ 95,120               | \$ 432,159               | \$ 420,038               |
| (Deficiency) excess of revenues over expenses | <u>(26,852)</u>                       | <u>-</u>           | <u>(908)</u>            | <u>(27,760)</u>          | <u>12,121</u>            |
| <b>Balance, end of year</b>                   | <b><u>\$ 310,187</u></b>              | <b><u>\$ -</u></b> | <b><u>\$ 94,212</u></b> | <b><u>\$ 404,399</u></b> | <b><u>\$ 432,159</u></b> |

**WINTERGREEN WOODS WATER UTILITY LTD.  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <u>2016</u>              | <u>2015</u>              |
|---|--------------------------|--------------------------|
| <b>OPERATING ACTIVITIES</b>                         |                          |                          |
| Cash receipts from members                          | \$ 144,570               | \$ 129,450               |
| Cash paid to suppliers                              | (98,138)                 | (116,209)                |
| Interest received                                   | <u>76</u>                | <u>-</u>                 |
|   | <u>46,508</u>            | <u>13,241</u>            |
| <b>FINANCING ACTIVITIES</b>                         |                          |                          |
| Reserve contributions                               | 20,000                   | 869                      |
| Interest on reserve                                 | 141                      | 302                      |
| Reserve expenditures                                | <u>-</u>                 | <u>(20)</u>              |
|   | <u>20,141</u>            | <u>1,151</u>             |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>        | <b>66,649</b>            | <b>14,392</b>            |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b> | <b><u>231,768</u></b>    | <b><u>217,376</u></b>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>       | <b><u>\$ 298,417</u></b> | <b><u>\$ 231,768</u></b> |
| Cash and cash equivalents consist of:               |                          |                          |
| Cash  | \$ 148,026               | \$ 101,518               |
| Restricted cash - reserve                           | <u>150,391</u>           | <u>130,250</u>           |
|   | <b><u>\$ 298,417</u></b> | <b><u>\$ 231,768</u></b> |

**WINTERGREEN WOODS WATER UTILITY LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. NATURE OF ORGANIZATION**

Wintergreen Woods Water Utility Ltd. the "Organization" was formed to provide water to the residence of the rural area of Wintergreen and was registered under the Rural Utilities Act July 9, 1990. The organization is a non-profit organization and exempt from tax under the income tax under section 149(1) of the Income Tax Act.

**2. ACCOUNTING POLICIES**

The financial statements of the organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) on a going-concern basis that assumes that the organization will be able to realize its assets and discharge its liabilities in the normal course of business and include the following significant accounting policies:

- a) Cash, restricted cash and cash equivalents include amounts on deposit with financial institutions and deposits in T-bill savings accounts. Cash and cash equivalents exclude term deposits that are unavailable for current use because they are a restricted reserve.
- b) Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded at the following rates, which have been established by estimates of useful lives.

|                          |                        |
|--------------------------|------------------------|
| Water treatment facility | 30 years straight line |
|--------------------------|------------------------|
- c) The organization earns substantially all of its revenue from water fees it provides to its customers. Revenue is recognized at the time the services are provided to customers and collection is reasonably assured.
- d) Volunteers contribute numerous hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
- e) The organization recognizes restricted contributions using the deferral method. The purpose of the restricted reserve is for future capital purchases or improvements which may be required for the water treatment plant. Before monies can be utilized from the reserve, board approval is required.
- f) When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, management make estimates and assumptions that affect the reported amounts of revenues and expenses during the year, the reported amounts of assets and liabilities at the date of the financial statements, and the disclosure of contingent assets and liabilities at the date of the financial statements. Management base their assumptions on a number of factors including historical experience, current events, actions that the organization may undertake in the future, and other assumptions believed reasonable under the circumstances. Material measurement uncertainties include estimates of useful lives of capital assets and estimates of collectability of accounts receivable. Actual results could differ from our estimates; the resolution of these uncertainties will be determined by future events.



**WINTERGREEN WOODS WATER UTILITY LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

g) Financial assets and liabilities are measured initially at fair value. Subsequent measurement is at amortized cost.

Financial assets measured at amortized cost consist of cash, restricted cash accounts and accounts receivable.

Financial liabilities measured at amortized cost consist of the accounts payable and accrued liabilities.

**3. RESTRICTED CASH**

In accordance with the Alberta Rural Utilities Act, the organization is required to maintain a reserve for the replacement, extension or increase in capacity of its works. Restricted reserve funds are held in separate T-bill savings accounts and their cost approximate their fair market value.

|                           | <u>2016</u>              | <u>2015</u>              |
|---------------------------|--------------------------|--------------------------|
| Restricted cash - reserve | \$ <u>150,391</u>        | \$ <u>130,250</u>        |
|                           | \$ <u><u>150,391</u></u> | \$ <u><u>130,250</u></u> |

**4. ACCOUNTS RECEIVABLE**

|                                | <u>2016</u>             | <u>2015</u>             |
|--------------------------------|-------------------------|-------------------------|
| Disaster flood relief (Note 7) | \$ -                    | \$ 15,845               |
| Trade receivables              | 11,726                  | 14,725                  |
| Insurance receivable           | <u>-</u>                | <u>17,376</u>           |
|                                | \$ <u><u>11,726</u></u> | \$ <u><u>47,946</u></u> |

**5. CAPITAL ASSETS**

|                          | <u>2016</u>              |                                     | <u>2015</u>              |                                     |
|--------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
|                          | <u>Cost</u>              | <u>Accumulated<br/>Amortization</u> | <u>Cost</u>              | <u>Accumulated<br/>Amortization</u> |
| Water treatment facility | \$ <u>805,559</u>        | \$ <u>495,372</u>                   | \$ <u>805,559</u>        | \$ <u>468,520</u>                   |
|                          | \$ <u><u>805,559</u></u> | \$ <u><u>495,372</u></u>            | \$ <u><u>805,559</u></u> | \$ <u><u>468,520</u></u>            |
| Net Book Value           |                          | \$ <u><u>310,187</u></u>            |                          | \$ <u><u>337,039</u></u>            |

**WINTERGREEN WOODS WATER UTILITY LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**6. DEFERRED CONTRIBUTIONS**

Under the Alberta Rural Utilities Act the organization is required to maintain a reserve for future capital expenditures. The members contribute to this reserve when they join the water co-operative.

Deferred contributions represents the unexpended portion of the funds as at December 31. During the year, reserve contribution of \$869 was received and \$302 interest was earned. During the year, no reserve funds (2014 - \$27,580) were used to do major repairs and maintenance but bank charges of \$20 (2014 - \$15) were incurred.

| Deferred Contributions   | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|
| Beginning balance  | \$ 130,250        | \$ 129,099        |
| Received from, operating transfers, contributions and interest | 20,141            | 1,171             |
| Funds used   | <u>-</u>          | <u>(20)</u>       |
| Ending balance   | <u>\$ 150,391</u> | <u>\$ 130,250</u> |

**7. EXTRAORDINARY ITEM**

In June of 2013 the organization experienced a traumatic flood, which caused the organization to incur \$58,710 in expenses plus an additional \$13,251. The remaining uncollected amounts were received during 2016 from the Government of Alberta Flood Relief program.

During the prior year Wintergreen Woods Water Utility Ltd. sustained damage to the water pipe for which an insurance claim was filed. The cost of the damage was \$17,376 but the insurance monies received were \$3,544. The remaining uncollectable amount of \$13,822 has been written off in the current year.

**8. FINANCIAL INSTRUMENTS**

The organization is exposed to various risks through its financial instruments. The following describes the exposures to those risks, how they arise, any changes in risk exposures from the previous period, and any concentrations of risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company's main credit risks relate to its accounts receivable. A significant portion of the company's receivables is concentrated in the Resort of Canadian Rockies.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly from its accounts payable.