

**CARTIER REGIONAL WATER CO-OP INC.**

**ST. FRANCOIS XAVIER, MANITOBA**

**DECEMBER 31, 2016**



**REID & ASSOCIATES**  
Chartered Professional Accountants Inc.

### **Independent Auditors' Report**

To the Members of;  
Cartier Regional Water Co-op Inc.

We have audited the accompanying financial statements of Cartier Regional Water Co-op Inc., which comprise the balance sheet as at December 31, 2016 and the statements of revenue and expenditure, 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**

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 these financial statements present fairly, in all material respects, the financial position of Cartier Regional Water Co-op Inc. as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

June 28, 2017  
Winnipeg, Manitoba

*Reid & Associates*

Chartered Professional Accountants Inc.

# CARTIER REGIONAL WATER CO-OP INC.

## BALANCE SHEET

AS AT DECEMBER 31

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	117,243	-
Accounts receivable	492,858	513,287
Grants receivable <i>(note 3)</i>	2,465,000	17,281,026
Prepaid expenses	139,688	139,688
	<u>3,214,789</u>	<u>17,934,001</u>
<b>TANGIBLE CAPITAL ASSETS <i>(note 4)</i></b>	<u>57,026,264</u>	<u>52,227,583</u>
	<u>60,241,053</u>	<u>70,161,584</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	106,092	175,189
Deferred revenue	7,870	-
Wages payable	22,429	8,719
Unexpended capital contribution	705,466	1,572,307
	<u>841,857</u>	<u>1,756,215</u>
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS <i>(note 5)</i></b>	46,673,519	44,461,460
<b>DUE TO MANITOBA WATER SERVICES BOARD <i>(note 6)</i></b>	<u>13,589,617</u>	<u>24,221,015</u>
	<u>61,104,993</u>	<u>70,438,690</u>
<b>NET ASSETS</b>		
<b>NET ASSETS</b>	(1,311,620)	(694,786)
<b>CONTINGENCY RESERVE</b>	<u>447,680</u>	<u>417,680</u>
	<u>(863,940)</u>	<u>(277,106)</u>
	<u>60,241,053</u>	<u>70,161,584</u>

### COMMITMENTS

Approved on Behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements

**CARTIER REGIONAL WATER CO-OP INC.****STATEMENT OF REVENUE AND EXPENDITURE****FOR THE YEAR ENDED DECEMBER 31**

	2016	2016	2015
	Budget		
<b>REVENUE</b>			
Province of Manitoba - MWSB Grants			
Contingency allocation	-	30,000	30,000
Water sales	2,538,000	2,230,465	2,165,820
Miscellaneous	-	139,676	-
	<u>2,538,000</u>	<u>2,400,141</u>	<u>2,195,820</u>
<b>EXPENDITURE</b>			
Audit	4,000	8,100	5,400
Capitalization fees	-	540,000	540,000
Interest on MWSB advances	10,000	6,923	4,067
Operating and maintenance costs	2,593,000	2,104,025	1,218,088
Water expenses	185,000	197,124	172,656
	<u>2,802,000</u>	<u>2,856,172</u>	<u>1,940,211</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE BEFORE AMORTIZATION</b>	(264,000)	(456,031)	255,609
<b>AMORTIZATION</b>			
Current	-	741,828	704,443
Amortization of deferred contributions	-	(611,025)	(585,112)
	<u>-</u>	<u>130,803</u>	<u>119,331</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	<u>(264,000)</u>	<u>(586,834)</u>	<u>136,278</u>

The accompanying notes are an integral part of these financial statements

**CARTIER REGIONAL WATER CO-OP INC.****STATEMENT OF CHANGES IN NET ASSETS**

	Year Ended December 31			
	Contingency reserve	Net assets	2016 Total	2015 Total
<b>NET ASSETS</b>				
<b>Balance, beginning of year</b>	417,680	(694,786)	(277,106)	(413,384)
<b>Excess (deficiency) of revenue over expenditure</b>	-	(586,834)	(586,834)	136,278
<b>Transfer to contingency reserve</b>	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<u>447,680</u>	<u>(1,311,620)</u>	<u>(863,940)</u>	<u>(277,106)</u>

The accompanying notes are an integral part of these financial statements

**CARTIER REGIONAL WATER CO-OP INC.****STATEMENT OF CASH FLOWS**

	Year Ended December 31	
	2016	2015
<b>CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenditure for the year	(586,834)	136,278
Items not affecting cash:		
Amortization	741,828	704,443
Amortization of deferred contributions related to capital assets	(611,025)	(585,112)
	<u>(456,031)</u>	<u>255,609</u>
Net changes in non-cash working capital affecting operations ( <i>note 11</i> )	<u>13,922,097</u>	<u>(15,666,187)</u>
	<u>13,466,066</u>	<u>(15,410,578)</u>
<b>FINANCING</b>		
Proceeds from deferred contributions related to capital assets	2,823,084	27,254,944
Advance from Manitoba Water Service Board	-	18,446,680
Repayments to Manitoba Water Services Board	(10,631,398)	-
	<u>(7,808,314)</u>	<u>45,701,624</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	<u>(5,540,509)</u>	<u>(30,291,046)</u>
<b>INCREASE IN CASH RESOURCES</b>	117,243	-
<b>CASH RESOURCES, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>
<b>CASH RESOURCES, END OF YEAR</b>	<u><u>117,243</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

# CARTIER REGIONAL WATER CO-OP INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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### 1. NATURE OF ACTIVITIES

The Cartier Regional Water Co-op Inc. (CRWCI) is incorporated under The Cooperatives Act and is engaged in providing treated water to the residents of its members. The financial accounting of CRWCI is the joint responsibility of the managements of CRWCI and the Manitoba Water Services Board (MWSB).

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the organization.

#### a) TANGIBLE CAPITAL ASSETS

Tangible capital assets are stated at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

	<u>Method</u>	<u>Rate</u>
Fences & landscaping	straight line	10 % per annum
Laboratory equipment	straight line	10 % per annum
Pipelines & earthworks	straight line	5 % per annum
Reservoirs	straight line	5 % per annum
Water treatment plant	straight line	2.5 % per annum

b) **FINANCIAL INSTRUMENTS**

**Measurement of financial instruments**

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred. Financial assets measured at amortized cost include cash, amounts receivable and fixed income investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value include equity instruments that are quoted in an active market.

The fair values of investments quoted in an active market are determined by reference to the latest closing transactional net asset value of each respective investment.

**Impairment**

At the end of each reporting period, the organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- ii) the amount that could be realized by selling the asset at the statement of financial position date; and
- iii) the amount the organization expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights.

The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statements of operations.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account.

The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

**Transaction costs**



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## NOTES TO THE FINANCIAL STATEMENTS

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Transaction costs are recognized in the statements of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees associated with the index pooled funds are expensed as incurred.

### c) USE OF ESTIMATES

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, the organization makes estimates and assumptions relating to reported amounts of revenue and expenses, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities.

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the organization may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions. Estimates were used when accounting for certain items, such as the useful lives of capital assets and impairment of long-lived assets.

### d) REVENUE RECOGNITION

Water sales and user fee contributions are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

The organization recognizes revenue from grants when they are fixed or determinable and collection is reasonably assured.

## 3. GRANTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
	\$	\$
New Building Canada Fund (PTIC-NRP)	-	9,047,693
Rural Municipality of Rosser	-	5,333,333
Rural Municipality of West St. Paul	<u>2,465,000</u>	<u>2,900,000</u>
	<u>2,465,000</u>	<u>17,281,026</u>

# CARTIER REGIONAL WATER CO-OP INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

### 4. TANGIBLE CAPITAL ASSETS

	2016			2015		
	Cost	Accumulated Amortization	Balance	Cost	Accumulated Amortization	Balance
Fences & landscaping	12,546	12,546	-	12,546	12,546	-
Laboratory equipment	118,474	20,111	98,363	33,119	14,886	18,233
Pipelines & earthworks	11,339,775	2,626,336	8,713,439	11,017,105	2,433,431	8,583,674
Reservoirs	25,719,129	1,577,037	24,142,092	22,243,744	1,162,772	21,080,972
Water treatment plant	25,949,406	1,877,036	24,072,370	24,292,308	1,747,604	22,544,704
	<u>63,139,330</u>	<u>6,113,066</u>	<u>57,026,264</u>	<u>57,598,822</u>	<u>5,371,239</u>	<u>52,227,583</u>

### 5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Changes in deferred contributions are as follows:

	2016	2015
	\$	\$
Deferred contributions, beginning	44,461,460	17,791,627
Contributions received during year	2,823,084	27,254,945
Less: amounts recognized in income	(611,025)	(585,112)
Deferred contributions, end of year	<u>46,673,519</u>	<u>44,461,460</u>

### 6. DUE TO MANITOBA WATER SERVICES BOARD

The amount due to the Manitoba Water Services Board (MWSB) has no fixed term of repayment.

### 7. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of marketable securities, contributions receivable, short-term indebtedness, payables, and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant credit, interest rate, liquidity, or market (other price) risks arising from these financial instruments. Market risks result from changes in interest rates, exchange rates of foreign currencies and market prices of financial instruments.

#### Credit risk

The organization's credit risk consists principally of cash and cash equivalents, short-term and other investments, and contributions receivable. The organization maintains cash and cash equivalents with reputable and major financial institutions. The investments include commercial papers and investments issued by high-credit quality corporations and financial institutions. Management considers the risk of non-performance of these instruments to be remote.

#### Currency risk

The Organization is exposed to currency risk, as a certain portion of expenses are incurred in U.S. dollars resulting in U.S.-denominated accounts payable. In addition, certain cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency.

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## NOTES TO THE FINANCIAL STATEMENTS

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### Interest rate risk

The Organization is exposed to interest rate risk with respect to the following financial instruments:

Cash and cash equivalents

Interest bearing investments

Bank indebtedness

Obligations under capital lease

The Organization is exposed to interest rate risk with respect to the following financial instruments: cash and cash equivalents, investments in interest bearing securities, and mortgage payable. Changes in interest rates can affect the fair value of investments and the cash flows related to interest income and expense.

### Liquidity risk

The Organization is exposed to liquidity risk in meeting its obligations associated with financial liabilities, which is dependent on receipt of funds from contributors and continued support by financial institutions providing sufficient operating lending facilities.

### Market risk

The Organization is exposed to market risk as the investments in publicly traded securities are subject to fluctuations due to price changes on the market. The prices can also be affected by changes in interest rates and foreign currency exchange rates.

## 8. CONTINGENCY RESERVE

In accordance with the Operating Agreement, the CRWCI will establish a contingency fund with an annual appropriation of \$30,000. This special reserve will be for the exclusive benefit of the facility to ensure funding of capital improvements.

## 9. COMMITMENTS

The Operating Agreement signed on May 19, 1998 is an agreement between the CRWCI, MWSB and CWP Limited Partnership and provides for the operation and maintenance of the facility over 20 years from commission date.

The CRWCI will pay specific fees in advance and on a quarterly basis with first payment due on commission date.

The MWSB, in a memorandum of understanding dated May 19, 1998, has agreed to maintain the guarantee, as stated in the Operating Agreement.

The Ground Lease and Transfer Agreement signed on May 19, 1998 is an agreement between the CRWCI and CWP provides for the lease of the land owned by the rural municipalities to CWP for \$1.00 per annum, and the transfer of the facility to the CRWCI at the end of the lease term which is 20 years after commission date.

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## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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### 10. ECONOMIC DEPENDENCE

The CRWCI is economically dependent upon funding from the MWSB for debt servicing and guaranteeing of deficits.

### 11. CASH FLOW STATEMENT

	<u>2015</u>	<u>2015</u>
Net changes in non-cash working capital affecting operations		
Accounts receivable	20,429	(30,723)
Grants receivable	14,816,026	(17,281,026)
Prepaid expenses	-	(1)
Accounts payable and accrued liabilities	(69,097)	89,178
Deferred revenue	7,870	-
Unexpended capital contribution	(866,841)	1,572,307
Wages payable	13,710	(15,922)
	<u>13,922,097</u>	<u>(15,666,187)</u>

