

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

**HEADINGLEY, MANITOBA**

**DECEMBER 31, 2020**

## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying financial statements of Cartier Regional Water Co-op Inc., which comprise the balance sheet as at December 31, 2020, and the statements of revenue and expenditure, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cartier Regional Water Co-op Inc. as at December 31, 2020, 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.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Cartier Regional Water Co-op Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Cartier Regional Water Co-op Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Cartier Regional Water Co-op Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

June 17, 2021  
Winnipeg, Manitoba



Chartered Professional Accountants Inc.

# CARTIER REGIONAL WATER CO-OP INC.

## BALANCE SHEET

AS AT DECEMBER 31

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	36,684	40,618
Accounts receivable	776,950	733,691
Grants receivable <i>(note 3)</i>	42,660	3,471,302
Inventory <i>(note 2)</i>	163,064	92,013
Prepaid expenses	32,315	29,245
	<u>1,051,673</u>	<u>4,366,869</u>
<b>TANGIBLE CAPITAL ASSETS <i>(note 4)</i></b>	<u>65,599,772</u>	<u>64,458,390</u>
	<u>66,651,445</u>	<u>68,825,259</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	290,288	164,760
Wages payable	32,233	21,737
	<u>322,521</u>	<u>186,497</u>
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS <i>(note 5)</i></b>	50,527,642	50,178,743
<b>DUE TO MANITOBA WATER SERVICES BOARD <i>(note 6)</i></b>	<u>17,506,780</u>	<u>20,260,917</u>
	<u>68,356,943</u>	<u>70,626,157</u>
<b>NET ASSETS</b>		
<b>NET ASSETS</b>	(2,263,178)	(2,308,578)
<b>CONTINGENCY RESERVE</b>	<u>557,680</u>	<u>507,680</u>
	<u>(1,705,498)</u>	<u>(1,800,898)</u>
	<u>66,651,445</u>	<u>68,825,259</u>

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**

	2020	2020	2019
	Budget		
<b>REVENUE</b>			
Water sales	2,807,000	3,143,785	2,938,114
Rebates and discounts	-	68,945	26,230
Truck fill sales	250,000	330,543	408,297
Gain on disposal of capital assets	-	-	12,500
	<u>3,057,000</u>	<u>3,543,273</u>	<u>3,385,141</u>
<b>EXPENDITURE</b>			
Audit	9,000	5,950	5,000
Capitalization fees	-	-	270,000
Interest on MWSB advances	10,000	7,214	15,404
Operating and maintenance costs	2,688,000	2,991,139	2,867,465
Water expenses	210,000	357,638	299,830
	<u>2,917,000</u>	<u>3,361,941</u>	<u>3,457,699</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE BEFORE AMORTIZATION</b>	140,000	181,332	(72,558)
<b>AMORTIZATION</b>			
Current	-	496,908	493,240
Amortization of deferred contributions	-	(410,976)	(341,027)
	<u>-</u>	<u>85,932</u>	<u>152,213</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	<u>140,000</u>	<u>95,400</u>	<u>(224,771)</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	2020 Total	2019 Total
<b>NET ASSETS</b>				
<b>Balance, beginning of year</b>	507,680	(2,308,578)	(1,800,898)	(1,576,127)
<b>Excess (deficiency) of revenue over expenditure</b>	-	95,400	95,400	(224,771)
<b>Transfer to contingency reserve</b>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<u>557,680</u>	<u>(2,263,178)</u>	<u>(1,705,498)</u>	<u>(1,800,898)</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	
	2020	2019
<b>CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenditure for the year	95,400	(224,771)
Items not affecting cash:		
Amortization	496,908	493,240
Gain on disposal of capital assets	-	(12,500)
Amortization of deferred contributions related to capital assets	<u>(410,976)</u>	<u>(341,027)</u>
	181,332	(85,058)
Net changes in non-cash working capital affecting operations ( <i>note 12</i> )	<u>3,447,286</u>	<u>(3,460,754)</u>
	<u>3,628,618</u>	<u>(3,545,812)</u>
<b>FINANCING</b>		
Proceeds from deferred contributions related to capital assets	759,875	3,695,253
Advance from Manitoba Water Service Board	-	6,078,837
Repayments to Manitoba Water Services Board	<u>(2,754,137)</u>	<u>-</u>
	(1,994,262)	9,774,090
<b>INVESTING</b>		
Purchase of tangible capital assets	(1,638,290)	(6,242,481)
Proceeds on disposal of tangible capital assets	-	12,500
	<u>(1,638,290)</u>	<u>(6,229,981)</u>
<b>DECREASE IN CASH RESOURCES</b>	(3,934)	(1,703)
<b>CASH RESOURCES, BEGINNING OF YEAR</b>	<u>40,618</u>	<u>42,321</u>
<b>CASH RESOURCES, END OF YEAR</b>	<u>36,684</u>	<u>40,618</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, 2020

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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 management 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>
Computer equipment	straight line	20 % per annum
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 revenue and expenditure in the period incurred. Financial assets measured at amortized cost include cash and amounts receivable.

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 revenue and expenditure in the period the reversal occurs.

**Transaction costs**

# CARTIER REGIONAL WATER CO-OP INC.

## NOTES TO THE FINANCIAL STATEMENTS

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Transaction costs are recognized in the statements of revenue and expenditure 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) MEASUREMENT UNCERTAINTY

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

The organization uses the deferral method of accounting for contributions under which restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Water and truck fill sales, and other revenue 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.

Restricted contributions for the purchase of tangible capital assets that will be amortized have been deferred and will be recognized on the same basis as the amortization expense related to the acquired tangible capital assets.

## 3. GRANTS RECEIVABLE

	2020	2019
	\$	\$
New Building Canada Fund (PTIC-NRP)	-	2,021,302
Rural Municipality of Rosser	42,660	-
Province of Manitoba	-	1,450,000
	<u>42,660</u>	<u>3,471,302</u>

**CARTIER REGIONAL WATER CO-OP INC.****NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2020

**4. TANGIBLE CAPITAL ASSETS**

	2020			2019		
	Cost	Accumulated Amortization	Balance	Cost	Accumulated Amortization	Balance
Computer equipment	41,121	10,280	30,841	41,121	2,056	39,065
Fences & landscaping	72,726	12,546	60,180	13,892	12,546	1,346
Laboratory equipment	118,474	73,021	45,453	118,474	59,793	58,681
Pipelines & earthworks	17,799,228	3,142,294	14,656,934	17,799,228	3,077,220	14,722,008
Reservoirs	29,020,074	3,243,690	25,776,384	27,578,693	2,861,805	24,716,888
Water treatment plant	27,222,875	2,192,895	25,029,980	27,084,801	2,164,399	24,920,402
	<u>74,274,498</u>	<u>8,674,726</u>	<u>65,599,772</u>	<u>72,636,209</u>	<u>8,177,819</u>	<u>64,458,390</u>

**5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS**

Changes in deferred contributions are as follows:

	2020	2019
	\$	\$
Deferred contributions, beginning	50,178,742	46,824,517
Contributions received during year	759,876	3,695,253
Less: amounts recognized in income	(410,976)	(341,027)
Deferred contributions, end of year	<u>50,527,642</u>	<u>50,178,743</u>

**6. DUE TO MANITOBA WATER SERVICES BOARD**

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

# CARTIER REGIONAL WATER CO-OP INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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### 7. RETIREMENT BENEFITS

The majority of the employees of the Organization are members of the Municipal Employees' Pension Plan (MEPP), which is a multi-employer defined benefit pension plan. MEPP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of service, plus 2% of their final average yearly non-CPP earnings times years of service. The costs of the retirement plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada Handbook section 3064.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by MEPP by placing plan assets in trust and through MEPP investment policy. The pension expense is based on the contribution rate. The MEPP required that employees contribute 8.3% of basic annual earnings up to the CPP ceiling plus 9.5% of basic annual earnings in excess of the CPP ceiling, plus an additional 0.1% of earnings below and in excess of the CPP ceiling from employees that are not members of the Municipal Disability Income Plan. The employers are required to match the employee contributions to the MEPP. Actual contributions to MEPP made during the year by the Organization on behalf of its employees amounted to \$37,477 (2019 - \$38,820) and are included in the statement of operations.

Subject to the following paragraph, any unfunded liabilities are to be funded by the participating employers. The most recent actuarial valuation as of December 31, 2019 indicated the plan was 99.7% funded on a going concern basis and had an unfunded solvency liability of \$288.8 million. The solvency position of the plan is determined by comparing the plan assets to the actuarial present value of the benefits accrued in respect of credited service up to the valuation date, calculated as if the plan were wound up on December 31, 2019.

In 2010, the Government of Manitoba enacted a regulation which permits sponsors of public sector pension plans, including MEPP, to elect permanent exemption from solvency funding requirements subject to certain conditions stated in the regulation. MEPP has elected permanent exemption from solvency funding requirements. As a result, solvency funding is no longer required by MEPP.

### 8. FINANCIAL INSTRUMENTS

The organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

### 9. CONTINGENCY RESERVE

This special reserve will be for the exclusive benefit of the facility to ensure funding of capital improvements. Starting in 2020, the organization has decided to transfer \$50,000 per year into this reserve out of operations.

# CARTIER REGIONAL WATER CO-OP INC.

## NOTES TO THE FINANCIAL STATEMENTS

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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. BUDGET

The budget numbers are unaudited and, accordingly, We express no assurance in respect to the budget.

### 12. CASH FLOW STATEMENT

	<u>2020</u>	<u>2019</u>
Net changes in non-cash working capital affecting operations		
Accounts receivable	(43,259)	16,841
Grants receivable	3,428,642	(3,471,302)
Prepaid expenses	(3,070)	132,601
Inventory	(71,051)	(10,218)
Accounts payable and accrued liabilities	125,528	(42,775)
Unexpended capital contribution	-	(84,724)
Wages payable	10,496	(1,177)
	<u>3,447,286</u>	<u>(3,460,754)</u>

### 13. PRIOR PERIOD ADJUSTMENT

The prior period statements have been adjusted for incorrect posting of \$30,000 grant from the Province of Manitoba and subsequent transfer to the contingency reserve since the agreement to fund the reserve ended in 2019. This adjustment has resulted in no change in the unrestricted Net Assets of the organization; however, the contingency reserve balance has been reduced by \$30,000.

R|M

REID & MILLER

CHARTERED PROFESSIONAL ACCOUNTANTS INC