

**SHEEP RIVER REGIONAL UTILITY CORP.**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

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# **SHEEP RIVER REGIONAL UTILITY CORP.**

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**For the year ended December 31, 2020**

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CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To: The Board of  
Sheep River Regional Utility Corp.

### *Opinion*

We have audited the financial statements of the Sheep River Regional Utility Corp. which comprise the statement of financial position as at December 31, 2020, and the statements of operations, change in net financial debt 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 corporation as at December 31, 2020, its results of operations, change in net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the corporation 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 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.

In preparing the financial statements, management is responsible for assessing the corporation'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 corporation or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's 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 auditor's 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:

## INDEPENDENT AUDITOR'S REPORT, continued

- 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 the corporation'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 the corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the company 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.

Lethbridge, Alberta

*Avail LLP*

April 15, 2021

Chartered Professional Accountants

**SHEEP RIVER REGIONAL UTILITY CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2020**

	2020	2019
<b>Financial assets</b>		
Cash	\$ 251,722	\$ 228,387
Trade and other receivables (note 3)	151,612	80,809
	403,334	309,196
<b>Liabilities</b>		
Accounts payable and accrued liabilities	85,560	66,851
Due to shareholders (note 4)	4,572,935	4,572,935
	4,658,495	4,639,786
<b>Net financial debt</b>	(4,255,161)	(4,330,590)
<b>Non-financial assets</b>		
Prepaid expenses	14,441	13,393
Tangible capital assets (schedule 1)	9,234,500	9,373,760
	9,248,941	9,387,153
<b>Accumulated surplus (note 5, schedule 2)</b>	\$ 4,993,780	\$ 5,056,563

Approved on behalf of the board:

Director Delilah Miller

Director ca. 11/15/2020



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**SHEEP RIVER REGIONAL UTILITY CORP.****STATEMENT OF OPERATIONS****For the year ended December 31, 2020**

	Budget (unaudited)	2020	2019
<b>Revenue</b>			
Water requisition	\$ 722,942	\$ 722,935	\$ 670,966
Interest and other	102,500	74,682	38,038
	825,442	797,617	709,004
<b>Expenses</b>			
Contracted and general services	257,610	274,791	282,703
Salaries, wages and benefits	236,481	242,327	247,482
Materials, goods and utilities	128,100	129,864	117,830
Bank charges and short-term interest	250	338	137
Amortization of tangible capital assets	200,674	213,080	205,697
	823,115	860,400	853,849
<b>Excess (deficiency) of revenue over expenses</b>	2,327	(62,783)	(144,845)
<b>Accumulated surplus, beginning of year</b>	5,056,563	5,056,563	5,201,408
<b>Accumulated surplus, end of year</b>	\$ 5,058,890	\$ 4,993,780	\$ 5,056,563

**SHEEP RIVER REGIONAL UTILITY CORP.**  
**STATEMENT OF CHANGE IN NET FINANCIAL DEBT**  
For the year ended December 31, 2020

	Budget (unaudited)	2020	2019
<b>Excess (deficiency) of revenue over expenses</b>	\$ 2,327	\$ (62,783)	\$ (144,845)
Acquisition of tangible capital assets	(100,500)	(73,820)	(22,071)
Amortization of tangible capital assets	200,674	213,080	205,697
	100,174	139,260	183,626
Net change in prepaid expenses	-	(1,048)	(3,054)
<b>Change in net financial debt</b>	102,501	75,429	35,727
<b>Net financial debt, beginning of year</b>	(4,330,590)	(4,330,590)	(4,366,317)
<b>Net financial debt, end of year</b>	\$ (4,228,089)	\$ (4,255,161)	\$ (4,330,590)

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**SHEEP RIVER REGIONAL UTILITY CORP.****STATEMENT OF CASH FLOWS****For the year ended December 31, 2020**

	2020	2019
<b>Operating transactions</b>		
Deficiency of revenue over expenses	\$ (62,783)	\$ (144,845)
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	213,080	205,697
	150,297	60,852
Net change in non-cash working capital items		
Trade and other receivables	(70,803)	(6,853)
Prepaid expenses	(1,048)	(3,054)
Accounts payable and accrued liabilities	18,709	(108,364)
Cash provided by (applied to) operating transactions	97,155	(57,419)
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(73,820)	(22,071)
<b>Increase (decrease) in cash</b>	<b>23,335</b>	<b>(79,490)</b>
<b>Cash, beginning of year</b>	<b>228,387</b>	<b>307,877</b>
<b>Cash, end of year</b>	<b>\$ 251,722</b>	<b>\$ 228,387</b>



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**SHEEP RIVER REGIONAL UTILITY CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2020**

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**1. Nature of operations**

Sheep River Regional Utility Corp. (the "company") was incorporated under the Business Corporations Act of Alberta on June 30, 2013. It operates under a Ministerial Order pursuant to sections 73 and 250 of the Municipal Governments Act of Alberta. The company was incorporated for the purpose of operating the supply, treatment and transmission of drinking water to the respective municipalities.

The shareholders of the company are the Town of Turner Valley, the Town of Black Diamond, Foothills County, and the Village of Longview.

The company is exempt from income taxation under Section 149 of the Canada Income Tax Act.

**2. Significant accounting policies**

The financial statements are prepared in accordance with Canadian public sector accounting standards and reflect the assets, liabilities, revenues and expenses, and change in the financial position of the Commission. Significant aspects of the accounting policies adopted by the commission are as follows:

(a) Revenue recognition

Variable and fixed water revenues are recognized as revenue in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenue.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(c) Budget amounts

The budget amounts presented on the statement of operations are taken from the company's annual budget. Certain budget amounts have been reclassified to conform with the current year's financial statement presentation.

(d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Debt for the year.

**SHEEP RIVER REGIONAL UTILITY CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020

**2. Significant accounting policies, continued**

(i) **Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Buildings	13-48
Engineering structures	38-73
Equipment	10

Full annual amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**3. Trade and other receivables**

	2020	2019
Trade receivables	\$ 141,889	\$ 69,200
GST receivable	9,723	11,609
	<u>\$ 151,612</u>	<u>\$ 80,809</u>

**4. Due to shareholders**

	2020	2019
Town of Turner Valley	\$ 2,057,821	\$ 2,057,821
Town of Black Diamond	2,057,821	2,057,821
Foothills County	457,293	457,293
	<u>\$ 4,572,935</u>	<u>\$ 4,572,935</u>

The amounts due to shareholders are non-interest bearing, and must be repaid to the three shareholders proportionately. There are no scheduled repayments. The amounts are secured by a General Security Agreement covering all present and after acquired property of the company and a land mortgage over the company's assets.

**SHEEP RIVER REGIONAL UTILITY CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020

**5. Accumulated surplus**

Accumulated surplus consists of internally restricted and unrestricted amounts, equity in tangible capital assets, and share capital as follows:

	2020	2019
Unrestricted surplus	\$ 2,529	\$ 1,052
Internally restricted surplus (reserves) (note 6)	329,666	254,666
Equity in tangible capital assets (note 7)	4,661,565	4,800,825
Share capital (note 8)	20	20
	<u>\$ 4,993,780</u>	<u>\$ 5,056,563</u>

**6. Reserves**

	2020	2019
Capital expenditures	\$ 329,666	\$ 254,666

**7. Equity in tangible capital assets**

	2020	2019
Tangible capital assets	\$ 10,255,297	\$ 10,181,477
Accumulated amortization	(1,020,797)	(807,717)
Due to shareholders	(4,572,935)	(4,572,935)
	<u>\$ 4,661,565</u>	<u>\$ 4,800,825</u>

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**SHEEP RIVER REGIONAL UTILITY CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020

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**8. Share capital**

Authorized

Unlimited Class A Common Voting Shares  
Unlimited Class B Common Voting Shares  
Unlimited Class C Common Voting Shares  
Unlimited Class D Common Non-Voting Shares  
Unlimited Class E Common Non-Voting Shares  
Unlimited Class F Common Non-Voting Shares  
Unlimited Class G Preferred Non-Voting Shares  
Unlimited Class H Preferred Non-Voting Shares  
Unlimited Class I Preferred Non-Voting Shares

Issued

			2020		2019
45	Class A - Town of Turner Valley	\$	4.50	\$	4.50
45	Class A - Town of Black Diamond		4.50		4.50
10	Class A - Foothills County		1.00		1.00
100	Class B - Village of Longview		10.00		10.00
		\$	20.00	\$	20.00



**SHEEP RIVER REGIONAL UTILITY CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020

**9. Related party transactions**

Foothills County, the Town of Turner Valley, the Town of Black Diamond and the Village of Longview are shareholders of the company and, as such, have been identified as related parties.

Water requisitions are based on the budgeted net operating costs of the company and are allocated among the shareholders based on actual service utilization during the year. Capital requisitions are based on current year's capital acquisitions. Water and capital requisitions charged to shareholders are as follows:

	2020		2019
Town of Black Diamond	\$ 450,226	\$	383,581
Town of Turner Valley	314,899		270,499
Foothills County	31,629		16,886
	<u>\$ 796,754</u>	<u>\$</u>	<u>670,966</u>

Expenses charged by the shareholders are as follows:

	2020		2019
Town of Turner Valley	\$ 94,096	\$	93,751
Foothills County	309,050		341,013
	<u>\$ 403,146</u>	<u>\$</u>	<u>434,764</u>

	2020		2019
Trade and other receivables include amounts receivable from:			
Town of Black Diamond	\$ 72,542	\$	28,348
Town of Turner Valley	59,504		39,074
Foothills County	9,843		1,404
	<u>\$ 141,889</u>	<u>\$</u>	<u>68,826</u>

Accounts payable and accrued liabilities include amounts payable to:

Town of Turner Valley	\$ 24,498	\$	14,915
Foothills County	25,740		27,764
	<u>\$ 50,238</u>	<u>\$</u>	<u>42,679</u>

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.



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**SHEEP RIVER REGIONAL UTILITY CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2020**

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**10. Budget amounts**

The 2020 budget was approved by the company and has been reported in the financial statements for information purposes only. The budget amounts have not been audited, reviewed, or otherwise verified.

Budgeted surplus per financial statements	\$ 2,327
Less: Capital expenditures	(100,500)
Transfers to reserves	(100,337)
Add: Amortization	200,674
Equals: budgeted surplus	<u>\$ 2,164</u>

**11. Economic dependence**

Substantially all of the revenues derived by the company are from shareholders. As a result, the company is economically dependent on its shareholders in order to generate operating cash flow and for the continued viability of the business.

**12. Financial instruments**

The company's financial instruments consist of trade and other receivables and accounts payable and accrued liabilities. It is management's opinion that the company is not exposed to significant interest or currency risks arising from these financial instruments.

The carrying value of these financial instruments approximates their fair value.

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**SHEEP RIVER REGIONAL UTILITY CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2020**

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**13. COVID-19**

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time.

Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The company's revenues and expenses have remained comparable from the beginning of the pandemic to year end. Subsequent to year end, revenues have continued to be consistent and are expected to remain consistent in the year pending economic conditions. The company is following Government guidelines and has developed policies to ensure the safety of employees is maintained. Management is not aware of any material impairments that will impact the financial assets or liabilities of the company due to the pandemic.

The situation is continually changing and the future impact on the entity is not readily determinable at this time.

**14. Approval of financial statements**

These financial statements were approved by Board and Management.

**SHEEP RIVER REGIONAL UTILITY CORP.**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020

**Schedule of tangible capital assets**  
**Schedule 1**

	Land	Buildings	Engineered structures	Machinery and equipment	2020	2019
<b>Cost:</b>						
Balance, beginning of year	\$ 386,841	\$ 1,053,089	\$ 8,464,251	\$ 277,296	\$ 10,181,477	\$ 10,159,406
Acquisitions	-	-	-	73,820	73,820	22,071
Balance, end of year	386,841	1,053,089	8,464,251	351,116	10,255,297	10,181,477
<b>Accumulated amortization:</b>						
Balance, beginning of year	-	120,511	591,357	95,849	807,717	602,021
Annual amortization	-	30,128	147,840	35,112	213,080	205,696
Balance, end of year	-	150,639	739,197	130,961	1,020,797	807,717
<b>Net book value</b>	<b>\$ 386,841</b>	<b>\$ 902,450</b>	<b>\$ 7,725,054</b>	<b>\$ 220,155</b>	<b>\$ 9,234,500</b>	<b>\$ 9,373,760</b>
<b>2019 net book value</b>	<b>\$ 386,841</b>	<b>\$ 932,578</b>	<b>\$ 7,872,894</b>	<b>\$ 181,447</b>	<b>\$ 9,373,760</b>	

**SHEEP RIVER REGIONAL UTILITY CORP.**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020

**Schedule of changes in accumulated surplus**

	Schedule 2			
	Unrestricted	Internally restricted	Equity in tangible capital assets	Share capital
			2020	2019
Balance, beginning of year	1,052	254,666	4,800,825	20
Deficiency of revenue over expenses	(62,783)	-	-	-
Annual amortization expense	213,080	-	(213,080)	-
Transfer to reserves from operating	(75,000)	75,000	-	-
Purchase of capital assets	(73,820)	-	73,820	-
Change in accumulated surplus	1,477	75,000	(139,260)	-
<b>Balance, end of year</b>	<b>\$ 2,529</b>	<b>\$ 329,666</b>	<b>\$ 4,661,565</b>	<b>\$ 20</b>
			<b>\$ 4,993,780</b>	<b>\$ 5,056,563</b>