



newell

REGIONAL SERVICES CORP.

2015

ANNUAL REPORT

August 30, 2016

Invitation to the Shareholders of
Newell Regional Services Corporation

Notice of Annual General Meeting

Tuesday, September 20, 2016

Heritage Inn- Brooks

In accordance with the Revised Unanimous Shareholders Agreement, Revised By-Law #1 (a by-law relating generally to the transaction of business and affairs of Newell Regional Services Corporation) and the Business Incorporations Act; the Board of Directors and Management of Newell Regional Services Corporation cordially invite Mayors, Reeves and Members of Council, as well as Senior Management; to the annual general meeting of Newell Regional Services Corporation.

Mr. Ike Schroeder has been invited to the AGM.

Agenda items to be presented include progress report of a corporate nature, appointment of auditor and such other business that may arise.

An agenda is attached with this invitation.

There has been a great deal of progress in the program as well as Board of Directors decisions in moving the Corporation forward.

We look forward to seeing you, Tuesday, September 20, 2016

Ralph Havinga C.Tech
General Manager





NEWELL REGIONAL SERVICES CORPORATION

Annual General Meeting
of the Shareholders

Tuesday, September 20, 2016
7:00 p.m.

Heritage Inn, Brooks.

AGENDA

Call to Order	Chairman: Clarence Amulung
Introduction of Special Guest- Mr. Ike Schroeder	Chairman: Clarence Amulung
Introduction of the Board of Director's Chairman's Report	Chairman: Clarence Amulung
Minutes of the 2015 AGM	Chairman: Clarence Amulung
Annual Report Highlights	General Manager: R. Havinga
Financial Statements (Power Point Presentation)	Administration Supervisor: Brian Rollag
Question Period	

NRSC Board of Directors



Standing L-R: Brian de Jong (County of Newell) Darren Drader (Village of Duchess) Dan Klein (City of Brooks)
Seated L_R- Kevin Jones (Town of Bassano) Bill Prentice Vice-Chairman (City of Brooks) Don Gibb (Village of Rosemary) Clarence Amulung -Chairman of the Board (County of Newell)

The current Board of Directors has been sitting since October 2014. This Board has seen the completion of the project, the acceleration of the Bassano and Duchess connections and has facilitated the County of Newell's Rural Water Project. The rural project included connections from the transmission main to rural residents.

Directors have approved budgets, wage rates, org charts and job descriptions. They have also reviewed policies and expenditures, and have set the Strategic Direction of Newell Regional Services, into the future. Newell Regional Services Corporation moves from building the future into maintaining a sustainable tomorrow.

MESSAGE FROM THE CHAIRMAN



During 2015, the Board of Directors met a total of 9 times. The Board continues to work well together as well as with management to advance the objectives of our member municipalities through Newell Regional Services Corporation. The highlight of the year has to be that since May 5, 2015, the residents of the Town of Bassano have had access to water from our regional plant. Now all our member municipalities have access to a safe, reliable, economic water supply.

The County of Newell Water Project (CNWP) also continues to give more rural residents access to potable water from our plant. With the commissioning of the Rosemary to Bassano line, more Div 7 (Rosemary) residents gained access on June 6, 2015. On July 21, 2015 both Div 4 (Scandia, Rainer, Bow City) and Div 5 (South and West of Brooks) residents obtained access to NRSC water. These rural residential hook ups certainly kept our field operations staff busy throughout 2015 but I am sure there were many smiles from residents when the curb stops were finally opened. The goal for 2016 is to facilitate access to Div 6 & 9 in order to complete the vision of universal access of potable regional water to the entire Newell Region.

Consumption of water from our plant continues to rise due to additional residents of the region having access. This has allowed the cost of water produced to remain relatively constant for the last number of years. During 2015, 3,196,720 cu meters were used of which 75.44% was attributed to the City of Brooks. This compares to a 90.72% share level for the city only 4 years ago. This is attributable to at least two major factors, an increase in accessibility outside of the city but also a 13.6% consumption drop by city residents. City residents have done an admirable job in conserving potable water, however our business is a volume driven one and these stats are important to understand for NRSC. Another major factor in volumes used is weather during the summer months. A hot dry summer certainly increases consumption while a cool wet one decreases it. Furthermore these parameters are more relevant for urban areas where non potable water is not available than for rural areas where it is. Although we will never control the weather, our budgeting process will become more reliable as more data is obtained and we are closer to the 100% accessibility level in the region. To date our management team has done a commendable job with their estimates for budgets with limited data.

It should be noted that the operating costs of producing potable water does not take into account the huge amount of capital that has been used to build the plant and pipelines. 2014 was the first year that there was enough profit to put minimal dollars into reserve for capital replacement in future years. An additional \$502,552 has been added to reserves in 2015 for an accumulated total of \$653,483. \$50,000 of this is designated as an operating reserve while the remainder is for capital. The Board wishes to continue to build up the capital reserve but has for now capped operating at \$50,000.

Although NRSC is a municipal owned and controlled organization, we should not forget that we have a silent partner in the Eastern Irrigation District. They are responsible for the conveyance to and storage of our raw water supply in Lake Newell. The value of having such a large storage reservoir cannot be overestimated in securing a reliable good quality raw water supply. We are indeed grateful that the EID took a leading role to promote mandatory boat inspections and awareness throughout Alberta in order to prevent Aquatic Invasive Species from entering our water supply. It was an action well worthwhile and culminated in mandatory boat inspections being legislated provincially in 2015. Just another living example of what can be accomplished when people work together on all levels.

In June of 2015, our board and management decided it was an ideal time to re-evaluate the future of NRSC. With the initial building stage almost complete, municipal elections in 2017 and our General Manager retiring in 2018, a little self-evaluation and star gazing was definitely in order. Keeping these things in mind, Tracy Seitz Burkholder with Contigo Business was hired to facilitate a new strategic plan for completion by the first half of 2016.

In closing, I wish to express my appreciation to my fellow board members, our General Manager and staff, our municipal shareholders, our business partners and suppliers for their contribution in allowing NRSC a successful 2015.

Clarence Amulung
Chairman of the Board

Newell Regional Services Corporation
Annual General Meeting
of the Shareholders
Thursday, September 16, 2015
7:00pm
Heritage Inn, Brooks, AB

The Newell Regional Services Corporation Annual Meeting was held at the Heritage Inn, on September 16, 2015 commencing at 7:00 p.m.

Members Present: See Attached

Non-Voting Members Present: Ralph Havinga – GM - NRSC
Brian Rollag – *Administrative Supervisor* – NRSC
Theresa Drake – *Administrative Assistant* - NRSC

1) **Call to Order**

Chairman C. Amulung called the meeting to order at 7:06 p.m.

2) **Minutes from September 18, 2014 meeting**

Moved by B. De jong that the minutes of the September 18, 2014 meeting be accepted.

Carried

3) **Comments from Derek Fildebrandt – MLA**

D. Filderbrandt thanked the Board for the invite. He said he wanted to come and find out more on how NRSC operates. He took the opportunity to thank everybody involved with the NRSC for their dedication and the continued production of quality water.

4) **Introduction of the Board of Directors**

Chairman, Clarence Amulung introduced the 2015 Board of Directors of Newell Regional Services Corporation.

5) **Chairman's Report**

C. Amulung began with saying that if nothing is new and things are boring then everything is working well. He said that 2014 was the first year of operations for the new NRSC Board and the reduction in size due to the Tilley dissolution. He was very pleased to report that the Board is functioning well and has a healthy working relationship with each other as well with management and staff, for that he wanted to thank his fellow Board members, the General Manager Ralph Havinga and all other employees. He said it is very comforting to know that our employees are dedicated, cooperative and very capable of meeting the needs of the shareholders we represent and the residents we serve.

C. Amulung went on to say that entering 2014 one of the main concerns was the porous mainline that had been under construction for four years and was still not able to deliver water to Rosemary and beyond in a satisfactory manner. Fortunately a bold move was made to completely rebuild the line. On September 24, 2014, NRSC potable water finally flowed in the village of Rosemary. This also allowed rural residents between Duchess and Rosemary to connect to the rural system

All residents served by NRSC to date continue to have access to safe, reliable, economic water supply. The cost of water leaving the plant is one of the lowest anywhere in the province. The Board is aware that the cost is low because of the original capital infusion by the province. In order to be sustainable that capital will have to be replaced in the future. 2014 was the first year that a modest reserve of \$150,000 was put away for this purpose. The Board plans to continue to build that reserve in order to be sustainable in the future. That will only be attained if all shareholders continue to work together, be progressive in their planning and are open to new opportunities.

6) **GM Report & Annual Report Highlights**

R. Havinga began with the introduction of NRSC administrative staff in attendance. He also introduced Tracy Burkholder with Contigo Business Solutions. Tracy is conducting our Strategic Planning Project. Ralph said NRSC should be proud of the progress that has been made so far. He discussed the contract challenges that delayed 2 of the tendered segments of pipeline. Another significant indication of the willingness to move ahead was the cooperation of the Member Municipalities at the Board of Directors level. He also said that in the 6 years that the water Treatment Plant has been functioning the yearly inspections with Alberta Environment have indicated a high level of compliance in meeting our approval and reporting issues that have arisen. R. Havinga went on to say that the Board has provided the resources for attraction of operators and the continuing education of NRSC operators. NRSC has a component of operating staff and are integral to meeting corporate goals of outstanding service and maintaining a safe, secure and sustainable system. R. Havinga gave a quick slide show that contained highlight from the NRSC. Some of those highlight include the organizational chart, funding status, statistics on water consumption, and memorable moments at the NRSC. R. Havinga answered questions from NRSC members.

8) **Adjournment**

Meeting is adjourned at 7:51 p.m.

Carried

**Ralph Havinga
General Manager
Newell Regional Services Corporation**

**Theresa Drake
Recording Secretary
Newell Regional Services Corporation**



newell
REGIONAL SERVICES CORP.

Annual General
Meeting of the Shareholders
September 16, 2015

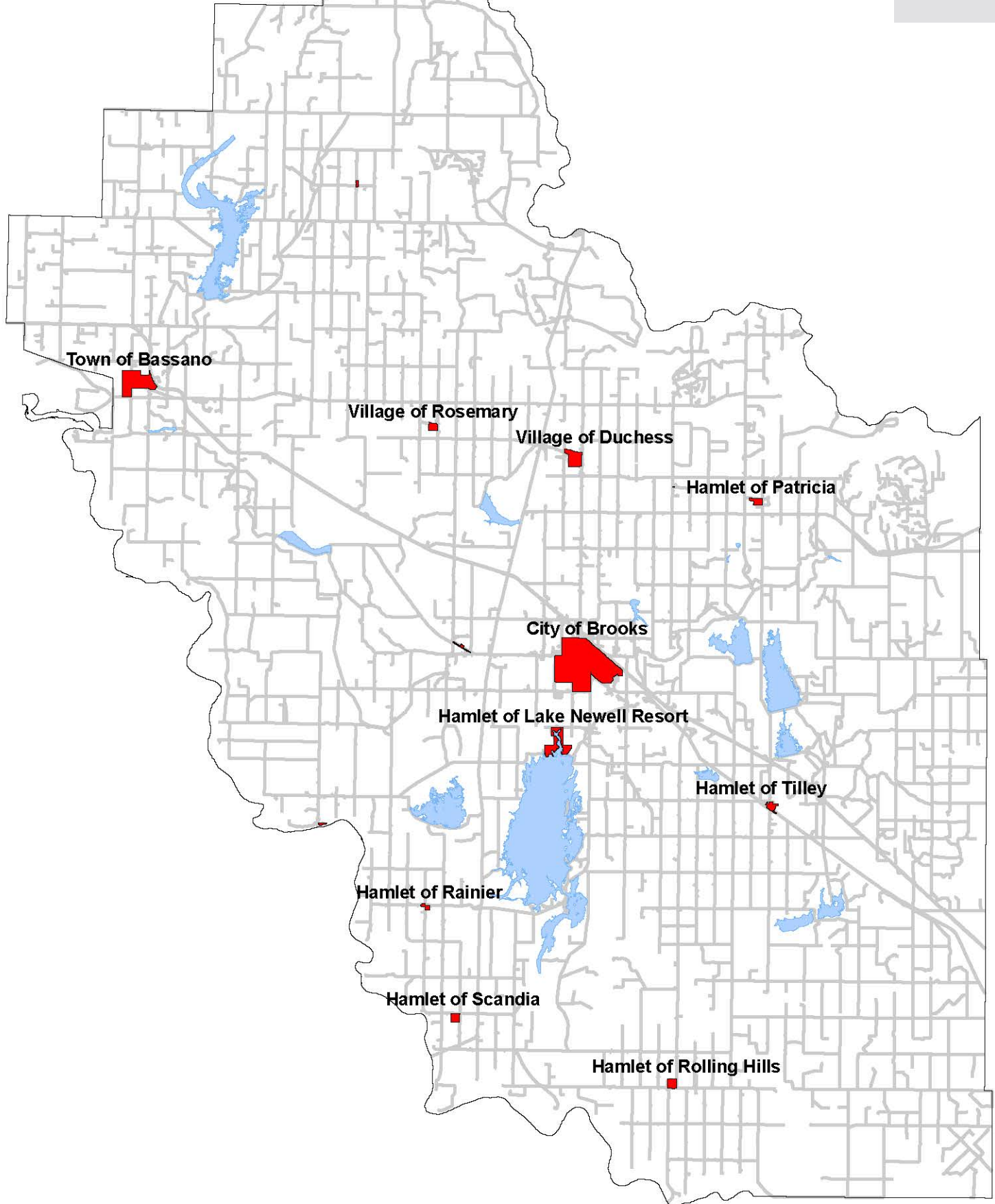
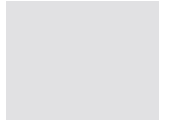
Sign In Sheet

Name	Municipality
RAUL HAWINGA	NRSC
Sandra Stonway	brooks bulletin
Tracey Burkholder	Contigo Business Svcs
Yvonne Cosh	Duchess
Sharon Zacharias	Rosemary
Sabine Nasse	Bassano
Bill Marshall	Rosemary
BRED RITTAI	Brooks
MARK HARBICH	NEWELL
Annemarie Philipsen	County of Newell
DARREN DRADER	Duchess
BRIAN de JONG	County of Newell
DAN KLEIN	City of Brooks
Bill Kenton	City of Brooks
Brian Rollag	NRSC

[illegible]



The County of Newell Communities We Serve



THE YEAR AT A GLANCE

On May 5, 2015 the Town of Bassano was connected to the regional system, thus completing all phases of the regional project.

Transitioning from building the system to maintaining a sustainable system,; the Board of Directors recognizes the need to update the Corporate Strategic Plan.

Peak day water production is 19,013 m³ on June 28, 2015

The Board of Directors approves a plan to participate in the NAIT/SAIT Water and Wastewater Technicians Program. The plan includes "hiring" a student that has completed the NAIT program to ensure practicum and intern hours are accomplished.

In 2015, NRSC operators connected 416 rural residents bringing the total number of rural connections to 912

Cost of water remains at \$0.41/ m³ including administration costs

With the pending addition of some \$50 million in contributed assets, asset maintenance becomes a priority with reserve accounts now holding funds for the future.

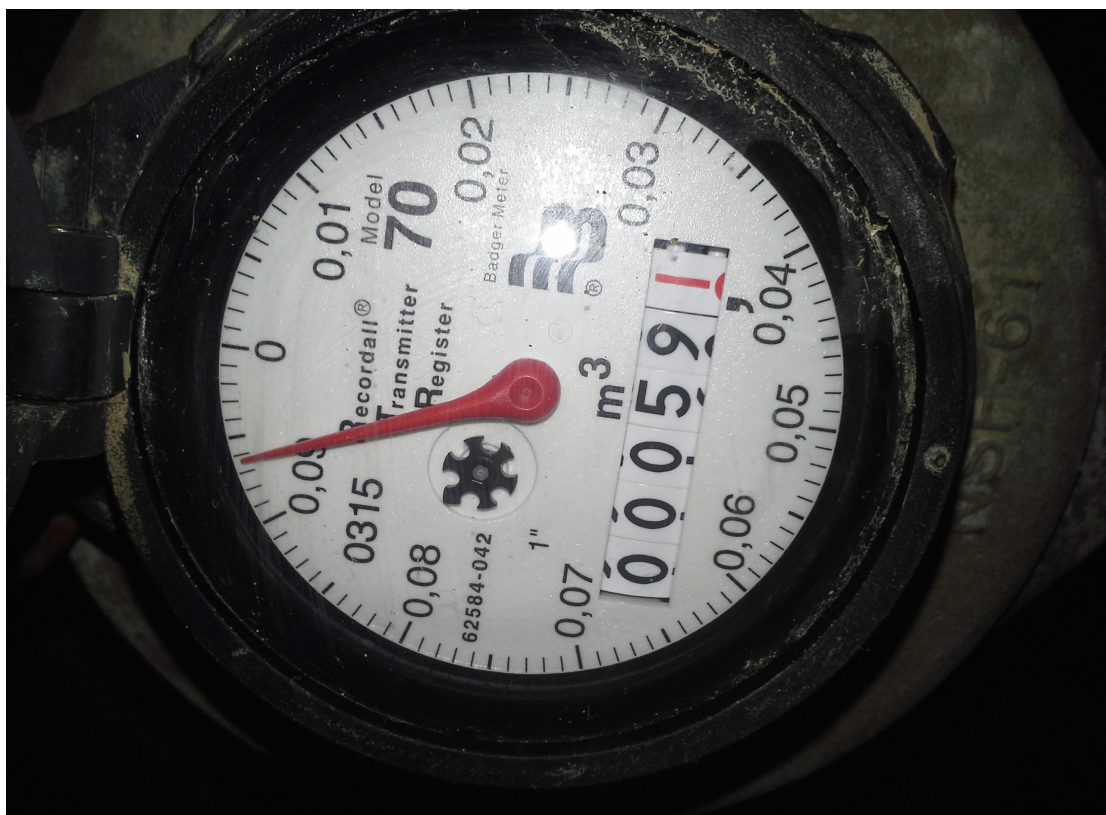




in the past

Raw Water Summary-2015			
		Allocation	Actual
City of Brooks		8080152	2655126
County of Newell			
	Lake Newell Resort	502854	27397
	Rainier	12571	9683
	Scandia	49028	40300
	Rolling Hills	52780	21267
	Patricia	33943	17317
	Tilley	139542	52231
	Rural	1110134	225459
Village of Duchess		320835	196833
Village of Rosemary		74008	32657
Town of Bassano		840000	200025

Municipal Percentage of Water Consumption								
As of December	2012		2013		2014		2015	
Brooks	2792014	90.72%	2585367	84.74%	2367353	80.8%	2411745	73.80%
Brooks TF	111714	3.63%	108825	3.57%	101727	3.5%	73472	2.2%
LNR	29439	0.96%	26121	0.86%	25051	0.9%	25365	0.8%
Tilley	50954	1.66%	50073	1.64%	45516	1.6%	51741	1.6%
Rainier	7425	0.24%	7553	0.25%	6213	0.2%	9222	0.3%
Scandia	47089	1.53%	63280	2.07%	55096	1.9%	37352	1.1%
Rolling Hills	25715	0.84%	23765	0.78%	23733	0.8%	19696	0.6%
Patricia	13325	0.43%	20186	0.66%	18325	0.6%	16270	0.5%
Duchess	0		125277	4.11%	180717	6.2%	187460	5.7%
Rosemary	0		0		5923	0.2%	30335	0.9%
Bassano	0		0		0		190500	5.8%
Rural	0		40394	1.32%	101245	3.5%	214723	6.6%
Total	3077675	100.00%	3050841	100.00%	2930899	100.0%	3267881	100.00%
Brooks	94.35%		88.31%		84.2%		76.05%	
County- Hamlets	5.65%		6.26%		5.9%		4.9%	
County- Rural			1.32%		2.1%		6.6%	
Duchess			4.11%		7.5%		5.7%	
Rosemary					0.2%		0.9%	
Bassano							5.8%	
		100.00%		100.00%		100.00%		100.00%



OUR BUSINESS STRATEGY

In 2015, MPE Engineering Ltd. took another look at the design horizon of the system. The original design of the WTP and transmission main was based on assumed consumption and population growth until 2025. The life of the membrane filtration modules was based on raw water data available at the time. Since the WTP became fully operational, raw water historical data indicates that the life of the membranes can be extended. Due to economic conditions population figures can be revised downwards. The philosophy of environmental stewardship indicates that conservation also has an element of success. These factors contribute to deferring expansion of the system. That will translate into postponement of capital expenditures which in turn relates to affordable water rates.

Now that the project is complete, reconciliation of project grant funding will occur. Once the final figures have been resolved, the transfer of project assets will occur, resulting in accounting for an additional \$52.41 million in assets. To provide funding for the eventual replacement of those assets the Board of Directors has adopted a financial framework to provide the long term cash requirements and has established reserve accounts to hold those funds.

The Board of Directors carefully reviews staffing requirements to ensure that efficient operational strategies are in place and that staff have the resources and training to effectively perform their duties.

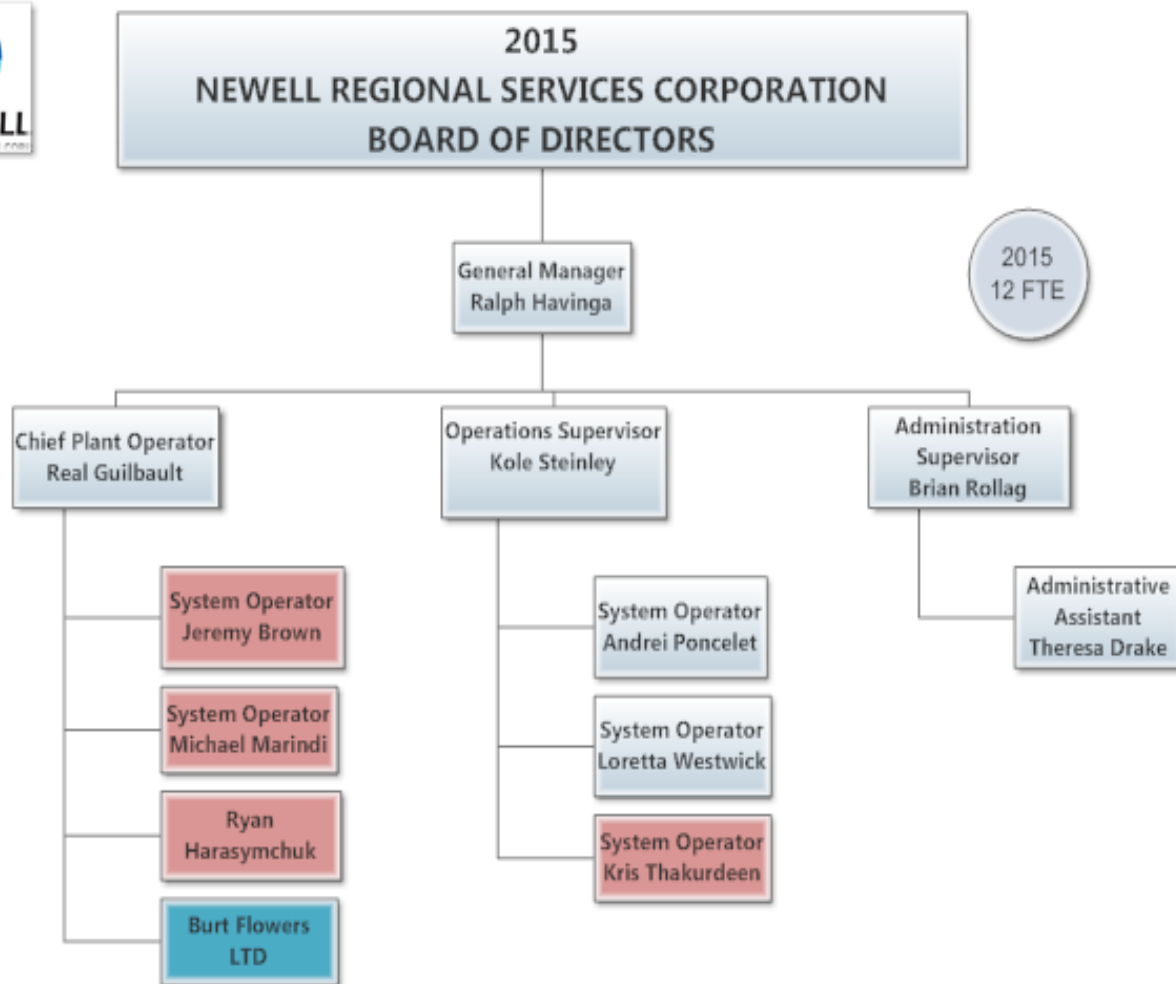
It is the goal of Newell Regional Services Corporation to meet and exceed all regulatory requirements..... from water quality to administrative legislation.

Our Mission and Vision Statement demonstrates that we confirm our commitment to providing a safe, secure and sustainable system and that we will provide the service that is expected by our member municipalities.



11

Highly Trained and Competent Staff



Operators drive over 40,000 km's per year.
Over 180 field water quality tests performed per week

administration and operations

AUDITED FINANCIAL STATEMENTS

Newell Regional Services Corporation
December 31, 2015

reports

Financial Statements of

**NEWELL REGIONAL
SERVICES CORPORATION**

Year ended December 31, 2015



KPMG LLP
500 Lethbridge Centre Tower
400 - 4th Avenue South
Lethbridge AB T1J 4E1
Canada

Telephone (403) 380-5700
Fax (403) 380-5760
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Newell Regional Services Corporation

We have audited the accompanying financial statements of Newell Regional Services Corporation, which comprise the balance sheet as at December 31, 2015, the statements of earnings and deficit and cash flows for the year then ended, and notes, comprising 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 private enterprises, 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.

Auditors' 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 our 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, we consider 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 in our audit 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 Newell Regional Services Corporation as at December 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Chartered Professional Accountants

May 4, 2016
Lethbridge, Canada

NEWELL REGIONAL SERVICES CORPORATION

Balance Sheet

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 334,636	\$ 195,647
Trade accounts receivable	192,267	205,439
Goods and services tax recoverable	11,554	12,142
Inventory	114,965	88,153
Prepaid expenses	39,818	49,131
Current portion of note receivable (note 3)	-	7,882
	693,240	558,394
Cash - held in reserve	653,483	150,931
Patronage reserve, at cost	9,858	7,769
Property, plant and equipment (note 2):		
Property, plant and equipment	4,309,470	4,309,470
Less accumulated amortization	625,442	530,903
	3,684,028	3,778,567
	<u>\$ 5,040,609</u>	<u>\$ 4,495,661</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 302,455	\$ 226,861
Current portion of long-term debt (note 5)	78,571	128,463
	381,026	355,324
Long-term debt (note 5)	235,714	314,286
Shareholders' equity:		
Share capital (note 6)	5,035,214	5,035,214
Deficit	(611,345)	(1,209,163)
	4,423,869	3,826,051
	<u>\$ 5,040,609</u>	<u>\$ 4,495,661</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chairman of the Board



Chairman - Finance Committee

NEWELL REGIONAL SERVICES CORPORATION

Statement of Earnings and Deficit

Year ended December 31, 2015, with comparative information for 2014

	2015 Budget (Unaudited)	2015 Actual	2014 Actual
Revenue:			
Water supply	\$ 2,689,350	\$ 2,448,890	\$ 2,174,208
Waste water	91,880	61,237	105,187
Operating recovery	314,800	317,640	260,903
	3,096,030	2,827,767	2,540,298
Operating expenses:			
Salaries, wages and benefits	575,960	515,694	571,700
Utilities	421,100	381,056	377,285
Contract services	160,750	240,418	238,872
Chemicals	149,000	133,400	139,713
Automotive	232,290	227,233	233,888
Repairs and maintenance	67,500	61,276	81,722
Supplies	66,500	64,854	80,243
Telecommunications	22,600	20,472	20,566
Testing	16,700	11,699	12,547
Amortization	-	93,343	115,290
	1,712,400	1,749,445	1,871,826
	1,383,630	1,078,322	668,472
Administrative expenses (Schedule)	552,380	593,916	577,159
Earnings before the undernoted items	831,250	484,406	91,313
Other income:			
Interest income	1,000	3,943	1,649
Other income (note 7)	13,240	109,469	11,351
	14,240	113,412	13,000
Net earnings	845,490	597,818	104,313
Deficit, beginning of year	(1,209,163)	(1,209,163)	(1,313,476)
Deficit, end of year	\$ (363,673)	\$ (611,345)	\$ (1,209,163)

See accompanying notes to financial statements.

NEWELL REGIONAL SERVICES CORPORATION

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Net earnings	\$ 597,818	\$ 104,313
Item not involving cash:		
Amortization	94,539	116,486
Change in non-cash operating working capital:		
Accounts receivable	13,172	139,302
Goods and services tax recoverable	588	514
Inventory	(26,812)	(39,401)
Prepaid expenses	9,313	(11,365)
Accounts payable and accrued liabilities	75,594	1,222
	764,212	311,071
Financing:		
Repayment of long-term debt	(128,464)	(147,291)
Issuance of share capital	-	(10)
	(128,464)	(147,301)
Investing:		
Purchase of property, plant and equipment	-	(30,290)
Repayments on note receivable	7,882	17,800
Increase in cash held in reserve	(502,552)	(150,931)
Increase in patronage reserve	(2,089)	(5,664)
	(496,759)	(169,085)
Increase (decrease) in cash	138,989	(5,315)
Cash, beginning of year	195,647	200,962
Cash, end of year	\$ 334,636	\$ 195,647

See accompanying notes to financial statements.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

Nature of operations:

Newell Regional Services Corporation (the "Company") was incorporated under the Business Corporations Act of Alberta on October 27, 2008 and operates under a Ministerial Order pursuant to sections 73 and 250 of the Municipal Governments Act of Alberta and the Newell Regional Services Corporation Regulation of the Municipal Government Act of Alberta. The Company treats and supplies water to the areas of the County of Newell, City of Brooks, Village of Rosemary, Town of Bassano, and Town of Duchess. Active operations commenced on January 1, 2010.

The Company is exempt from income tax under Section 149 of the Canadian Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Company's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition.

(b) Inventory:

Inventory of chemicals for consumption are valued at the lower of cost and net realizable value on a specific item basis. Net realizable value is the listed market price from suppliers at the balance sheet date.

(c) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Buildings	Straight-line	45 years
Water mains and pipeline	Straight-line	75 years
Automotive	Straight-line	5 years
Office equipment	Straight-line	10 years

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Company recognizes revenue when products are shipped or services are rendered, the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

1. Significant accounting policies (continued):

(f) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at market value when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at market value.

(g) Pension expense:

The Company participates with others in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provides pension benefits for the Company's participating employees, based on years of service and earnings.

The Company does not have sufficient plan information to follow the standards for defined benefit plans, therefore follows the defined contribution accounting whereby pension expense is recorded as contributions to the plan are due.

(h) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of property, plant and equipment and inventories. Actual results could differ from those estimates.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

2. Property, plant and equipment:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 615,534	\$ -	\$ 615,534	\$ 615,534
Buildings	3,006,350	400,789	2,605,561	2,672,311
Water mains and pipeline	431,709	34,595	397,114	402,929
Automotive	243,919	182,883	61,036	81,814
Office equipment	11,958	7,175	4,783	5,979
	<u>\$ 4,309,470</u>	<u>\$ 625,442</u>	<u>\$ 3,684,028</u>	<u>\$ 3,778,567</u>

Amortization for the year amounted to \$94,539. This is composed of \$93,343 (2014 - \$115,290) relating to operating activities and \$1,196 (2014 - \$1,196) relating to administrative expenses.

3. Note receivable:

The note receivable was from the Town of Bassano, a shareholder of the company. The note receivable has been paid in full in 2015.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities at the balance sheet dates are the following:

	2015	2014
Trade payables	\$ 279,625	\$ 218,768
Government remittances	22,830	8,093
	<u>\$ 302,455</u>	<u>\$ 226,861</u>

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

5. Long-term debt:

	2015	2014
County of Newell	\$ 314,285	\$ 392,858
City of Brooks, payable \$49,891 annually, due 2015	-	49,891
	314,285	442,749
Less current portion of long-term debt	78,571	128,463
	\$ 235,714	\$ 314,286

The long-term debt due to the County of Newell is due in 2019. There are no specified terms of repayment, however management has determined that it will make annual installments of \$78,571 on the loan every year until due. As such, the amounts expected to be repaid in 2016 have been classified as current.

The amounts due to the County of Newell, shareholder of the Company, are non-interest bearing with principal repayments due as follows:

2016	\$ 78,571
2017	78,571
2018	78,571
2019	78,572
	\$ 314,285

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

6. Share capital:

Authorized:

An unlimited number of:

Classes A to F common voting shares

Classes G to L preferred redeemable retractable non-cumulative non-voting shares,
redeemable at \$1,000 per share

The issued share capital of the Company is as follows:

	2015	2014
200 Class A common shares	\$ 20	\$ 20
200 Class B common shares	20	20
100 Class C common shares	10	10
100 Class E common shares	10	10
100 Class F common shares	10	10
4,950.966 Class G preferred shares, non-voting (\$4,950,966 in aggregate)	4,950,966	4,950,966
73.4601 Class H preferred shares, non-voting (\$73,460 in aggregate)	73,460	73,460
10,718 Class I preferred shares, non-voting (\$10,718 in aggregate)	10,718	10,718
	\$ 5,035,214	\$ 5,035,214

7. Other income:

	2015	2014
Contractor billings (reimbursements)	\$ 97,618	\$ (3,768)
Other	3,108	4,906
Truck fill	8,743	10,213
	\$ 109,469	\$ 11,351

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

8. Related party transactions:

During the year, the Company had the following related party transactions with its members, who are all shareholders of the Company:

Accounts payable includes the following amounts:

	2015	2014
City of Brooks	\$ 36,742	\$ 17,836
Village of Dutchess	2,295	1,078
Village of Rosemary	-	929
County of Newell	3,283	2,597
Town of Bassano	4,267	-
	\$ 46,587	\$ 22,440

Accounts receivable includes the following amounts:

	2015	2014
City of Brooks	\$ 109,351	\$ 109,309
Village of Dutchess	6,621	6,412
Town of Bassano	9,677	10,545
County of Newell	48,178	38,027
	\$ 173,827	\$ 164,293

During the year, the Company had the following sales which includes operating recovery:

	2015	2014
City of Brooks	\$ 1,833,106	\$ 1,655,043
Village of Rosemary	21,235	3,850
Village of Dutchess	207,134	171,287
Town of Bassano	176,614	120,197
County of Newell	386,126	445,158
	\$ 2,624,215	\$ 2,395,535

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

9. Financial risks and concentration of risk:

It is management's opinion that the Company is not exposed to significant currency risk arising from its financial instruments unless otherwise disclosed.

(a) Market risk:

The Company's revenue is derived from the treatment and supply of water to the surrounding area.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. At December 31, 2015, trade accounts receivable include approximately \$156,691 (2014 - \$147,366) due from 2 customers (2014 - 2), representing approximately 82% (2014 - 72%) of total trade accounts receivable. The credit risk exposure to the Company is limited due to the Company's municipal customer base.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2014.

10. Economic dependence:

The Company operates under the terms of a water supply agreement with its members. Under the terms of this agreement the Company relies upon its members to pay for its services. Substantially all revenue is derived from sales to member shareholders. As a result, the Company is economically dependent on its members in order to generate operating profits, cash flow from operations, and for the continued viability of the business.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

11. Commitments:

- (a) The Company is committed to paying \$1,000 monthly towards an equipment lease and servicing fee agreement with Air Liquide Canada Inc. which expires in 2016.
- (b) The company has signed a contract with Alberta Municipal Services Corporation and TransAlta Energy Marketing Corp. that locks in the rate for their electricity and natural gas which expires December 31, 2018.

12. Contingent liabilities:

The Company has been named a defendant in various claims. Management is of the opinion that these claims are without substantial merit and no provisions have been made in the accounts.

13. Local Authorities Pension Plan

Employees of Newell Regional Services Corporation participate in the Local Authorities Pension Plan, which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP serves about 237,612 people and about 423 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenses in the year in which they become due.

Newell Regional Services Corporation is required to make current service contributions to the Plan of 11.39% (2014 - 11.39%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings ("YMPE") and 15.84% (2014 - 15.84%) for the excess. Employees are required to make current service contributions of 10.39% (2014 - 10.39%) of YMPE plus 14.84% of any portion of pensionable salary over YMPE.

Total current and past service contributions by Newell Regional Services Corporation to the LAPP in 2015 were \$83,763 (2014 - \$75,622). Total current and past service contributions by the employees of Newell Regional Services Corporation to the LAPP in 2015 were \$77,187 (2014 - \$69,610).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

14. Apex Supplementary Pension Plan

The APEX supplementary pension plan, an Alberta Urban Municipality Association ("AUMA") sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pensions Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the Company. Employees and the Company are required to make current service contributions to APEX of 2.5% and 3% respectively of pensionable earnings up to \$140,945.

Total current service contributions by the Company to APEX in 2015 were \$8,818 (2014 - \$4,674). Total current service contributions by the employees of the Company were \$7,349 (2014 - \$3,895).

The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement ages of employees. The cost of post-retirement benefits are fully funded.

NEWELL REGIONAL SERVICES CORPORATION

Schedule of Administrative Expenses

Year ended December 31, 2015, with comparative information for 2014

	2015 Budget (Unaudited)	2015 Actual	2014 Actual
Salaries, wages and benefits	\$ 333,680	\$ 381,291	\$ 329,844
Professional fees	20,000	19,646	23,507
Insurance	30,000	30,329	26,645
Travel	22,000	38,674	22,603
Office supplies	19,500	18,892	22,298
Computer software and support	55,000	32,851	87,199
Telephone	15,000	18,501	16,476
Workers' Compensation	8,500	3,611	4,110
Repairs and maintenance	25,500	27,279	22,839
Training	20,000	18,122	15,745
Advertising	1,500	2,454	1,216
Bank charges and interest	1,700	1,070	3,481
Amortization	-	1,196	1,196
	\$ 552,380	\$ 593,916	\$ 577,159