



Newell

REGIONAL SERVICES CORP.

2018 Annual Report

NRSC 2018 Chairman's Message

2018 was the first full year of Newell Regional Services Corporation operations for our new general manager, Brian Rollag. Brian replaced Ralph Havinga for health reasons during December of 2017. On behalf of the board and our member municipalities, I would again like to thank our inaugural General Manager, Ralph Havinga for his immeasurable contributions to this organization during his tenure.

I am happy to report that the transition was seamless and NRSC continued to operate in a normal and efficient manner during the past year. There were no changes in personnel at the board level and the relationship and communication between board and management continues to be open and progressive.

The board met 6 times during 2018 which was down from seven in 2017. A policy review of the corporate governance policy instituted that 6 meetings per annum would be the minimum that the board must meet. If more are necessary, they will definitely be held but for 2018, 6 meetings served our organization well. The corporation has instituted a practice that all NRSC policies will be reviewed at least once during a three-year period. Up to this point in time there has been some tweaking to those reviewed but there have been no major revisions.

The results of a Cyber Security Review by KPMG on our Information Technology Infrastructure and reviewed by MPE who maintains this infrastructure revealed some vulnerabilities. These were addressed at a cost of \$35,850.

During the same March meeting, the board accepted and approved an Emergency Response Plan. The plan has been circulated to all our member municipalities. This plan will be reviewed on an annual basis.

During 2018, Alberta Environment and Parks also reapproved our Water Treatment Plant for the next 10 years or until 2028.

Membrane condition is of utmost importance to any water plant. After a membrane autopsy done by Pall Corporation and after a thorough cleaning they were found to be at a 79% to 84% rating as compared to new membranes. This has allowed us at this point in time to extend our capital budget replacement

forecast for these membranes by 3 years to 2023. It also reinforced the importance of regular high strength cleaning of these membranes.

Eventual membrane replacement is one of the main reasons for building our financial reserves. During 2018, these reserves increased by \$566,206 to \$1,987,045. This puts us on the right path towards being able to meet our future plant requirements. Our net income decreased slightly in the past year by \$61,275 to \$776,436. Even though water consumption was higher in 2018 as compared to 2017, it did not keep up to increases in salaries, utilities, chemicals, automotive and amortization expense.

With these numbers in mind, the board felt it prudent to increase water price to our shareholders for 2019 by the \$.05 to \$.90 per cubic meter in 2019.

In closing, on behalf of the board, I would like to thank our administrative team and all employees for their dedication, efforts, commitment and contribution to another successful year at NRSC.

Board chair,

Clarence Amulung

NRSC Board of Directors

The Board of Directors represents each municipal share holder that consists of the City of Brooks, County of Newell, Town of Bassano, Village of Duchess and the Village of Rosemary. These directors approve water rates, budgets, wage rates, staffing levels, policy, and job descriptions.

The current board of directors has been with NRSC since November of 2017. During the 2018 year this board saw the retirement of the past General Manager, Ralph Havinga, and the transition of Brian Rollag into that role.

In 2018 the Board of Directors oversaw the opening of our investment account with CIBC Wood Gundy in an effort to ensure that funds put into reserves for future capital expenditures are being maximized and the transition of our accounting standards from Canadian Accounting Standards for Private Enterprises (ASPE) to International Financial Reporting Standards (IFRS).



*Back Left: Kevin Jones (Town of Bassano), Bill Marshall (Village of Rosemary), Deborah Reid-Mickler (Village of Duchess),
Brian de Jong (County of Newell)*

*Front Left: Dan Klein (City of Brooks), Bill Prentice Vice - Chairman (City of Brooks),
Clarence Amulung- Chairman of the Board (County of Newell)*

Newell Regional Services Corporation
Annual General Meeting
Of the Shareholders
Tuesday, September 18th, 2018
7:00pm
Heritage Inn, Brooks, AB

The Newell Regional Services Corporation Annual Meeting was held at the Heritage Inn, on September 18th, 2018 commencing at 7:00 p.m.

Members Present: See Attached

Non-Voting Members Present: Brian Rollag – GM - NRSC
Theresa Drake – *Administrative Assistant* – NRSC
Kole Steinley – *Operations Manager* - NRSC

1) **Call to Order**

Chairman C. Amulung called the meeting to order at 7:05 p.m.

2) **Chairman's Report**

C. Amulung began with introducing his fellow Board members and the Staff of Newell Regional Services that were in attendance. He went on to say that 2017 was another milestone year for NRSC. It was a year where construction costs were finally allocated. This resulted in the City of Brooks receiving \$6,119,782.74 and the County of Newell \$2,986,085.12 in preferred shares. In addition the province contributed \$43,323,674.81 to the total asset value of \$52,540,765.67. The difference in these totals was the small amount contributed by NRSC itself.

In addition it was also a year for record sales and hence a healthy profit margin of \$837,710.67. With the additional volume our cost of production per cubic meter dropped to close to \$.38 from around \$.42 over the last three years. This again emphasizes the correlation between volume and cost in this business and the advantages and the necessity of municipalities to pool their resources for efficient service delivery to their ratepayers. Yearend saw NRSC with \$247,851.32 in our current bank account and \$1,420,838.73 in our operating and capital reserves. Certainly a much better position than a number of years ago when it was necessary to borrow from our member municipalities to stay afloat. Speaking of which, 2017 was also the year the last of these loans were fully paid back.

Reserves in NRSC are necessary to safeguard against years where volume may be down or unforeseen expenses occur. We are fortunate to be drawing a high quality of raw water from Lake Newell that has extended our membranes' life as well as contributing to a lower operating cost. A major upkeep will happen in the next 5 to 10 years when it becomes necessary to replace the membranes and our present reserves are not sufficient to cover those costs. The board has thus seen fit to continue our policy of a yearly \$.05 increase in order to build up reserves as well as covering inflationary costs. The charge to our member municipalities for 2018 is \$.85 per cubic meter.

During the 2017 year, the Board had 9 board meetings which were identical to the number of board meetings in 2016. This number will most likely be reduced further in 2018. The luxuries of being able to meet less frequently is due to continued confidence in our management and staff as well a sign of a maturing organization where unforeseen circumstances are being minimized.

Civic elections in October of 2017 saw two of our past board members, Don Gibb representing Rosemary and Darren Drader representing Duchess, not seek re-election. On behalf of our Board and staff, I would like to acknowledge and thank both of these gentlemen for their commitment and contributions to NRSC. Joining our board now from Rosemary is Bill Marshall and from Duchess is Deborah Reid-Mickler.

C. Amulung reviewed the 7 Strategic priorities that were completed in 2016.

- We have developed a closer relationship with our Municipal Partners even tho at times it felt like we were doing our own thing. We have made great progress in ensuring we keep everyone updated in what is going on and make them feel a part of what we are trying to do.
- R. Havinga was supposed to retire within the next five years but unfortunately had to retire earlier than expected for health reasons. B. Rollag jumped in and we have a very aggressive policy in place for our employees to better themselves so when someone leaves then someone can take their place.
- The Board is committed to making sure we are sustainable and make sure we can rely on ourselves instead of relying on other municipalities or the government.
- Gave credit to the management for improving the design and documentation of key work processes and establishing performance measures which align with the strategic direction and drive efficiency and effectiveness
- Completing the Emergency Management Plan was a concern also. We have made an attempt to consult with emergency staff at the City and County and also the CAO's in smaller municipalities for what they want. Tried to address what is needed for an emergency. Other higher levels of Government will be involved in major emergencies.
- We have established communication practices that promote the sharing of relevant information with key shareholders. At first everyone was looking after their own areas. Today as a Board we look after NRSC
- More attempts have been made to supply water to JBS but at the end of the day they decided it was not a good time for them.

C. Amulung said in closing the health of our general manager, Ralph Havinga who has been with us since the inception of NRSC, continued to be a concern in 2017 and accelerated the planned transition of his role to Brian Rollag in full by mid-December. The transition was smooth and seamless and the performance of NRSC was not affected. A big thank you to all staff but mostly Brian, Kole and Theresa for leading and embracing the transition. We would be amiss in not recognizing Ralph for preparing and guiding all concerned to be up to this challenge.

Ralph's leadership in the formation and evolvement of NRSC to its present state is immeasurable. Keeping first six and later five municipalities focused and working to a common goal from scratch is a challenging and sometimes disheartening task. Through it all, Ralph remained positive, focused and driven. Those attributes along with his knowledge have been instrumental in the NRSC we have today. For that we are truly thankful.

Minutes from September 20, 2017 meeting

Moved by A. Philipsen that the minutes of the September 20th, 2017 meeting be accepted.

Carried

3) Annual Report Highlights – Brian Rollag

B. Rollag presented a slide show of 2017 in review. Some of the highlights were:

- Sold 3,385,155 m³ of water in 2017
- Contributed 600 hrs. for a practicum student towards achieving their certificate at NAIT
- Peak water production for 2017 was 21,532 m³ on July 17
- Cost of Water for 2017 was \$0.37, this includes labor, chemical costs, power, gas, telecommunications, repairs to the Water Treatment Plant and administrative costs.
- 23,479 hours worked in 2017 to accomplish all NRSC tasks from operations to administration
- Operators drive over 40,000 km's per year
- Operators performed over 9360 field water tests
- Completed the asset reconciliation with the Province of Alberta and transferred assets from the County of Newell and City of Brooks to Newell Regional Services Corporation. All assets produced by the project are now under the ownership of NRSC.
- Completion of WaterTraxx Data management software for asset maintenance and data collection.
- Retired the debt owed to the County of Newell
- Ralph Havinga, General Manager retires at the end of 2017 to be replaced by Brian Rollag

4) Financial Statements (Power Point Presentation) – Brian Rollag

The Administrative Manager B. Rollag gave a presentation on the Financial Statements of 2017. He gave a brief overview of what NRSC had accomplished in 2017.

Some of the highlights were:

- Audit performed by KPMG in accordance to Canadian Accounting Standards for Private Enterprise
- Total Revenue was \$3,720,117.00
- Combined asset value of \$58,021,160.00
- Net book value of property, plant and equipment was \$55,935,585.00
- Total expenses for 2017 was \$2,949,402.00
- Total current and long term liability at the end of 2017 was \$244,666.00
- Current outstanding debt was \$0
- Accounts Payable and accrued liabilities totaled \$244,666.00 at year end
- NRSC saved \$509,512.00 for future capital expenditures
- Total cash in reserve as of December 31st, 2017 was \$1,420,839.00

- Currently have \$14,141,054.00 in outstanding shares
- Total cash at year end was \$248,107
- Utilities expenses for 2017 were \$419,881.00

5) **Question Period: B. Rollag opened the floor for questions:**

Bruce Parker asked what the cost of water will be for 2019. B. Rollag said the rate for 2019 has not yet been approved. Approved rates will be included in the Budget some time in November.

The Mayor of Brooks, Barry Morishita asked what the main goals of the Capital Reserve were. B. Rollag said that at the moment the membrane replacement is the main goal. Also there might be a need for an expansion of the Water Treatment Plant in the future. Motors and Pumps will also need to be replaced.

5) **Adjournment**

Meeting is adjourned at 7:39 p.m.

Carried

**Brian Rollag
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 18, 2018**

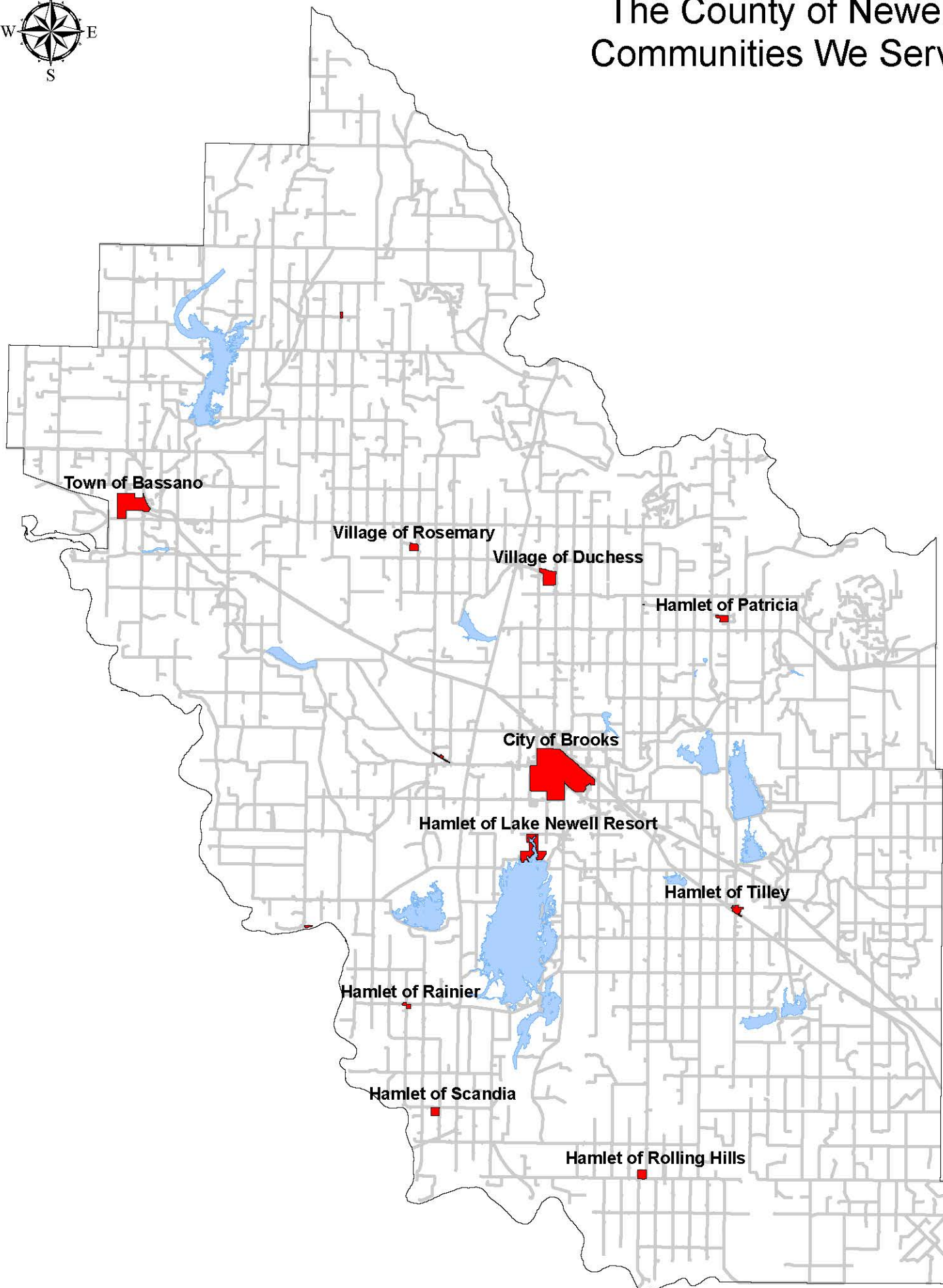
Sign in Sheet

Name	Municipality
Theresa Oriskany	NRSC
Clarence Amulung	NRSC
BRIAN de JONG	NRSC / County
Bill Marshall	NRSC / Rosemarie
KOLE STEINLEY	NRSC
Deborah Reid-Mickles	Village of Duchess
Brian Rollag	NRSC
DAN KLEIN	city of Brooks
Kevin Jones	NRSC
BILL PHENIX	city of Breckin
AnneMarie Philipsen	County of Newell
BRUCE PARKER	Brooks Bulletin
LIONEL FUSSE	COUNTY
Molly Douglass	County of Newell

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The County of Newell Communities We Serve



2018 Review

2018 AT A GLANCE...

- Peak day for water production for 2018 was 19,363 m³ on July 17.



View from inside the lab/control room

- Treated a total of 3,468,901 m³ for our municipal partners.
- Cost of water treatment for the 2018 year was \$0.39 per cubic meter. This includes labor, chemical costs, utilities, administrative costs, maintenance, and repairs.
- Participated in the N.A.I.T. work experience program. Our practicum student contributed over 600 hrs. to achieve their Water and Waste Water Technician program.

Percentage of Water Consumption per Municipality



Treated Water pumps that feed our transmission mains and City of Brooks water distribution network.

	2014		2015		2016		2017		2018	
	m3	%	m3	%	m3	%	m3	%	m3	%
Brooks	2,367,353	80.77%	2,411,745	73.80%	2,143,832	71.33%	2,433,619	71.91%	2,451,982	69.50%
Brooks TF	101,727	3.47%	73,472	2.25%	39,856	1.33%	36,936	1.09%	97,970	2.78%
LNR	25,051	0.85%	25,365	0.78%	27,864	0.93%	30,591	0.90%	35,234	1.00%
Tilley	45,516	1.55%	51,741	1.58%	44,495	1.48%	45,366	1.34%	42,499	1.20%
Rainier	6,213	0.21%	9,222	0.28%	5,276	0.18%	4,860	0.14%	3,527	0.10%
Scandia	55,096	1.88%	37,352	1.14%	12,319	0.41%	11,341	0.34%	11,904	0.34%
Rolling Hills	23,733	0.81%	19,696	0.60%	19,984	0.66%	22,054	0.65%	28,152	0.80%
Patricia	18,325	0.63%	16,270	0.50%	13,312	0.44%	14,994	0.44%	14,795	0.42%
Duchess	180,717	6.17%	187,460	5.74%	164,927	5.49%	182,393	5.39%	186,148	5.28%
Rosemary	5,923	0.20%	30,335	0.93%	22,647	0.75%	27,760	0.82%	25,426	0.72%
Bassano	-	0.00%	190,500	5.83%	245,911	8.18%	259,527	7.67%	246,456	6.99%
Rural Total	101,245	3.45%	214,723	6.57%	265,258	8.83%	314,828	9.30%	383,780	10.88%
Total	2,930,899	100.00%	3,267,881	100.00%	3,005,681	100.00%	3,384,269	100.00%	3,527,873	100.00%

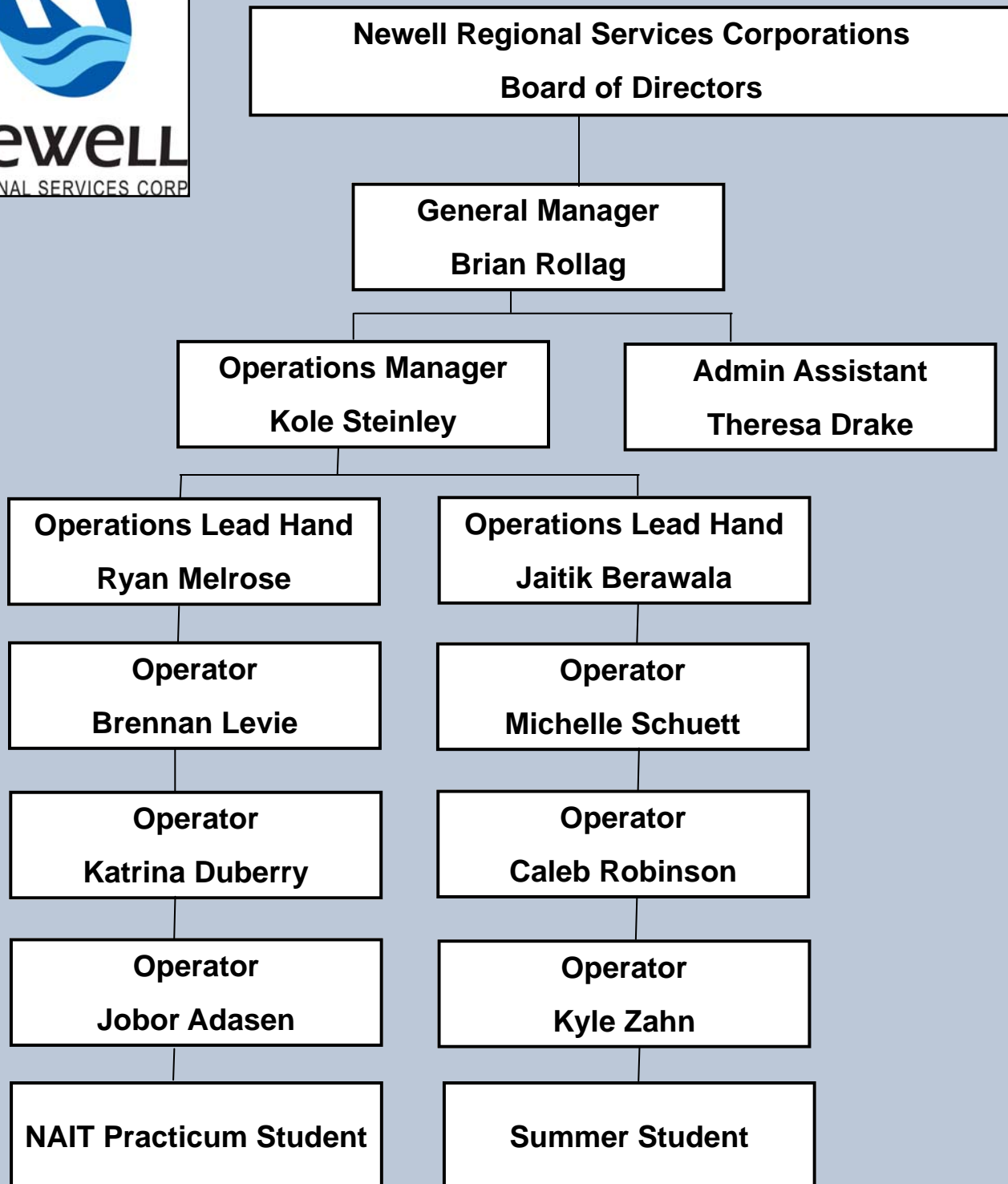
Brooks	84.24%	76.05%	72.65%	73.00%	72.28%
County - Hamlets	5.93%	4.89%	4.10%	3.82%	3.86%
County - Rural	3.45%	6.57%	8.83%	9.30%	10.88%
Village of Duchess	6.17%	5.74%	5.49%	5.39%	5.28%
Village of Rosemary	0.20%	0.93%	0.75%	0.82%	0.72%
Town of Bassano	0.00%	5.83%	8.18%	7.67%	6.99%

Raw Water Summary



Raw water piping that feed the membranes

Raw Water Summary - 2018		
	Allocation (m3)	Actual (m3)
City of Brooks	8,080,152	2,549,952
Count of Newell		
Lake Newell Resort	502,857	35,234
Rainier	12,571	3,527
Scandia	49,028	11,904
Rolling Hills	52,780	28,152
Patricia	33,943	14,795
Tilley	139,542	42,499
Rural	1,110,134	383,780
Village of Duchess	320,835	186,148
Village of Rosemary	74,008	25,426
Town of Bassano	840,000	246,456



Other Highlights from 2018

2018 saw the transition of General Manager from Ralph Havinga to Brian Rollag. Ralph retired in December 2017. During 2018 we also added two new staff as well and changed up the organizational chart to better reflect the needs of NRSC. We added two new lead hand positions and removed the Water Treatment Plant Supervisor from our organizational chart.

We completed the maintenance portion of our Watertrax software. This give our employees the ability to ensure that all appropriate maintenance is completed in the appropriate time frame. This will help us extend the life of our equipment by ensuring that all maintenance is done in a timely fashion. This took our operations staff a considerable amount of time and effort to get the software running effectively.

NRSC also tendered out our financial investment services and it was awarded to CIBC Wood Gundy in September 2018. Their office is located in Calgary, AB. They have a long track record of providing financial services to municipal organizations with positive results. This will allow us to maximize the value of our capital reserves and ensure good stewardship of funds intended for future capital upgrades. Our portfolio is invested in accordance with the regulations set out in the Municipal Government Act. At the end of 2018 our investment portfolio with CIBC Wood Gundy had a value of \$1,987,045.

Also in the 2018 the Board of Directors approved NRSC transition of our accounting standards from Canadian Accounting Standards for Private Enterprises (ASPE) to International Financial Reporting Standards (IFRS). The change in accounting standards was done in an effort to align our reporting standards to other utility corporations within Canada and around the world. This will give us the ability to compare our statements with other similar water utility corporations to see how we compare.

2018 Audited Financial Statements

Financial Statements of

**NEWELL REGIONAL
SERVICES
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2018



KPMG LLP
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400-4th Avenue South
Lethbridge Alberta T1J 4E1
Canada
Tel (403) 380-5700
Fax (403) 380-5760

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Newell Regional Services Corporation

Opinion

We have audited the financial statements of Newell Regional Services Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of statement of operations and comprehensive income for the year then ended
- the statement of statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 auditors' report.

We are independent of the Entity 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.



Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2(a) to the financial statements, which describes that the Entity adopted IFRS on January 1, 2018 with a transition date of January 1, 2017. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2017 and January 1, 2017, and the statements of operations and comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is neither audited nor reviewed.

Our opinion on the financial statements as at and for the year ended December 31, 2018 is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Information, other than the financial statements and the auditors' report thereon, included in Annual Report. The Annual Report is expected to be made available to us after the date of the auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement of this other information, we are required to report the matter to those charged with governance.

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 IFRS, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity'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 IFRS 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 the financial statements.

As part of an audit in accordance with IFRS, 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 the Entity'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 Entity'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 the Entity 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



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Lethbridge, Canada

May 29, 2019

NEWELL REGIONAL SERVICES CORPORATION

Statement of Financial Position

December 31, 2018, with comparative information for December 31, 2017 and January 1, 2017

	December 31, 2018	December 31, 2017	January 1, 2017
Assets			
Current assets:			
Cash	\$ 569,376	\$ 248,107	\$ 325,194
Trade accounts receivable (note 4)	391,920	235,059	240,214
Goods and services tax recoverable	13,312	9,365	10,421
Inventory (note 5)	94,799	107,924	99,780
Prepaid expenses	75,595	52,088	47,208
	<u>1,145,002</u>	<u>652,543</u>	<u>722,817</u>
Property, plant and equipment (note 6):			
Property, plant and equipment	56,923,730	56,915,181	4,315,424
Less accumulated amortization	<u>1,983,018</u>	<u>979,596</u>	<u>720,247</u>
	54,940,712	55,935,585	3,595,177
Cash - held in reserve	54,670	1,420,839	911,327
Patronage reserve, at cost	13,189	12,193	11,138
Long-term investments (note 7)	<u>1,987,045</u>	<u>-</u>	<u>-</u>
	2,054,904	1,433,032	922,465
	<u>\$ 58,140,618</u>	<u>\$ 58,021,160</u>	<u>\$ 5,240,459</u>

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities (note 8)	\$ 348,143	\$ 244,666	\$ 264,916
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>235,714</u>
	348,143	244,666	500,630
Deferred revenue (note 9)	<u>42,332,659</u>	<u>43,093,114</u>	<u>-</u>
	42,680,802	43,337,780	500,630
Shareholders' equity:			
Share capital (note 10)	14,141,054	14,141,054	5,035,214
Retained earnings (deficit)	<u>1,318,762</u>	<u>542,326</u>	<u>(295,385)</u>
	15,459,816	14,683,380	4,739,829
Commitments (note 15)			
	<u>\$ 58,140,618</u>	<u>\$ 58,021,160</u>	<u>\$ 5,240,459</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 Operations and Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
	(Unaudited)		
Revenue:			
Water supply	\$ 3,064,675	\$ 3,135,949	\$ 2,862,803
Waste water	81,900	89,300	75,003
Operating recovery	480,375	502,313	551,751
Capital contributions	922,300	760,455	230,560
	4,549,250	4,488,017	3,720,117
Operating expenses:			
Salaries, wages and benefits	738,925	786,774	678,767
Utilities	420,356	424,344	413,881
Contract services	278,100	202,548	249,863
Chemicals	168,500	239,354	117,198
Automotive	253,094	290,536	241,350
Repairs and maintenance	128,000	127,568	134,980
Supplies	96,732	60,809	116,135
Telecommunications	15,700	14,750	16,078
Testing	11,740	28,274	7,503
Amortization	1,025,424	1,030,358	340,233
	3,136,571	3,205,315	2,315,988
	1,412,679	1,282,702	1,404,129
Administrative expenses (Schedule)	670,470	540,940	633,414
Operating income	742,209	741,762	770,715
Other income (expense):			
Gain on disposal of property, plant and equipment	-	2,790	39,454
Interest income	60,000	16,446	10,497
Unrealized gain (loss) on investments	-	(5,587)	-
Other income (note 11)	18,014	21,025	17,045
	78,014	34,674	66,996
Net income and comprehensive income	\$ 820,223	\$ 776,436	\$ 837,711

See accompanying notes to financial statements.

NEWELL REGIONAL SERVICES CORPORATION

Statement of Changes in Equity

Year ended December 31, 2018, with comparative information for 2017

	Share capital	Retained earnings (deficit)	Total equity
Balance at January 1, 2017	\$ 5,035,214	\$ (295,385)	\$ 4,739,829
Issuance of shares	9,105,840	--	9,105,840
Net income for the year	--	837,711	837,711
Balance at December 31, 2017	14,141,054	542,326	14,683,380
Net income for the year	--	776,436	776,436
Balance at December 31, 2018	\$ 14,141,054	\$ 1,318,762	\$ 15,459,816

See accompanying notes to financial statements.

NEWELL REGIONAL SERVICES CORPORATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Net income and comprehensive income	\$ 776,436	\$ 837,711
Item not involving cash:		
Amortization	1,031,554	341,429
Capital contributions	(760,455)	(230,560)
Gain on disposal of property, plant, and equipment	(2,790)	(39,454)
Unrealized loss on investments	5,587	-
	1,050,332	909,126
Change in non-cash operating working capital:		
Accounts receivable	(156,861)	5,155
Goods and services tax recoverable	(3,947)	1,056
Inventory	13,125	(8,144)
Prepaid expenses	(23,507)	(4,880)
Accounts payable and accrued liabilities	103,477	(20,250)
	982,619	882,063
Financing:		
Repayment of long-term debt	-	(235,714)
Investing:		
Purchase of property, plant and equipment	(36,681)	(270,497)
Proceeds on disposal of property, plant and equipment	2,790	57,628
Repayments on note receivable	-	(1,055)
Increase in patronage reserve	(996)	-
Decrease (increase) in cash held in reserve	1,366,169	(509,512)
Increase in investments	(1,992,632)	-
	(661,350)	(723,436)
Increase (decrease) in cash	321,269	(77,087)
Cash, beginning of year	248,107	325,194
Cash, end of year	\$ 569,376	\$ 248,107
Non-cash transactions related to financing and investing activities:		
Contributed assets	\$ -	\$ (52,429,514)
Deferred revenue	-	43,323,674
Issuance of share capital	-	9,105,840
	\$ -	\$ -

See accompanying notes to financial statements.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

1. Reporting entity:

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 Village 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.

The Company operates in Canada with its registered office located at 330 Canal Street, Brooks, Alberta.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") with a transition date of January 1, 2017. These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1 First-Time Adoption of International Financial Reporting Standards have been applied.

An explanation of the impact of the transition to IFRS on the financial position, financial performance and cash flows of the Company is provided in note 18.

These financial statements were approved and authorised for issue by the Company's board of directors on May 29, 2019.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

2. Basis of presentation (continued):

(c) Use of estimates and judgment:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and 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. The Company reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgment in making these estimates and assumptions. Adjustments to previous estimates, which may be material, are recorded in the period in which they become known. Actual results may differ from these estimates. Significant items subject to such estimates and assumptions include the carrying amounts of property, plant and equipment and inventories.

3. Significant accounting policies:

The Company has consistently applied the following accounting policies to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2017 for the purposes of transition to IFRS.

(a) Change in accounting policies:

The Company adopted new accounting standards effective January 1, 2018 and has initially applied IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which replaces IAS 11 Construction Contracts and related interpretations, and IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39, Financial Instruments: Recognition and Measurement, using the modified retrospective approach with cumulative effect of any adjustments recognized in the opening balance of retained earnings as at January 1, 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(b) 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.

(c) 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. Cost includes the purchase price, transportation and other costs incurred to bring the inventories to their present location and condition.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(d) Property, plant and equipment:

Property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Costs includes expenditures that are directly attributable to the acquisition or construction of the asset such as materials, labour, borrowing costs and contracted services. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Amortization is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of property, plant and equipment, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not amortized. Estimating the appropriate useful lives of assets requires significant judgement and is generally based on estimates of life characteristics of similar assets. The useful economic lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective value.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(e) Revenue recognition:

Effective January 1, 2018, the Company recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the Company is entitled to consideration resulting from completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. For contracts where non-cash consideration is received, revenue is recognized and measured at fair value of the non-cash consideration.

Revenue is classified as water supply, waste water, operating recovery, and capital contributions depending on the nature of each distinct performance obligation.

- Water supply

Revenue from sale of goods is recognized upon delivery to the customer and collectibility is reasonably assured. These revenues include an estimate of the value of water consumed by customers, to the end of each period billed subsequent to the reporting period.

The contract with customers for the supply of water goods consist primarily of perpetual contracts that are effective until terminated by the customer of the Company. The Company provides a series of distinct goods, which are simultaneously received and consumed by the customer. Each of the performance obligations is satisfied over time using the output method for recognition of revenue, i.e. the units of each good supplied to the customer.

Revenues are calculated based on the customer's usage of the goods during the period, at the applicable rates per the terms of the respective contracts. Customers are generally billed on a monthly basis and payment is generally due within 30 days of billing the customer.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(e) Revenue recognition (continued):

- Waste water and operating recovery

Revenue from waste water services consist primarily of perpetual contracts that are effective until terminated by customer of the Company. The Company provides a series of distinct goods, which are simultaneously received and consumed by the customer. Each of the performance obligations is satisfied over time using the output method for recognition of revenue, i.e. quantifiable services rendered to the customer.

Revenues are calculated based on the services provided to the customer during the period, at the applicable rates per the terms of the respective contracts. These revenues include an estimate of the value of the services provided to the customers in the reporting period and billed subsequent to the reporting period. Customers are billed generally within a month and payment is generally due within 30 days of billing the customer.

- Capital contributions

Contributions related to capital expenditures or contributions in-kind are deferred and amortized to income over the estimated economic useful lives of the assets to which the contribution relates.

- IFRS 15 implementation impact

Prior to January 1, 2018, revenue was recognized when products are shipped or services rendered, the customer takes ownership and assumes the risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

The implementation of IFRS 15 effective January 1, 2018, did not result in any adjustment to the opening balance of retained earnings or to the presentation of the statement of financial position.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(f) Impairment:

Financial assets

The Company uses the “expected credit loss” (ECL) model for calculating impairment and recognizes ECL as a loss allowance for financial assets measured at amortized cost or at fair value through other comprehensive income. At each reporting date, the Company measures the loss allowance for financial assets, except for trade receivables without significant financing component, at an amount equal to the lifetime ECL to determine if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

For trade receivables without significant financing component, the Company applies the simplified approach and uses a provision matrix, which is based on the Company’s historical credit loss experience for trade receivable, current market conditions and future expectations, to estimate and recognize the lifetime ECL. Trade and other receivables that are not assessed for impairment individually are assessed for impairment on a collective basis taking into consideration the unique risk factors associated with each customer group.

Prior to January 1, 2018, the Company was using objective evidence as the criteria to recognize impairment losses on financial assets. On implementation of IFRS 9 effective January 1, 2018, the Company changed the criteria for recognition of an impairment loss to utilize the ECL model as described above, which resulted in no adjustment in the opening balance of retained earnings.

Non-financial assets

The Company reviews the carrying amounts of its non-financial assets consisting of property, plant and equipment, inventory and its investment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. Where fair value less costs to sell is not reliably available, value in use is used as the recoverable amount.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(f) Impairment (continued):

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings.

An impairment charge may be reversed only if there is objective evidence that a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized is warranted. When an impairment charge is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the revised recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment charge been recognized in the previous periods. A reversal of an impairment charge is recognized immediately in earnings. After such a reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(g) Deferred revenue:

Certain assets are contributed by customers or constructed using non-refundable cash contributions from customers. Non-refundable customer contributions, which are used to provide ongoing goods or services to these customers, are recorded as deferred revenue. The deferred revenue is initially recorded at the fair value of contributed assets, or the amount of cash contributions received, and is recognized as revenue on a straight-line basis over the estimated lives of the contracts with the customers. Where contracts with customers are perpetual and the related contributed asset is used to provide ongoing goods or services to customers, the life of the contract is estimated to be equivalent to the economical useful life of the asset to which the contribution relates.

Certain assets are acquired or constructed using non-refundable government grants. Government grants are recorded as deferred revenue and are recognized as revenue on a straight-line basis over the estimated economic useful lives of the assets to which they relate.

Certain assets are contributed by developers or acquired or constructed using non-refundable cash contributions from developers. Currently there is no specific IFRS guidance on accounting for contributions received from developers. The Company has developed an accounting policy for the initial recognition of such contributions and subsequent recognition of the related revenue. These contributions are recorded as deferred revenue, at the fair value of the contributed assets or the amount of cash contribution received, and are recognized as revenue on a straight-line basis over the estimated economic useful lives of the assets to which the contribution relates.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(h) Financial instruments:

Financial assets are identified and classified based on the business model used by the Company for managing those financial assets, as one of the following: at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. Prior to January 1, 2018, financial assets were identified and classified as one of the following: measured at fair value through profit or loss, loans and receivables, or available-for-sale financial assets. Non-derivative financial assets that were not classified in any of the above categories were designated as available-for-sale financial assets. Financial liabilities continue to be classified as measured at fair value through profit or loss or at amortized cost, as there is no change in classification of financial liabilities under IFRS 9.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

- At amortized cost

Cash and cash equivalents, other financial assets and trade and other receivables except for derivative assets and long-term investment, which are classified as financial assets measured at fair value through profit or loss, are classified as financial assets measured at amortized cost. These financial assets are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost when they are held for collection of cash flows, where those cash flows solely represent payments of principal and interest using the effective interest method less any impairment. The effective interest method calculates the amortized cost of a financial asset and allocates the finance income over the term of the financial asset using an effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

The Company's trade and other payables, debentures and borrowings, refundable contributions from customers and developers and other liabilities, except for contingent consideration and derivative liabilities which are classified as financial liabilities measured at fair value through profit or loss, are classified as financial liabilities measured at amortized cost and recognized on the date at which the Company becomes a party to the contractual arrangement. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire. Financial liabilities are initially recognized at fair value including discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

- At fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows solely represent payments of principal and interest, are classified as financial assets at fair value through other comprehensive income. These financial assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income, except for the recognition of impairment losses, reversal of impairment losses, interest income and foreign exchange gains and losses, which are recognized in net income. On de-recognition of the financial asset, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to net income. Interest income from these financial assets is recognized as other income using the effective interest rate method.

- At fair value through profit or loss

Financial instruments at fair value through profit or loss include instruments that are designated as financial instruments at fair value through profit or loss or those financial instruments that do not meet the criteria for classification under any other category.

Upon initial recognition, directly attributable transaction costs are recognized in net income as incurred. Changes in fair value of financial instruments measured at fair value through profit or loss are recognized in net income.

The fair value instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active market for identifiable assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

- Before adoption of IFRS 9

- Measured at fair value

Long-term investments (Level 2) were classified as fair value through profit or loss.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(h) Financial instruments (continued)

- Before adoption of IFRS 9 (continued)

- Measured at amortized cost

Cash (Level 1), restricted cash (Level 1), due from related party (Level 3) and accounts receivable (Level 3) were classified as loans and receivables.

Accounts payable and accrued liabilities (Level 3) and long-term debt (Level 2) were classified as other financial liabilities.

- Subsequent to adoption of IFRS 9

- Measured at fair value

Long-term investments (Level 2) are classified as fair value through profit or loss.

- Measured at amortized cost

Cash (Level 1), restricted cash (Level 1), due from related party (Level 3) and accounts receivable (Level 3) are classified at amortized cost.

Accounts payable and accrued liabilities (Level 3) and long-term debt (Level 2) are classified at amortized cost.

(i) 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.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(j) 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. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Company does not recognize its share of any plan surplus or deficit.

A supplementary plan ("APEX") is available through the Alberta Urban Municipalities Association for selected employees conditional upon the Company being a member of LAPP. The plan is a top-up of the LAPP.

(k) Standards and interpretations not yet adopted:

The Company is currently assessing the impact of adopting the following applicable standards on the financial statements.

IFRS 16 Leases

The standard effectively requires all leases, both operating and capital to be recorded as liabilities on the balance sheet. The new standard is currently effective for financial years beginning on or after January 1, 2019. At this time, the impact of this change to the company is still being determined.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

4. Trade accounts receivable:

	December 31, 2018	December 31, 2017	January 1, 2017
Trade accounts receivable	\$ 342,994	\$ 178,880	\$ 173,065
Other receivables	48,926	56,179	67,149
	\$ 391,920	\$ 235,059	\$ 240,214

All amounts are due in the short-term. The carrying amounts are a reasonable approximation of their fair value.

The Company does not have any past due receivables (2017 - \$nil).

The Company does not hold any collateral in respect of these receivables.

Accounts and other receivables consist primarily of amounts due from the member municipalities. As a result, credit losses are generally low and the Company provides for an allowance for lifetime ECL.

The Company calculates the ECL on accounts receivable using a provision matrix approach, which is based on the Company's historical credit loss experience and current economic conditions for accounts receivable, to estimate the ECL. The total ECL at December 31, 2018 is \$nil (2017 - \$nil).

5. Inventory:

The cost of inventories recognized as an expense during the year ended December 31, 2018 was \$239,354 (2017 – \$117,198).

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

6. Property, plant and equipment:

	Land		Buildings		Water mains and pipeline		Vehicles		Office equipment		Total 2018
Cost:											
Balance - January 1, 2018	\$	615,534	\$	28,038,491	\$	28,000,782	\$	248,416	\$	11,958	\$ 56,915,181
Additions		--		--		--		36,681		--	36,681
Transfers		--		--		--		--		--	--
Disposals		--		--		--		(28,132)		--	(28,132)
Balance at December 31, 2018	\$	615,534	\$	28,038,491	\$	28,000,782	\$	256,965	\$	11,958	\$ 56,923,730
Accumulated amortization:											
Balance – January 1, 2018		--		674,726		138,048		157,256		9,566	979,596
Amortization		--		622,794		373,752		33,812		1,196	1,031,554
Disposals		--		--		--		(28,132)		--	(28,132)
Balance at December 31, 2018		--		1,297,520		511,800		162,936		10,762	1,983,018
Net book value	\$	615,534	\$	26,740,971	\$	27,488,982	\$	94,029	\$	1,196	\$ 54,940,712
	Land		Buildings		Water mains and pipeline		Vehicles		Office equipment		Total 2017
Cost:											
Balance - January 1, 2017	\$	615,534	\$	3,012,304	\$	431,709	\$	243,919	\$	11,958	\$ 4,315,424
Additions		--		25,026,187		27,569,073		104,748		--	52,700,008
Transfers		--		--		--		--		--	--
Disposals		--		--		--		(100,251)		--	(100,251)
Balance at December 31, 2017	\$	615,534	\$	28,038,491	\$	28,000,782	\$	248,416	\$	11,958	\$ 56,915,181
Accumulated amortization:											
Balance – January 1, 2017		--		467,919		40,293		203,665		8,370	720,247
Amortization		--		206,807		97,755		35,671		1,196	341,429
Disposals		--		--		--		(82,080)		--	(82,080)
Balance at December 31, 2017		--		674,726		138,048		157,256		9,566	979,596
Net book value	\$	615,534	\$	27,363,765	\$	27,862,734	\$	91,160	\$	2,392	\$ 55,935,585

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

6. Property, plant and equipment (continued):

Amortization for the year amounted to \$1,031,554 (2017 - \$341,429). This is composed of \$1,030,358 (2017 - \$340,233) relating to operating activities and \$1,196 (2017 - \$1,196) relating to administrative expenses.

7. Long-term investments:

	December 31, 2018	December 31, 2017	January 1, 2017
Investments	\$ 1,987,045	\$ -	\$ -

Long-term investments consists of held-to-maturity fixed income investments and principal protected notes, bearing interest at rates between 2.57% and 3.45% and maturing between February 2024 and July 2029.

8. Accounts payable and accrued liabilities:

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

	December 31, 2018	December 31, 2017	January 1, 2017
Trade and other payables	\$ 313,627	\$ 219,259	\$ 240,330
Government remittances	34,516	25,407	24,586
	\$ 348,143	\$ 244,666	\$ 264,916

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

9. Deferred revenue:

Deferred revenue represents the portion of the water treatment plant project contributed to the Company for which grant funding was received on its behalf. The contributions are being deferred and recognized as revenue over the life of the related assets.

	December 31, 2018	December 31, 2017	January 1, 2017
Balance, beginning of year	\$ 43,093,114	\$ -	\$ -
Contributions received	-	43,323,674	-
Capital contributions recognized as revenue	(760,455)	(230,560)	-
Balance, end of year	\$ 42,332,659	\$ 43,093,114	\$ -

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

10. 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:

	December 31, 2018	December 31, 2017	January 1, 2017
200 Class A common shares (2017 - 200)	\$ 20	\$ 20	\$ 20
200 Class B common shares (2017 - 200)	20	20	20
100 Class C common shares (2017 - 100)	10	10	10
100 Class E common shares (2017 - 100)	10	10	10
100 Class F common shares (2017 - 100)	10	10	10
11,070.749 Class G preferred shares, non-voting (\$11,070,749 in aggregate) (2017 - 11,070.749; \$11,070,749 in aggregate)	11,070,749	11,070,749	4,950,966
3,070.235 Class H preferred shares, non-voting (\$3,070,235 in aggregate) (2017 - 3,070.235; \$3,070,235 in aggregate)	3,070,235	3,070,235	84,178
	\$ 14,141,054	\$ 14,141,054	\$ 5,035,214

In 2017, the Company issued 6,119.78274 (\$6,119,783 in aggregate) Class G preferred shares to the City of Brooks and 2,986.05812 (\$2,986,057 in aggregate) Class H preferred shares to the County of Newell, related to their respective contributions of the water treatment plant assets.

11. Other income:

	2018	2017
Truck fill	\$ 10,896	\$ 11,569
Other	10,129	5,476
	\$ 21,025	\$ 17,045

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

12. 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:

	2018	2017
City of Brooks	\$ 34,856	\$ 29,689
Village of Dutchess	2,175	-
Village of Rosemary	2,493	5,473
County of Newell	1,541	3,984
Town of Bassano	3,514	177
	\$ 44,579	\$ 39,323

Accounts receivable includes the following amounts:

	2018	2017
City of Brooks	\$ 271,984	\$ 126,259
Village of Rosemary	4,474	1,013
Village of Dutchess	8,543	7,004
Town of Bassano	13,737	10,375
County of Newell	69,129	74,409
	\$ 367,867	\$ 219,060

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

	2018	2017
City of Brooks	\$ 2,137,063	\$ 2,145,816
Village of Rosemary	23,731	22,208
Village of Dutchess	1,259,154	247,673
Town of Bassano	210,533	296,976
County of Newell	993,991	608,547
	\$ 4,624,472	\$ 3,321,220

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

12. Related party transactions (continued):

Compensation of key management personnel consists of:

	2018	2017
Short-term benefits	\$ 233,369	\$ 209,549
Post-employment benefits	29,786	28,230
	\$ 263,155	\$ 237,779

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.

13. 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, 2018, trade accounts receivable include approximately \$341,113 (2017 - \$200,668) due from 2 customers (2017 - 2), representing approximately 87% (2017 - 86%) 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, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle an obligation on the due date and will be forced to sell financial assets at a price which is less than they are worth, or will be unable to settle or recover a financial asset. The Company manages its liquidity risk through cash and working capital management.

The statement of financial position includes \$348,141 (2017 - \$244,666) in accounts payable and accrued liabilities all due within one year or less.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

14. 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.

15. Commitments:

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, 2020.

16. 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 259,714 people and about 420 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 10.39% (2017 - 11.39%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings ("YMPE") and 14.84% (2017 - 15.84%) for the excess. Employees are required to make current service contributions of 9.39% (2017 - 10.39%) of YMPE plus 13.84% (2017 - 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 2018 were \$82,780 (2017 - \$91,616). Total current and past service contributions by the employees of Newell Regional Services Corporation to the LAPP in 2018 were \$75,476 (2017 - \$84,395).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.

NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

17. 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 2.84% (2017 - 2.84%) and 3.78% (2017 - 3.78%) respectively of pensionable earnings up to \$147,222 (2017 - \$145,722).

Total current service contributions by the Company to APEX in 2018 were \$5,926 (2017 - \$9,774). Total current service contributions by the employees of the Company were \$4,453 (2017 - \$7,343).

The cost of post-retirement benefits earned by employees is actuarially determined using the projected unit credit 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.

18. Transition to IFRS:

On January 1, 2018, the Company adopted IFRS with a transition date of January 1, 2017. As described in Note 2, this is the first period under which the Company's financial statements have been presented in accordance with IFRS. For all periods up to and including the year ended December 31, 2017, the Company prepared its financial statements in accordance with Canadian accounting standards for private enterprises in effect for those periods.

The Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2017. There were no principal adjustments made by the Company in restating its Canadian accounting standards for private enterprises balance sheet prepared as at January 1, 2017.

NEWELL REGIONAL SERVICES CORPORATION

Schedule of Administrative Expenses

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
Salaries, wages and benefits	\$ 348,305	\$ 299,041	\$ 390,539
Professional fees	25,000	16,875	18,165
Insurance	28,774	29,639	27,051
Travel	31,000	25,960	33,367
Office supplies	19,846	16,056	18,793
Computer software and support	112,609	87,347	67,310
Telephone	28,000	26,077	26,814
Workers' Compensation	8,440	9,630	10,852
Repairs and maintenance	27,500	6,567	12,423
Training	26,750	13,405	25,316
Advertising	1,500	910	767
Bank charges and interest	11,550	8,237	821
Amortization	1,196	1,196	1,196
	\$ 670,470	\$ 540,940	\$ 633,414

REVENUE

1-41-001-120 - Lake Newell Resort	\$29,948.90
1-41-001-125 - Tilley	36,124.15
1-41-001-130 - Scandia	10,118.40
1-41-001-135 - Rainier	2,997.95
1-41-001-136 - Rainier Truck Fill	873.80
1-41-001-140 - Brooks	2,057,472.94
1-41-001-141 - Brooks Truck Fill	32,276.20
1-41-001-145 - Rolling Hills	23,912.20
1-41-001-150 - Duchess	158,225.80
1-41-001-155 - Patricia	12,575.75
1-41-001-160 - Rosemary	21,612.10
1-41-001-165 - Bassano	209,488.45
1-41-001-405 - Duchess/Patricia Area	75,526.22
1-41-001-415 - Tilley/Kinbrook Island Area	23,152.11
1-41-001-430 - Brooks West	79,602.25
1-41-001-435 - Brooks North	50,065.34
1-41-001-440 - Rainier/Scandia/Rolling Hills Area	44,812.29
1-41-001-445 - Bassano/Gem/Rosemary Area	52,767.85
1-41-002-120 - Lake Newell Resort Distrib.	23,271.16
1-41-002-125 - Tilley Distrib.	37,924.96
1-41-002-130 - Scandia Distrib.	34,531.35
1-41-002-135 - Rainier Distrib.	32,882.86
1-41-002-140 - Brooks Distrib.	32,000.80
1-41-002-141 - Brooks Truckfill Repairs	7,392.00
1-41-002-145 - Rolling Hills Distrib.	58,205.71
1-41-002-150 - Duchess Distrib.	927.75
1-41-002-155 - Patricia Distrib.	44,967.30
1-41-002-160 - Rosemary Distrib.	2,118.48
1-41-002-165 - Bassano Distrib.	901.60
1-42-001-120 - Lake Newell Resort Coll.	32,514.30
1-42-001-125 - Tilley Ww Coll.	16,686.60
1-42-001-130 - Scandia Ww Coll.	15,590.40
1-42-001-140 - Brooks Ww Coll.	4,645.90
1-42-001-145 - Rolling Hills Ww Coll.	16,011.46
1-42-001-155 - Patricia Ww Coll.	3,851.40
1-44-001-840 - Brooks Truck Fill Billing	2,896.22
1-44-001-841 - County of Newell Truck Fill Billing	464.89
1-44-001-842 - Bassano Truck Fill Billing	142.81
1-44-001-875 - Interest Income	16,445.81
1-44-001-880 - Refunds-Rebates	1,379.15
1-44-001-890 - Other Revenues	930,582.45
1-44-001-895 - Gain/Loss of Property and Equipment	2,790.00
1-44-001-905 - Unrealized gain/loss on investments	(5,587.00)
1-44-001-950 - Contributed Asset Recognized Revenue	(161,787.00)
1-45-001-140 - Brooks Stm	379.05
1-45-001-145 - Rolling Hills Stm	30.45
1-65-001-405 - Duchess/Patricia Area Dist Rural Water	46,702.95
1-65-003-415 - Till/ Kinbrook Is. Area Dist Rural Water	30,371.25
1-65-006-430 - Brooks West Dist Rural Water	26,001.73
1-65-007-435 - Brooks North Dist Rural Water	38,785.95
1-65-008-440 - Rain/Scan/RollHill Area Dist Rural Water	45,987.90
1-65-009-445 - Bassano/Gem/Rose Area Dist Rural water	46,731.30

Total Revenue

\$4,308,294.64

EXPENDITURES

2-01-000-110 - Admin.-Salaries	\$174,526.36
2-01-000-111 - Admin.-Wages-Full Time	53,720.11
2-01-000-114 - Admin.-Director's Remuneration	21,000.00
2-01-000-130 - Admin.-Benefits	46,768.75
2-01-000-140 - Admin.-Conferences/Education	12,457.45
2-01-000-145 - Admin.-Travel & Subsistence	19,493.90
2-01-000-150 - Admin.-Memberships & Dues	4,331.36
2-01-000-154 - Admin-Employee Recognition	3,025.95
2-01-000-157 - Admin.-WCB	9,629.55
2-01-000-161 - Operations Wages- Unallocated	89,247.95
2-01-000-210 - Admin.-Postage/Courier	2,673.83
2-01-000-215 - Admin.-Advertising/ Subscripti	909.94
2-01-000-220 - Admin.-Computer Software	4,750.00
2-01-000-225 - Admin- Software Renewals and Maint.	46,968.20
2-01-000-230 - Admin.-Office Supply	4,439.98
2-01-000-232 - Computer Purchases	1,868.23
2-01-000-245 - Admin.-Entertainment-Meals	3,030.10
2-01-000-250 - Admin.-Governance Costs	3,436.12
2-01-000-260 - Admin.-Photocopy	4,611.91
2-01-000-325 - Admin.-Telecommunications	26,076.55
2-01-000-405 - Outsource-Accounting/Finance	13,150.00
2-01-000-410 - Outsource-Legal	3,725.41
2-01-000-440 - Outsource-Computer Program Ser	1,506.00
2-01-000-445 - Outsource-IT Services	32,255.01
2-01-000-460 - Admin-Insurance	29,638.78
2-01-000-905 - Bank Payment Charges	737.70
2-01-000-910 - Admin.-Service & Interest Char	131.02
2-01-000-925 - Amortization Expense	996,545.96
2-01-000-930 - Admin- Amortization	1,195.80
2-01-000-945 - Broker Fees	7,368.00
2-10-011-111 - WTP-Wages-Full Time	205,028.90
2-10-011-112 - WTP-Wages-Part Time	12,329.84
2-10-011-130 - WTP- Benefits	36,401.02
2-10-011-155 - WTP-Clothing&Coverals	5,474.68
2-10-011-156 - WTP- Safety & Training	947.50
2-10-011-205 - WTP-Safety Supply	5,871.60
2-10-011-207 - WTP-Janitorial Supply	5,775.36
2-10-011-254 - Operations-Small Tools	3,406.01
2-10-011-255 - WTP-Other Mat and Supplies.	16,938.54
2-10-011-260 - WTP- Small Tools	639.32
2-10-011-305 - WTP-Cost Of Water-EID	72,035.12
2-10-011-310 - WTP-Power	246,223.54
2-10-011-315 - WTP-Gas	40,698.41
2-10-011-320 - WTP-Solid Waste	798.32
2-10-011-325 - WTP- Telecommunications	2,532.02
2-10-011-405 - WTP-Outsource-Proff Testing Fees	17,833.73
2-10-011-436 - WTP- Mechanical	34,111.94
2-10-011-437 - WTP- Electrical	19,743.64
2-10-011-438 - WTP- Instrumentation	34,527.76
2-10-011-439 - WTP- Scada	9,982.73
2-10-011-440 - WTP- Misc Contract Services	20,681.78
2-10-011-505 - WTP-Miscellaneous Chemicals	6,269.63
2-10-011-510 - WTP-Ammonia	15,507.93
2-10-011-515 - WTP-Caustic	70,790.20

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2-10-011-520 - WTP-Chlorine	19,082.00
2-10-011-525 - WTP-Citric Acid	19,911.19
2-10-011-530 - WTP-Co2	29,454.63
2-10-011-535 - WTP-Coagulant	14,148.93
2-10-011-540 - WTP-Pac	26,517.15
2-10-011-545 - WTP-Potassium Permanganate	4,389.43
2-10-011-550 - WTP-Salt	4,702.44
2-10-011-555 - WTP-Sodium Hypo	13,212.56
2-10-011-560 - WTP- Chemical Freight	15,367.60
2-10-011-605 - Vehicle Amortization	33,812.37
2-10-011-610 - WTP-Vehicle Usage	81,319.40
2-10-011-620 - Operations- Fuel and Oil	57,493.99
2-10-011-630 - Operations- Parts and Tires	4,767.61
2-10-011-640 - Operations- Vehicle Truck Wash	3,775.44
2-10-011-643 - Operations- Vehicle Repair Unit #3	892.10
2-10-011-644 - Operations- Vehicle Repair Unit #4	2,577.82
2-10-011-645 - Operations- Vehicle Repair Unit #5	445.01
2-10-011-646 - Operations- Vehicle Repair Unit #6	936.23
2-10-011-647 - Operations- Vehicle Repair Unit #7	463.98
2-10-011-649 - Operations - Vehicle Repair Unit # 9	3,205.72
2-10-011-650 - Operations - Vehicle Repair Unit # 10	1,028.56
2-10-011-651 - Operations - Vehicle Repair Unit # 11	508.50
2-10-011-652 - Operations - Vehicle Repair Unit # 12	45.00
2-10-011-699 - Vehicle Expense Allocation	(214,396.00)
2-10-012-111 - Membranes-Wages-Full Time	17,423.04
2-10-012-130 - Membranes-Benefits	4,086.74
2-10-012-255 - Membranes-Other Material and Supplies	3,618.76
2-10-012-436 - Membranes-Mechanical Contract	26,162.39
2-10-012-438 - Membranes-Instrumentation	1,675.75
2-10-012-440 - Membranes-Misc Contract Services	7,846.82
2-10-013-111 - WTP Pumps-Wages-Full time	14,571.95
2-10-013-130 - WTP Pumps-Benefits	3,513.65
2-10-013-255 - WTP Pumps-Other Material and Supplies	1,753.70
2-10-013-436 - WTP Pumps-Mechanical Contract	66,661.97
2-10-013-437 - WTP Pumps-Electrical Contract	1,933.51
2-10-014-111 - Raw Pump Hse.-Wages-Full Time	12,923.15
2-10-014-130 - Raw Pump Hse.-Benefits	3,218.50
2-10-014-255 - Raw Pump Hse.-Other Mat and Supplies	2,893.61
2-10-014-310 - Raw Pump Hse- Power	46,098.57
2-10-014-315 - Raw Pump Hse- Gas	2,766.82
2-10-014-325 - Raw Pump Hse-Telecommunications	1,266.01
2-10-014-436 - Raw Pump Hse.-Mechanical Contra	4,773.00
2-10-014-437 - Raw Pump Hse.-Electrical Contra	351.80
2-10-014-440 - Raw Pump Hse- Misc Contract Services	952.00
2-10-014-610 - Raw Pump Hse.-Vehicle Usage	6,642.22
2-11-015-111 - Booster Station-LNR-Wages-Full-Time	4,505.03
2-11-015-130 - Booster Stat- LNR-Benefits	1,052.59
2-11-015-325 - Booster Stat-LNR-Telecommunications	1,266.01
2-11-015-610 - Booster Stat-LNR-Vehicle Usage	1,996.26
2-11-016-111 - Tilley Control House-Wages Full-Time	2,896.81
2-11-016-130 - Tilley Control House- Benefits	768.26
2-11-016-310 - Tilley Control House- Power	975.34
2-11-016-315 - Tilley Control House- Gas	457.95
2-11-016-325 - Tilley Control House- Telecommunications	1,596.08
2-11-016-610 - Tilley Cont Hse- Vehicle Usage	1,339.33
2-11-017-111 - Rosemary Booster Wages Full-Time	155.40

2-11-017-130 - Rosemary Booster - Benefits	40.51
2-11-017-310 - Rosemary Booster - Power	2,179.03
2-11-017-315 - Rosemary Booster - Gas	313.57
2-11-017-325 - Rosemary Booster- Telecommunications	1,375.66
2-11-017-438 - Rosemary Booster - Instrumentation	1,804.00
2-11-017-610 - Rosemary Booster - Vehicle Usage	73.00
2-11-018-310 - Duchess Control House - Power	3,930.31
2-11-018-315 - Duchess Control House - Gas	377.96
2-11-019-310 - Bassano Control House - Power	6,115.89
2-11-019-315 - Bassano Control House - Gas	390.02
2-12-016-111 - WTP-Truck Fill- Wages-FullTime	4,247.96
2-12-016-130 - WTP-Truck Fill-Benefits	972.75
2-12-016-610 - Truck Fill- Vehicle Usage	1,821.20
2-21-020-111 - Trans Main-Wages-Full Time	30,342.88
2-21-020-112 - Trans Main-Wages-Part Time	3,000.00
2-21-020-130 - Trans Main-Benefits	7,064.98
2-21-020-255 - Trans Main-Other Mat and Supplies	330.65
2-21-020-420 - Trans Main-Repairs	6,566.67
2-21-020-451 - Trans Main-Outsource-Locates	8,246.52
2-21-020-610 - Trans Main-Vehicle Usage	12,500.23
2-31-031-111 - LNR-SR-Wages-Full Time	1,791.77
2-31-031-130 - LNR-SR-Benefits	474.95
2-31-031-255 - LNR-SR-Other Mat and Supplies	1,390.26
2-31-031-315 - LNR-SR-Gas	899.58
2-31-031-325 - LNR-SR-Telecommunications	550.07
2-31-031-435 - LNR-SR- Proff Testing Fees	760.75
2-31-031-436 - LNR-SR- Mechanical	250.00
2-31-031-437 - LNR-SR- Electrical	849.82
2-31-031-438 - LNR-SR- Instrument	1,008.00
2-31-031-610 - LNR-SR- Vehicle Usage	830.64
2-31-032-111 - Tilley-Wages-Full Time	6,329.56
2-31-032-130 - Tilley-Benefits	1,500.11
2-31-032-255 - Tilley-Other Mat and Supplies	1,390.26
2-31-032-435 - Tilley-Professional Testing Fees	760.75
2-31-032-610 - Tilley-Vehicle Usage	2,840.69
2-31-033-111 - Scandia-Wages-Full Time	6,491.61
2-31-033-130 - Scandia-Benefits	1,541.70
2-31-033-255 - Scandia-Other Mat and Supplies	1,390.26
2-31-033-315 - Scandia-Gas	83.23
2-31-033-325 - Scandia-Telecommunications	1,596.01
2-31-033-435 - Scandia- Professional Testing Fees	760.75
2-31-033-610 - Scandia-Vehicle Usage	2,883.24
2-31-034-111 - Rainier-Wages-Full Time	6,447.25
2-31-034-130 - Rainier-Benefits	1,521.23
2-31-034-255 - Rainier-Other Mat and Supplies	1,390.26
2-31-034-325 - Rainier-Telecommunications	1,596.01
2-31-034-435 - Rainier- Professional Testing Fees	760.75
2-31-034-610 - Rainier-Vehicle Usage	2,851.85
2-31-035-111 - Brooks-Wages-Full Time	10,232.51
2-31-035-130 - Brooks-Benefits	2,526.40
2-31-035-610 - Brooks-Vehicle Usage	4,592.59
2-31-036-111 - Rolling Hills-Wages-Full Time	6,827.21
2-31-036-130 - Rolling Hills-Benefits	1,607.51
2-31-036-255 - Rolling Hills-Other mat and Supplies	1,435.26
2-31-036-325 - Rolling Hills-Telecommunication	1,596.01
2-31-036-435 - Rolling Hills-Professional Testing Fees	760.75

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2-31-036-610 - Rolling Hills-Vehicle Usage	3,118.32
2-31-131-111 - LNR-SR-Wages-Full Time M&R	24.42
2-31-131-130 - LNR-SR-Benefits M&R	5.14
2-31-131-420 - LNR-SR- Repairs M&R	2,418.84
2-31-131-610 - LNR-SR-Vehicle Usage M&R	10.40
2-31-132-111 - Tilley-Wages-Full Time M&R	21.98
2-31-132-130 - Tilley-Benefits M&R	6.13
2-31-132-420 - Tilley - Repairs M&R	2,894.01
2-31-132-610 - Tilley - Vehicle Usage M&R	9.36
2-31-133-111 - Scandia - Wages-Full Time M&R	21.98
2-31-133-130 - Scandia - Benefits M&R	6.13
2-31-133-420 - Scandia - Repairs M&R	2,285.12
2-31-133-610 - Scandia-Vehicle Usage M&R	9.36
2-31-134-111 - Rainier-Wages-Full Time M&R	47.30
2-31-134-130 - Rainier-Benefits M&R	11.49
2-31-134-420 - Rainier - Repairs M&R	230.00
2-31-134-610 - Rainier - Vehicle Usage M&R	16.90
2-31-136-420 - Rolling Hills - Repairs M&R	3,713.22
2-40-041-325 - Duchess-Telecommunications	110.00
2-40-042-111 - Patricia-Wages-Full Time	9,719.20
2-40-042-130 - Patricia- Benefits	2,325.54
2-40-042-255 - Patricia-Other Mat and Supplies	1,598.97
2-40-042-325 - Patricia-Telecommunications	1,266.01
2-40-042-435 - Patricia-Professional Testing Fees	760.75
2-40-042-610 - Patricia-Vehicle Usage	4,281.15
2-40-044-435 - Bassano-Professional Testing Fees	265.50
2-40-142-111 - Patricia - Wages - Full Time M&R	25.43
2-40-142-130 - Patricia - Benefits M&R	6.71
2-40-142-420 - Patricia - Repairs M&R	1,998.88
2-40-142-610 - Patricia - Vehicle Usage M&R	10.86
2-50-051-111 - Distrib. LNR-Wages-Full Time	5,684.19
2-50-051-130 - Distrib. LNR-Benefits	1,903.46
2-50-051-255 - Distrib. LNR-Other Mat and Supplies	446.61
2-50-051-420 - Distrib. LNR-Repairs	404.00
2-50-051-435 - Distrib LNR-Professional Testing Fees	7.41
2-50-051-610 - Distrib. LNR-Vehicle Usage	2,106.47
2-50-052-111 - Distrib. Tilley-Wages-Full Tim	9,765.72
2-50-052-130 - Distrib. Tilley-Benefits	2,820.36
2-50-052-255 - Distrib. Tilley-Other Mat and Supplies	536.81
2-50-052-420 - Distrib. Tilley-Repairs	885.00
2-50-052-435 - Distrib.Tilley-Professional Testing Fees	7.41
2-50-052-610 - Distrib. Tilley-Vehicle Usage	4,406.63
2-50-053-111 - Distrib. Scandia-Wages-Full Time	8,657.69
2-50-053-130 - Distrib. Scandia-Benefits	2,627.07
2-50-053-255 - Distrib. Scandia-Other Mat and Supplies	544.92
2-50-053-420 - Distrib. Scandia-Repairs	404.00
2-50-053-435 - Scandia-Professional Testing Fees	81.68
2-50-053-610 - Distrib. Scandia-Vehicle Usage	3,406.07
2-50-054-111 - Distrib. Rainier-Wages-Full Time	8,946.22
2-50-054-130 - Distrib. Rainier-Benefits	2,683.85
2-50-054-255 - Distrib. Rainier-Other Mat and Supplies	446.61
2-50-054-420 - Distrib. Rainier-Repairs	404.00
2-50-054-435 - Rainier-Professional Testing Fees	7.41
2-50-054-610 - Distrib. Rainier-Vehicle Usage	3,471.53
2-50-055-111 - Distrib. Brooks-Wages-Full Time	7,867.91
2-50-055-130 - Distrib. Brooks-Benefits	1,934.59

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2-50-055-610 - Distrib. Brooks-Vehicle Usage	3,572.46
2-50-056-111 - Distrib. Rolling Hills-Wages-Full Time	10,655.83
2-50-056-130 - Distrib. Rolling Hills-Benefits	3,215.22
2-50-056-255 - Distrib. Rolling Hills-Other Mat and Supp	446.61
2-50-056-420 - Distrib. Rolling Hills-Repairs	13,879.27
2-50-056-435 - Rolling Hills-Professional Testing Fees	7.41
2-50-056-610 - Distrib. Rolling Hills-Vehicle Usage	4,173.73
2-50-151-111 - LNR - Wages - Full Time M&R	259.73
2-50-151-130 - LNR - Benefits M&R	92.74
2-50-151-610 - LNR - Vehicle Usage M&R	112.06
2-50-152-111 - Dist. Tilley-Wages-Full Time M&R	637.48
2-50-152-130 - Dist. Tilley Benefits M&R	177.68
2-50-152-610 - Dist Tilley-Vehicle Usage M&R	271.44
2-50-153-111 - Dist Scandia-Wages-Full Time M&R	25.22
2-50-153-130 - Dist Scandia-Benefits M&R	4.54
2-50-153-610 - Dist Scandia - Vehicle Usage M&R	10.40
2-50-154-420 - Dist Rainier - Repairs M&R	499.00
2-50-156-111 - Dist R.H.- Wages - Full Time M&R	925.63
2-50-156-130 - Dist R.H. - Benefits M&R	175.44
2-50-156-420 - Dist. R.H. - Repairs M&R	5,525.28
2-50-156-610 - Dist R.H. - Vehicle Usage M&R	282.49
2-60-061-111 - Distrib. Duchess-Wages-Full Time	636.30
2-60-061-130 - Distrib. Duchess-Benefits	154.10
2-60-061-610 - Distrib. Duchess-Vehicle Usage	260.58
2-60-062-111 - Distrib. Patricia-Wages-Full Time	11,289.52
2-60-062-130 - Distrib. Patricia-Benefits	3,301.34
2-60-062-255 - Distrib. Patricia-Other Mat and Supplies	446.61
2-60-062-420 - Distrib. Patricia-Repairs	404.00
2-60-062-435 - Patricia-Professional Testing Fees	7.43
2-60-062-610 - Distrib. Patricia-Vehicle Usage	4,473.16
2-60-063-111 - Distrib. Rosemary-Wages-Full Time	1,232.91
2-60-063-130 - Distrib. Rosemary-Benefits	300.30
2-60-063-610 - Distrib. Rosemary-Vehicle Usage	496.99
2-60-064-111 - Distrib. Bassano-Wages-Full Time	622.35
2-60-064-130 - Distrib. Bassano- Benefits	150.03
2-60-064-610 - Distrib. Bassano-Vehicle Usage	254.67
2-60-162-111 - Dist Patricia - Wages - Full Time M&R	189.20
2-60-162-130 - Dist Patricia - Benefits M&R	43.10
2-60-162-610 - Dist Patricia - Vehicle Usage M&R	49.40
2-65-001-111 - Duchess/Patricia Area Wages Full-Time	22,457.33
2-65-001-130 - Duchess/Patricia Area Benefits	6,225.79
2-65-001-255 - Duchess/Pat Area Other Material and Supp	530.32
2-65-001-435 - Duchess/Patricia Area Proff Testing Fees	768.16
2-65-001-610 - Duchess/Patricia Area Vehicle Usage	9,801.15
2-65-003-111 - TilleyKinbrook Is Area Wages Full-Time	13,829.28
2-65-003-130 - Tilley/Kinbrook Is Area Benefits	4,237.35
2-65-003-255 - Tilley/Kinbrook Area Other Mat and Supp	413.40
2-65-003-435 - TilleyKinbrook Area Prof Testing Fees	768.16
2-65-003-610 - Tilley/Kinbrook Is Area Vehicle Usage	5,682.21
2-65-006-111 - Brooks West Wages Full-Time	13,679.55
2-65-006-130 - Brooks West Benefits	4,139.93
2-65-006-255 - Brooks Area Other Material/Supplies	413.40
2-65-006-435 - Brooks West Professional Testing Fees	768.16
2-65-006-610 - Brooks West Vehicle Usage	5,668.89
2-65-007-111 - Brooks North Wages Full-Time	19,043.20
2-65-007-130 - Brooks North Benefits	5,493.24

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2-65-007-255 - Brooks North Other Material/Supplies	413.40
2-65-007-420 - Brooks North Repairs	3,334.00
2-65-007-435 - Brooks Professional Testing Fees	768.16
2-65-007-610 - Brooks North Vehicle Usage	7,890.09
2-65-008-111 - Rain/Scan/Roll Hill Wages Full-Time	16,241.03
2-65-008-130 - Rainier/Scandia/Roll Hill Benefits	4,697.06
2-65-008-255 - Rainier/Scandia/Roll Hill Other Mat/Supp	410.30
2-65-008-420 - Rain/Scan/Roll Hill Area Repairs	4,084.10
2-65-008-435 - Rainier/Scan/ Roll HillArea Prof Testing	768.16
2-65-008-610 - Rainier/Scan/Roll Hi Area Vehicle Usage	7,187.07
2-65-009-111 - Bassano/Gem/Rose Area Wages Full-Time	25,057.21
2-65-009-130 - Bassano/Gem/Rosemary Area Benefits	6,813.32
2-65-009-255 - Bassano/Gem/Ros Area Other Material/Supp	456.50
2-65-009-435 - Bassano/Gem/Rose Area Prof Testing Fees	768.18
2-65-009-610 - Bassano/Gem/Rose Area Vehicle Usage	10,603.08
2-65-101-111 - Duch/Pat Area - Wages - Full Time M&R	230.88
2-65-101-130 - Duch/Pat Area - Benefits M&R	56.08
2-65-101-420 - Duch/Pat Area - Repairs M&R	4,314.21
2-65-101-610 - Duch/Pat Area - Vehicle Usage M&R	97.50
2-65-103-111 - Til/Kin Area - Wages - Full Time M&R	41.63
2-65-103-130 - Til/Kin Area - Benefits M&R	8.82
2-65-103-420 - Til/Kin Area - Repairs M&R	3,924.85
2-65-103-610 - Til/Kin Area - Vehicle Usage M&R	20.80
2-65-108-111 - Rain/Scan/R.H. - Wages -Full Time M&R	97.29
2-65-108-130 - Rain/Scan/R.H. - Benefits M&R	22.55
2-65-108-420 - Rain/Scan/R.H. - Repairs M&R	10,242.33
2-65-108-610 - Rain/Scan/R.H. - Vehicle Usage M&R	49.72
2-65-109-111 - Bass/Gem/Rose - Wages - Full Time M&R	65.95
2-65-109-130 - Bass/Gem/Rose - Benefits M&R	18.50
2-65-109-420 - Bass/Gem/Rose - Repairs M&R	690.50
2-65-109-610 - Bass/Gem/Rose - Vehicle Usage M&R	28.08
2-70-071-111 - WW Coll. LNR-Wages-Full Time	7,004.18
2-70-071-130 - WW Coll. LNR-Benefits	2,188.37
2-70-071-610 - WW Coll. LNR-Vehicle Usage	2,585.87
2-70-072-111 - WW Coll. Tilley-Wages-Full Time	6,660.52
2-70-072-130 - WW Coll. Tilley-Benefits	2,051.19
2-70-072-255 - WW Coll. Tilley-Other Mat and Supplies	6.00
2-70-072-435 - WW Coll.Tilley-Professional Testing Fees	227.37
2-70-072-610 - WW Coll. Tilley-Vehicle Usage	2,522.27
2-70-073-111 - WW Coll. Scandia-Wages-Full Time	6,610.07
2-70-073-130 - WW Coll. Scandia-Benefits	2,051.75
2-70-073-420 - WW Coll. Scandia-Repairs	595.00
2-70-073-435 - WW CollScandia-Professional Testing Fees	240.45
2-70-073-610 - WW Coll. Scandia-Vehicle Usage	2,509.93
2-70-075-111 - WW Coll. Brooks-Wages-Full Time	2,602.01
2-70-075-130 - WW Coll. Brooks-Benefits	637.35
2-70-075-610 - WW Coll. Brooks-Vehicle Usage	1,100.12
2-70-076-111 - WW Coll. Rolling Hills-Wages-Full Time	6,353.23
2-70-076-130 - WW Coll. Rolling Hills-Benefits	1,957.61
2-70-076-420 - WW Coll. Rolling Hills-Repairs	255.00
2-70-076-435 - WW Coll. Rolling Hills-Prof Testing Fees	186.93
2-70-076-610 - WW Coll. Rolling Hills-Vehicle Usage	2,431.44
2-70-171-111 - W.W. Coll. LNR - Wages - Full Time M&R	1,629.63
2-70-171-130 - W.W. Coll. LNR - Benefits M&R	333.18
2-70-171-420 - W.W. Coll. LNR - Repairs M&R	13,857.42
2-70-171-610 - W.W. Coll. LNR - Vehicle Usage M&R	520.98

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2-70-172-111 - W.W. Coll. Tilley - Wages- Full Time M&R	247.47
2-70-172-130 - W.W. Coll Tilley - Benefits M&R	55.98
2-70-172-420 - W.W. Coll. Tilley - Repairs M&R	3,988.49
2-70-172-610 - W.W. Coll. Tilley - Vehicle Usage M&R	131.82
2-70-173-111 - W.W. Coll. Scandia- Wages- Full Time M&R	116.51
2-70-173-130 - W.W. Coll. Scandia - Benefits M&R	29.80
2-70-173-420 - W.W. Coll Scandia - Repairs M&R	2,643.75
2-70-173-610 - W.W. Coll. Scandia - Vehicle Usage M&R	50.64
2-70-176-111 - W.W. Coll R. Hills - Wages - FT- M & R	156.26
2-70-176-130 - W.W. Coll - R. Hills - Benefits M&R	41.44
2-70-176-420 - W.W. Coll. Rolling Hills - Repair M&R	3,524.45
2-70-176-610 - W.W. Coll. R. Hills - Vehicle Usage M&R	39.52
2-80-082-111 - WW Coll. Patricia-Wages-Full Time	2,128.10
2-80-082-130 - WW Coll. Patricia Benefits	507.63
2-80-082-435 - WW Coll-Patricia-Proff Testing Fees	227.38
2-80-082-610 - WW Coll. Patricia-Vehicle Usage	803.98
2-90-090-111 - Stormwtr. Coll.-Wages-Full Time	40.07
2-90-090-130 - Stormwtr. Coll.-Benefits	8.17
2-90-090-610 - Stormwtr- Vehicle Usage	19.63
2-90-092-111 - Stm Water-Brooks-Wages-Fulltime	222.23
2-90-092-130 - Stm Water-Brooks-Benefits	56.39
2-90-092-610 - Stm Water-Brooks-Vehicle Usage	82.22
2-90-190-111 - Rolling Hills Stormwater - Full Time M&R	22.48
2-90-190-130 - RH Stormwater M&R	5.01
2-90-190-610 - RH Stormwater - Vehicle Use M&R	11.51
2-95-095-111 - EID - Wages Full Time	232.72
2-95-095-130 - EID - Benefits	84.37
2-95-095-420 - EID - Repairs & Testing	1,154.00
2-95-095-610 - EID - Vehicle Usage	62.40

Total Expenditures

\$3,531,859.04
Net Surplus (Deficit):

\$776,435.60

ASSETS

3-10-000-113 - Petty Cash	250.01
3-10-000-120 - Chinook Credit Union	569,119.46
3-10-000-121 - Chinook Credit Union Share Acc	6.10
3-10-000-122 - Capital Reserve	3,911.83
3-10-000-123 - Operational Reserve	50,757.74
3-10-000-124 - Investment CIBC	1,987,045.00
3-10-000-210 - Accounts Receivable	48,578.12
3-10-000-215 - Utilities Receivable	342,994.06
3-10-000-220 - Co-Op Equity	13,188.55
3-10-000-230 - Gst Due From Revenue Canada	6,725.93
3-10-000-231 - Gst Collected	80.51
3-10-000-232 - Gst Paid	3,996.72
3-10-000-234 - GST Rebate-Paid	2,477.56
3-10-000-236 - GST-Admin- Paid	31.62
3-10-000-237 - Federal tax refund	347.72
3-10-000-310 - Prepaid Expenses	75,594.57
3-10-000-320 - Chemical Inventory	30,933.36
3-10-000-330 - Trans. Main Inventory	19,336.41
3-10-000-340 - WTP Inventory	38,452.94
3-10-000-350 - Meter Inventory	6,075.88
3-11-010-605 - Vehicles	256,964.32
3-11-010-615 - Office Equipment	11,958.00
3-11-011-620 - Wtp - Structures	8,865,030.62
3-11-011-630 - Wtp - Mechanical	3,262,716.59
3-11-011-640 - Wtp - Electrical	10,507,254.26
3-11-011-650 - Wtp - Land	615,256.00
3-11-014-620 - Raw Water Pump Hse. - Structures	387,313.40
3-11-014-630 - Raw Water Pump Hse. - Mechanical	392,622.15
3-11-014-640 - Raw Water Pump Hse. - Electrical	218,123.41
3-11-014-650 - Raw Water Pump Hse. - Land	46.00
3-11-015-620 - Lnr - Structures	342,619.13
3-11-015-630 - Lnr - Mechanical	178,166.66
3-11-015-640 - Lnr - Electrical	140,586.21
3-11-016-620 - Rosemary Booster Station - Structures	246,559.33
3-11-016-630 - Rosmary Booster Station - Mechanical	106,931.16
3-11-016-640 - Rosemary Booster Station - Electrical	279,494.26
3-11-021-660 - Mains and Serv. - Contrib.	431,709.33
3-11-021-665 - Mains and Services	27,569,072.20
3-11-022-620 - Meter Vaults - Structures	444,351.15
3-11-032-620 - Tilley - Structures	131,930.16
3-11-032-630 - Tilley - Mechancial	63,152.64
3-11-032-640 - Tilley - Electrical	49,831.93
3-11-032-650 - Tilley - Land	231.55
3-11-033-620 - Scandia - Structures	157,993.08
3-11-033-630 - Scandia - Mechanical	82,158.57
3-11-033-640 - Scandia - Electrical	64,828.97
3-11-034-620 - Rainier - Structures	155,118.13
3-11-034-630 - Rainier - Mechanical	80,663.57
3-11-034-640 - Rainier - Electrical	63,649.30
3-11-036-620 - Rolling Hills - Structures	169,247.41
3-11-036-630 - Rolling Hills - Mechanical	88,010.98
3-11-036-640 - Rolling Hills - Electrical	69,446.95
3-11-041-620 - Duchess - Structures	336,879.75
3-11-041-630 - Duchess - Mechanical	158,005.35

3-11-041-640 - Duchess - Electrical	114,864.67	
3-11-042-620 - Patricia - Structures	76,268.18	
3-11-042-630 - Patricia - Mechanical	29,727.62	
3-11-042-640 - Patricia - Electrical	111,942.15	
3-11-044-620 - Bassano - Structures	351,416.95	
3-11-044-630 - Bassano - Mechanical	196,884.46	
3-11-044-640 - Bassano - Electrical	114,702.20	
3-12-000-605 - Accum. Amortization - Vehicles	(162,936.84)	
3-12-000-615 - Accum Amortization - Office Equipment	(10,762.20)	
3-12-000-620 - Accum. Amortization - Structures	(1,295,422.19)	
3-12-000-670 - Accum Amortization - Mains & Services	(511,800.24)	
3-12-032-621 - Accum. Amort.- Tilley- Structure	(2,097.98)	
Total Assets		58,140,613.39
LIABILITIES		
4-10-000-100 - Receiver Gen. Payable	26,844.13	
4-10-000-101 - Lapp-Payable	5,697.69	
4-10-000-103 - Benefits Payable	1,278.87	
4-10-000-109 - Vacation Pay-Payable	24,413.72	
4-10-000-113 - Sick Pay Accrued	63,542.04	
4-10-000-114 - Apex Option 1	(2,405.75)	
4-10-000-120 - Water Haulers Security Deposits	20,000.00	
4-10-000-270 - Accounts Payable	190,375.15	
4-10-000-280 - Accrued Liabilities	18,392.11	
4-11-010-360 - Deferred Asset Revenue	42,332,659.51	
4-20-000-120 - Common Shares-Class"a"-Brooks	20.00	
4-20-000-125 - Common Shares-Class"b"-CountyofNewell	20.00	
4-20-000-130 - Common Shares-Class"c"-Rosemary	10.00	
4-20-000-140 - Common Shares-Class "e"-Bassano	10.00	
4-20-000-145 - Common Shares-Class "f"-Duchess	10.00	
4-25-000-120 - Preferred Shares-Class "g" -COB	11,070,748.65	
4-25-000-125 - Preferred Shares-Class "h" -CON	3,070,235.77	
Total Liabilities		56,821,851.89
SURPLUS		
5-00-000-901 - Current Years Surplus	542,325.90	
Net Surplus (Deficit):	776,435.60	
Total Surplus		1,318,761.50
Total Liabilities and Surplus		58,140,613.39