



# **Newell**

REGIONAL SERVICES CORP.

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*2020 Annual Report*

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# NRSC 2020 Chairman's Message

During 2020 the employees of Newell Regional Services Corporation, under the oversight of the board of directors, has continued to produce and deliver high quality potable water for its five owner municipalities and their citizens. The Directors are Councilors representing the City of Brooks, County of Newell, Town of Bassano, Villages of Duchess and Rosemary. The Corporation is a prime example of what can be accomplished through co-operation amongst neighboring municipalities and the provincial government. It is remarkable change from just over 10 years ago when there were numerous small struggling facilities within the area encompassed by the County of Newell. It is definitely worthwhile to reflect on where one has been and cherish where we are today.

Today our citizens as well as the municipalities they live in, do not have to worry about having safe water for domestic or commercial use. NRSC has become a self-sustaining corporation that is well run by our employees and for this we are indeed thankful. Even today in the Covid environment that we must all function in, no one has had to question the safety of our water supply.

2020 has seen NRSC have another successful year not only operationally but financially. Net income for the year was \$853,781 which was down marginally by \$24,713 from 2019 but still very healthy. As of yearend this amount was kept in retained earnings. It is another step toward self-sufficiency and the hope of never again having to rely on our main shareholders for cash infusions.

With this goal in mind as well as inflationary pressures it was again determined to be necessary to increase water charges as in the past by \$.05 per cu meter to member municipalities for the coming 2021 year.

Our board has been very stable for the last number of years but 2021 will see considerable changes with municipal elections as a number of board members will not be seeking re-election. At least four of our present board of 7 are not seeking re-election. I would like to thank all board members for their contributions to

making NRSC what it is today and wish all of you well in whatever your future endeavors may be.

Lastly, I would like to thank all our staff and especially Brian Rollag, Kole Steinley, Theresa Drake and the late Ralph Havinga for making my job over the last decade easy and enjoyable. I believe NRSC is well positioned for the future and wish you all well.

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.

In 2020 the Board of Directors presided over a couple of challenges. During 2020 we saw the rail blockades due to protest that affected our supply chain and the COVID pandemic. The Board of Directors was able to guide the corporation through these crises' as we were able to continue operations without any disruptions. They also oversaw an upgrade to our SCADA system at a cost of \$250,000 that will reduce costs over the life of the system.



*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)*



Taken from September 30<sup>th</sup>, 2020 Board Meeting minutes...

7) New Business

a) AGM

i) Minutes from 2018 AGM

Moved by D. Reid-Mickler to accept minutes from 2018 AGM

Carried

ii) Review of 2019 Annual Report

B. Rollag reviewed the 2019 Annual Report with the Board. He said it will be presented to the all the Municipalities and CAO's. d. Reid - Mickler asked if B. Rollag would be presenting the report to each Council. B. Rollag said he will be just sending a copy to each Municipality.

B. Rollag answered questions from the Board.

Moved by B. de Jong to accept the 2019 Annual Report

Carried

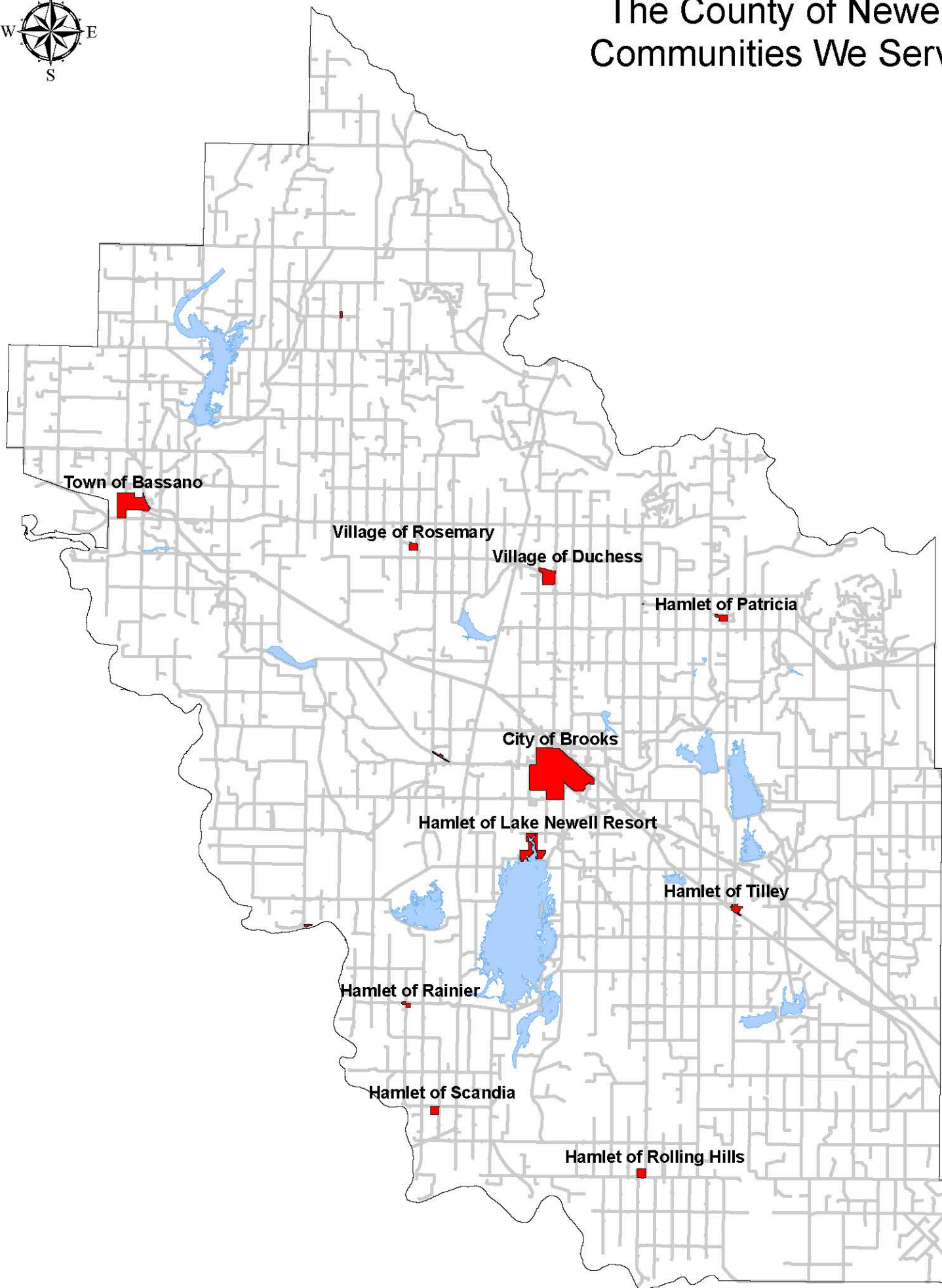
iii) Motion to not hold AGM for 2020

Moved by B. Marshall to not hold the AGM for 2020

Carried



# The County of Newell Communities We Serve



# 2020 Review

# 2020 AT A GLANCE...

- Peak day for water production for 2020 was 18,937 m<sup>3</sup> on August 20<sup>th</sup>.



- Treated a total of 3,292,584 m<sup>3</sup> for our municipal partners.
- Cost of water treatment for the 2020 year was \$0.55 per cubic meter. This includes labor, chemical costs, utilities, administrative costs. This also includes SCADA system upgrades at a cost of \$250,000.
- Participated in the N.A.I.T. work experience program. Due to the pandemic our practicum student started in 2020 and finished their 600 hours of experience in 2021.



# Raw Water Summary



Raw Water Summary - 2020

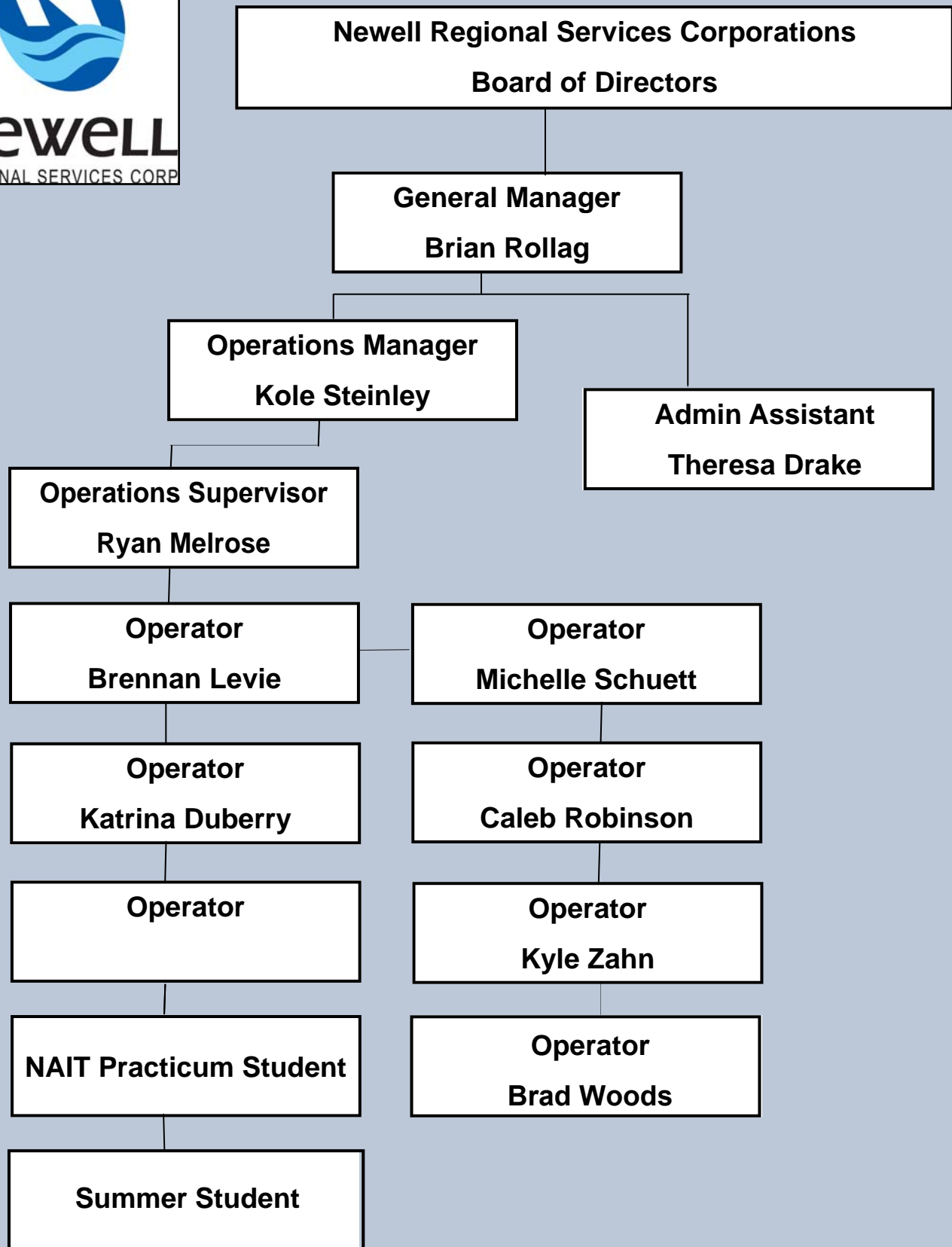
	Allocation (m3)	Actual (m3)
City of Brooks	8,080,152	2,350,019
Count of Newell		
Lake Newell Resort	502,857	26,792
Rainier	12,571	5494
Scandia	49,028	13,119
Rolling Hills	52,780	21,430
Patricia	33,943	15,458
Tilley	139,542	42,527
Rural	1,110,134	416,766
Village of Duchess	320,835	166,149
Village of Rosemary	74,008	49,500
Town of Bassano	840,000	185,330

# Percentage of Water Consumption per Municipality



	2016		2017		2018		2019		2020	
	m3	%	m3	%	m3	%	m4	%	m5	%
Brooks	2,143,832	71.33%	2,433,619	71.91%	2,451,982	69.50%	2,446,820	70.90%	2,328,396	70.73%
Brooks TF	39,856	1.33%	36,936	1.09%	97,970	2.78%	18,968	0.55%	21,623	0.66%
LNR	27,864	0.93%	30,591	0.90%	35,234	1.00%	24,926	0.72%	26,792	0.81%
Tilley	44,495	1.48%	45,366	1.34%	42,499	1.20%	40,231	1.17%	42,527	1.29%
Rainier	5,276	0.18%	4,860	0.14%	3,527	0.10%	5,251	0.15%	4,737	0.14%
Scandia	12,319	0.41%	11,341	0.34%	11,904	0.34%	12,591	0.36%	13,119	0.40%
Rolling Hills	19,984	0.66%	22,054	0.65%	28,152	0.80%	38,373	1.11%	21,430	0.65%
Patricia	13,312	0.44%	14,994	0.44%	14,795	0.42%	14,582	0.42%	15,458	0.47%
Duchess	164,927	5.49%	182,393	5.39%	186,148	5.28%	180,319	5.22%	166,149	5.05%
Rosemary	22,647	0.75%	27,760	0.82%	25,426	0.72%	47,643	1.38%	49,500	1.50%
Bassano	245,911	8.18%	259,527	7.67%	246,456	6.99%	213,076	6.17%	185,330	5.63%
Rural	265,258	8.83%	314,828	9.30%	383,780	10.88%	408,351	11.83%	416,766	12.66%
Total	3,005,681	100.00%	3,384,269	100.00%	3,527,873	100.00%	3,451,131	100.00%	3,291,827	100.00%

Brooks	72.65%	73.00%	72.28%	71.45%	71.39%
County - Hamlets	4.10%	3.82%	3.86%	3.94%	3.77%
County - Rural	8.83%	9.30%	10.88%	11.83%	12.66%
Village of Duchess	5.49%	5.39%	5.28%	5.22%	5.05%
Village of Rosemary	0.75%	0.82%	0.72%	1.38%	1.50%
Town of Bassano	8.18%	7.67%	6.99%	6.17%	5.63%



# 2020 Financial Statements

Financial Statements of

**NEWELL REGIONAL  
SERVICES  
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020





KPMG LLP  
3410 Fairway Plaza Road South  
Lethbridge AB T1K 7T5  
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, 2020
- 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, 2020 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.



### ***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.



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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
- 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.

*KPMG LLP*

Chartered Professional Accountants

Lethbridge, Canada

May 26, 2021

# NEWELL REGIONAL SERVICES CORPORATION

## Statement of Financial Position

December 31, 2020, with comparative information for 2019


	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 1,798,632	\$ 816,914
Trade accounts receivable (note 4)	168,759	295,658
Goods and services tax recoverable	11,249	18,502
Inventory (note 5)	151,841	139,211
Prepaid expenses	52,587	74,053
	<u>2,183,068</u>	<u>1,344,338</u>
Property, plant and equipment (note 6):		
Property, plant and equipment	56,923,730	56,923,730
Less accumulated amortization	4,030,210	3,005,378
	<u>52,893,520</u>	<u>53,918,352</u>
Cash - held in reserve	257,212	250,624
Patronage reserve, at cost	15,436	14,419
Long-term investments (note 7)	2,874,973	2,698,004
	<u>3,147,621</u>	<u>2,963,047</u>
	<u>\$ 58,224,209</u>	<u>\$ 58,225,737</u>


## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 220,369	\$ 315,223
	<u>220,369</u>	<u>315,223</u>
Deferred revenue (note 9)	40,811,749	41,572,204
	<u>41,032,118</u>	<u>41,887,427</u>
Shareholders' equity:		
Share capital (note 10)	14,141,054	14,141,054
Retained earnings	3,051,037	2,197,256
	<u>17,192,091</u>	<u>16,338,310</u>
Commitments (note 14)		
	<u>\$ 58,224,209</u>	<u>\$ 58,225,737</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, 2020, with comparative information for 2019

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
Revenue:			
Water supply	\$ 3,441,728	\$ 3,284,003	\$ 3,270,391
Waste water	88,292	121,160	100,391
Operating recovery	564,450	629,996	550,039
Capital contributions	-	760,455	760,455
	4,094,470	4,795,614	4,681,276
Operating expenses:			
Salaries, wages and benefits	827,629	753,536	684,115
Contract services	470,650	461,467	271,667
Utilities	418,984	424,350	420,486
Repairs and maintenance	195,735	350,961	274,313
Automotive	323,123	274,765	345,033
Chemicals	220,000	246,848	180,712
Supplies	137,815	62,665	91,125
Testing	29,980	22,274	31,537
Telecommunications	15,210	14,727	14,892
Amortization	1,021,400	1,024,832	1,021,164
	3,660,526	3,636,425	3,335,044
	433,944	1,159,189	1,346,232
Administrative expenses (Schedule)	634,010	502,856	594,422
Operating income	(200,066)	656,333	751,810
Other income:			
Interest income	133,000	72,287	43,712
Unrealized gain on investments	-	113,910	71,674
Other income (note 11)	775,296	11,251	11,298
	908,296	197,448	126,684
Net income and comprehensive income	\$ 708,230	\$ 853,781	\$ 878,494

See accompanying notes to financial statements.



# NEWELL REGIONAL SERVICES CORPORATION

## Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019

	Share capital	Retained earnings	Total equity
Balance at January 1, 2019	\$ 14,141,054	\$ 1,318,762	\$ 14,683,380
Net income and comprehensive income for the year	--	878,494	878,494
Balance at December 31, 2019	14,141,054	2,197,256	16,338,310
Net income and comprehensive income for the year	--	853,781	853,781
Balance at December 31, 2020	\$ 14,141,054	\$ 3,051,037	\$ 17,192,091

See accompanying notes to financial statements.

# NEWELL REGIONAL SERVICES CORPORATION

## Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Net income and comprehensive income	\$ 853,781	\$ 878,494
Item not involving cash:		
Amortization	1,024,832	1,022,360
Capital contributions	(760,455)	(760,455)
Unrealized gain on investments	(113,910)	(71,674)
	1,004,248	1,068,725
Change in non-cash operating working capital:		
Accounts receivable	126,899	96,262
Goods and services tax recoverable	7,253	(5,190)
Inventory	(12,630)	(44,412)
Prepaid expenses	21,466	1,542
Accounts payable and accrued liabilities	(94,854)	(32,916)
	1,052,382	1,084,011
Investing:		
Increase in patronage reserve	(1,017)	(1,231)
Increase in cash held in reserve	(6,588)	(195,955)
Increase in investments	(63,059)	(639,287)
	(70,664)	(836,473)
Increase in cash	981,718	247,538
Cash, beginning of year	816,914	569,376
Cash, end of year	\$ 1,798,632	\$ 816,914

See accompanying notes to financial statements.

# NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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## 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.

On March 11, 2020, the Coronavirus COVID-19 outbreak ("COVID-19") was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures include implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, which have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Accordingly, economic uncertainties have arisen which could have a negative impact on the Company's revenue streams and results of operations.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company's business, if any, is not known at this time. The Company continues to operate within the Provincial Government health guidelines. This has not had a significant impact on the Company's operations. However, given the uncertainty of the situation, there could be future impacts, including potential decreases in revenue or the profitability of ongoing operations. The Company continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. The Company continues to meet its contractual obligations within normal payment terms. An estimate of the financial effect of COVID-19 on the Company's operations is not practicable at this time.

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.

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

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### 2. Basis of presentation:

#### (a) Statement of compliance:

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved and authorised for issue by the Company's board of directors on May 26, 2021.

#### (b) Functional and presentation currency:

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

#### (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 trade accounts receivable, property, plant and equipment, investments, inventories and deferred revenue.

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

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### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to the years presented in the financial statements by the Company, with the exception of the accounting policy changes noted below.

#### (a) Cash and cash equivalents:

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

#### (b) Inventory

Inventory of chemicals for consumption are valued at the lower of cost and net realizable value on a specific item basis. Net realizable value is the listed market price from suppliers at the balance sheet date. Cost includes the purchase price, transportation and other costs incurred to bring the inventories to their present location and condition.

#### (c) 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.



# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

### 3. Significant accounting policies (continued):

#### (c) Property, plant and equipment (continued):

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.

#### (d) Revenue recognition:

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.

# NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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### 3. Significant accounting policies (continued):

#### (d) Revenue recognition (continued):

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.

- 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.

# NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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## 3. Significant accounting policies (continued):

### (e) 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.

#### 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, 2020

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### 3. Significant accounting policies (continued):

#### (e) 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.

#### (f) 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, 2020

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### 3. Significant accounting policies (continued):

#### (g) 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. 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, 2020

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### 3. Significant accounting policies (continued):

#### (g) 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.

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

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### 3. Significant accounting policies (continued):

#### (h) 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.

#### (i) 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.

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

### 4. Trade accounts receivable:

	2020	2019
Trade accounts receivable	\$ 94,517	\$ 242,391
Other receivables	74,242	53,267
	<u>\$ 168,759</u>	<u>\$ 295,658</u>

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

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, 2020 is \$nil (2019 - \$nil).

### 5. Inventory:

The cost of inventories recognized as an expense during the year ended December 31, 2020 was \$246,848 (2019 – \$180,712).

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

### 6. Property, plant and equipment:

		Land	Buildings	Water mains and pipeline	Vehicles	Office equipment	Total 2020
Cost:							
Balance - January 1, 2020	\$	615,534	\$ 28,038,491	\$ 28,000,782	\$ 256,965	\$ 11,958	\$ 56,923,730
Additions		--	--	--	--	--	--
Transfers		--	--	--	--	--	--
Disposals		--	--	--	--	--	--
Balance at December 31, 2020	\$	615,534	\$ 28,038,491	\$ 28,000,782	\$ 256,965	\$ 11,958	\$ 56,923,730
Accumulated amortization:							
Balance - January 1, 2020		--	1,920,314	885,552	187,554	11,958	3,005,378
Amortization		--	622,794	373,752	28,286	--	1,024,832
Disposals		--	--	--	--	--	--
Balance at December 31, 2020		--	2,543,108	1,259,304	215,840	11,958	4,030,210
Net book value	\$	615,534	\$ 25,495,383	\$ 26,741,478	\$ 41,125	\$ --	\$ 52,893,520
		Land	Buildings	Water mains and pipeline	Vehicles	Office equipment	Total 2019
Cost:							
Balance - January 1, 2019	\$	615,534	\$ 28,038,491	\$ 28,000,782	\$ 256,965	\$ 11,958	\$ 56,923,730
Additions		--	--	--	--	--	--
Transfers		--	--	--	--	--	--
Disposals		--	--	--	--	--	--
Balance at December 31, 2019	\$	615,534	\$ 28,038,491	\$ 28,000,782	\$ 256,965	\$ 11,958	\$ 56,923,730
Accumulated amortization:							
Balance - January 1, 2019		--	1,297,520	511,800	162,936	10,762	1,983,018
Amortization		--	622,794	373,752	24,618	1,196	1,022,360
Disposals		--	--	--	--	--	--
Balance at December 31, 2019		--	1,920,314	885,552	187,554	11,958	3,005,378
Net book value	\$	615,534	\$ 26,118,177	\$ 27,115,230	\$ 69,411	\$ --	\$ 53,918,352

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

### 6. Property, plant and equipment (continued):

Amortization for the year amounted to \$1,024,832 (2019 - \$1,022,360). The entire amount of \$1,024,832 (2019 - \$1,021,164) relates to operating activities.

### 7. Long-term investments:

	2020	2019
Investments	\$ 2,874,973	\$ 2,698,004

Long-term investments consists of held-to-maturity fixed income investments and principal protected notes, bearing interest at rates between 1.77% and 3.72% and maturing between March 2022 and December 2029.

### 8. Accounts payable and accrued liabilities:

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

	2020	2019
Trade and other payables	\$ 202,301	\$ 277,132
Government remittances	18,068	38,091
	\$ 220,369	\$ 315,223

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

### 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.

	2020	2019
Balance, beginning of year	\$ 41,572,204	\$ 42,332,659
Capital contributions recognized as revenue	(760,455)	(760,455)
Balance, end of year	\$ 40,811,749	\$ 41,572,204

### 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:

	2020	2019
200 Class A common shares (2019 - 200)	\$ 20	\$ 20
200 Class B common shares (2019 - 200)	20	20
100 Class C common shares (2019 - 100)	10	10
100 Class E common shares (2019 - 100)	10	10
100 Class F common shares (2019 - 100)	10	10
11,070.749 Class G preferred shares, non-voting (\$11,070,749 in aggregate) (2019 - 11,070.749; \$11,070,749 in aggregate)	11,070,749	11,070,749
3,070.235 Class H preferred shares, non-voting (\$3,070,235 in aggregate) (2019 - 3,070.235; \$3,070,235 in aggregate)	3,070,235	3,070,235
	\$ 14,141,054	\$ 14,141,054

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

### 11. Other income:

	2020	2019
Truck fill	\$ 8,538	\$ 6,716
Other	2,713	4,582
	\$ 11,251	\$ 11,298

### 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:

	2020	2019
City of Brooks	\$ 39,877	\$ 33,188
Village of Duchess	2,247	2,177
Village of Rosemary	2,341	3,595
County of Newell	-	2,354
Town of Bassano	-	247
	\$ 44,465	\$ 41,561

Accounts receivable includes the following amounts:

	2020	2019
City of Brooks	\$ 4,105	\$ 147,854
Village of Rosemary	6,020	14,190
Village of Duchess	23,914	10,502
Town of Bassano	12,877	27,963
County of Newell	109,321	84,370
	\$ 156,237	\$ 284,879

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



# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

### 12. Related party transactions (continued):

	2020	2019
City of Brooks	\$ 2,459,226	\$ 2,224,748
Village of Rosemary	47,535	44,706
Village of Duchess	161,216	164,223
Town of Bassano	302,262	276,288
County of Newell	877,090	1,024,176
	<u>\$ 3,847,329</u>	<u>\$ 3,734,141</u>

Compensation of key management personnel consists of:

	2020	2019
Short-term benefits	\$ 204,607	\$ 222,682
Post-employment benefits	31,193	29,116
	<u>\$ 235,800</u>	<u>\$ 251,798</u>

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. 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.

### 14. 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, 2023.

# NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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## 15. 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, 2020, trade accounts receivable include approximately \$146,112 (2019 - \$260,188) due from 3 customers (2019 - 3), representing approximately 87% (2019 - 88%) 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 \$220,369 (2019 - \$315,223) in accounts payable and accrued liabilities all due within one year or less.

As described within the nature of operations, there have been no significant impacts to the Company relating to COVID-19, and an estimate of any future impacts, if any, is not practicable at this time.

# NEWELL REGIONAL SERVICES CORPORATION

## Notes to Financial Statements

Year ended December 31, 2020

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### 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 265,813 people and about 421 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 9.39% (2019 - 9.39%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings ("YMPE") and 13.84% (2019 - 13.84%) for the excess. Employees are required to make current service contributions of 8.39% (2019 - 8.39%) of YMPE plus 12.84% (2019 - 12.84%) of any portion of pensionable salary over YMPE.

Total current and past service contributions by Newell Regional Services Corporation to the LAPP in 2020 were \$79,140 (2019 - \$69,496). Total current and past service contributions by the employees of Newell Regional Services Corporation to the LAPP in 2020 were \$71,611 (2019 - \$62,799).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion (2018 - \$3.5 billion).

# NEWELL REGIONAL SERVICES CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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## 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 2.61% (2019 - 2.84%) and 3.85% (2019 - 3.78%) respectively of pensionable earnings up to \$154,611 (2019 - \$151,278).

Total current service contributions by the Company to APEX in 2020 were \$4,397 (2019 - \$3,995). Total current service contributions by the employees of the Company were \$2,981 (2019 - \$3,001).

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.

# NEWELL REGIONAL SERVICES CORPORATION

## Schedule of Administrative Expenses

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
Salaries, wages and benefits	\$ 315,500	\$ 315,290	\$ 310,014
Computer software and support	120,178	64,555	126,788
Insurance	43,821	46,104	43,260
Telephone	25,500	29,689	24,160
Professional fees	25,000	17,596	17,723
Office supplies	18,993	14,599	12,810
Training	26,750	6,253	16,300
Travel	32,500	5,281	24,111
Workers' Compensation	14,018	2,633	13,761
Bank charges and interest	6,550	844	2,722
Advertising	1,500	12	1,577
Repairs and maintenance	2,500	-	-
Amortization	1,200	-	1,196
	<b>\$ 634,010</b>	<b>\$ 502,856</b>	<b>\$ 594,422</b>