

SHEEP RIVER REGIONAL UTILITY CORPORATION

FINANCIAL STATEMENTS

For the quarter ended March 31, 2025

SHEEP RIVER REGIONAL UTILITY CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2025

	2025	2024
	Unaudited	Audited
Financial assets		
Cash	\$ 1,219,717	\$ 1,133,355
Trade and other receivables (note 3)	92,144	101,339
	1,311,861	1,234,694
Liabilities		
Accounts payable and accrued liabilities	26,567	48,381
Due to shareholders (note 4)	4,572,935	4,572,935
	4,599,502	4,621,316
Net financial debt	(3,287,641)	(3,386,622)
Non-Financial Assets		
Prepaid expenses	18,399	18,399
Tangible capital assets (schedule 1)	8,530,002	8,509,443
	8,548,401	8,527,842
Accumulated Surplus (note 5 and schedule 2)	\$ 5,260,760	\$ 5,141,220

The accompanying notes are an integral part of these financial statements.

SHEEP RIVER REGIONAL UTILITY CORPORATION
STATEMENT OF OPERATIONS
For the quarter ended March 31, 2025

	BUDGET (unaudited)	2025 Unaudited	2024 Audited
Revenues			
Water requisition	\$ 904,022	\$ 229,362	\$ 892,973
Interest and other	57,000	-	57,422
Total Revenues	<u>961,022</u>	<u>229,362</u>	<u>950,395</u>
Expenses			
Contracted and general services	366,100	53,349	212,991
Salaries, Wages and Benefits	244,000	20,709	236,864
Materials, goods and utilities	209,200	35,722	135,253
Bank Charges and short-term interest	1,250	42	652
Amortization of tangible assets	228,944	-	230,064
Total Expenses	<u>1,049,494</u>	<u>109,822</u>	<u>815,824</u>
Excess (deficiency) of revenue over expenses	(88,472)	119,540	134,571
Accumulated operating surplus, beginning of year	<u>5,141,220</u>	<u>5,141,220</u>	<u>5,006,649</u>
Accumulated Surplus, end of year	<u><u>5,052,748</u></u>	<u><u>\$ 5,260,760</u></u>	<u><u>\$ 5,141,220</u></u>

The accompanying notes are an integral part of these financial statements.

SHEEP RIVER REGIONAL UTILITY CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the quarter ended March 31, 2025

	BUDGET (Unaudited)	2025 Unaudited	2024 Audited
Excess (deficiency) of revenue over expenses	\$ (88,472)	\$ 119,540	\$ 134,571
Acquisition of tangible capital assets	\$ (26,000)	(20,559)	\$ (11,200)
Amortization of tangible capital assets	228,944	-	230,064
	<u>202,944</u>	<u>(20,559)</u>	<u>218,864</u>
Net change in prepaid expense	<u>-</u>	<u>-</u>	<u>(2,183)</u>
Change in net financial debt	114,472	98,981	351,252
Net financial debt, beginning of year	(3,386,622)	(3,386,622)	(3,737,874)
Net financial debt, end of year	<u>\$ (3,272,150)</u>	<u>\$ (3,287,641)</u>	<u>\$ (3,386,622)</u>

The accompanying notes are an integral part of these financial statements.

SHEEP RIVER REGIONAL UTILITY CORPORATION
STATEMENT OF CASH FLOWS
For the quarter ended March 31, 2025

	2025	2024
	Unaudited	Audited
Operating transactions		
Excess (deficiency) of revenue over expenses	\$ 119,540	\$ 134,571
Adjustment for items which do not effect cash		
Amortization of tangible capital assets	-	230,064
	119,540	364,635
Net Change in non-cash working capital items		
Trade and other receivables	9,195	37,641
Prepaid expenses	-	(2,183)
Accounts payable and accrued liabilities	(21,814)	(1,226)
Cash provided by operating transactions	106,921	398,867
Capital transactions		
Acquisition of tangible capital assets	(20,559)	(11,200)
Increase in cash	86,362	387,667
Cash, beginning of year	1,133,355	745,688
Cash, end of year	\$ 1,219,717	\$ 1,133,355

The accompanying notes are an integral part of these financial statements.

SHEEP RIVER REGIONAL UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the quarter ended March 31, 2025

1. Nature of operations

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

The Town of Turner Valley and the Town of Black Diamond amalgamated with an effective date of January 1, 2023. The newly amalgamated Town of Diamond Valley is the new shareholder of Sheep River Regional Utility Corporation.

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

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

2 Significant accounting policies

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

(a) Revenue recognition

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

(b) Valuation of financial assets and liabilities

The company's financial assets and financial liabilities are measured as follows:

Financial statement component	Measurement
Cash	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Due to shareholders	Cost

(c) Use of estimates

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

(d) Budget amounts

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

(e) Non-financial assets

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

2 Significant accounting policies continued

(f) Tangible capital assets

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

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

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

(g) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the company to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the company reviews the carrying amount of the liability. The company recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The company continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

The company adopted PS3280 asset retirement obligation and did not identify any asset retirement obligations as a result of this standard.

SHEEP RIVER REGIONAL UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the quarter ended March 31, 2025

3 Trade and other receivables

The accounts receivable is made up of the following:

	2025	2024
	Unaudited	Audited
Trade receivables	\$ 77,153	\$ 91,794
GST receivable	\$14,991	9,545
	92,144	101,339

4. Due to Shareholders

	2025	2024
	Unaudited	Audited
Town of Diamond Valley	\$ 4,115,642	\$ 4,115,642
Foothills County	\$ 457,293	\$ 457,293
	4,572,935	4,572,935

5. Accumulated surplus

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

	2025	2024
	Unaudited	Audited
Unrestricted surplus	411,933	\$ 312,952
Internally restricted surplus (reserves) (note 6)	\$ 891,740	891,740
Equity in tangible capital assets (note 7)	3,957,067	3,936,508
Share capital (note 8)	20	20
	\$ 5,260,760	\$ 5,141,220

6. Reserves

	2025	2024
	Unaudited	Audited
Capital expenditures	891,740	\$ 891,740

SHEEP RIVER REGIONAL UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the quarter ended March 31, 2025

7. Equity in tangible capital assets

	2025	2024
	Unaudited	Audited
Tangible capital assets	\$ 10,449,475	\$ 10,428,916
Accumulated amortization	\$ (1,919,473)	(1,919,473)
Due to shareholders	\$ (4,572,935)	(4,572,935)
	<u>\$ 3,957,067</u>	<u>\$ 3,936,508</u>

8. Share Capital

Authorized

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

Issued

		2025	2024
		Unaudited	Audited
100	Class B - Village of Longview	\$ 10	\$ 10
90	Class A - Town of Diamond Valley	9	9
10	Class A - Foothills County	1	1
		<u>\$ 20</u>	<u>\$ 20</u>

SHEEP RIVER REGIONAL UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the quarter ended March 31, 2025

9 Budget amounts

The 2025 budget was approved by the company and has been reported in the financial statements for information purposes only. The budget amounts have not been audited, reviewed, or otherwise verified

	Budgeted deficit per financial statements	\$ (88,472)
Less:	Capital expenditures	-26,000
	Transfer to reserves	-114,472
Add:	Amortization	228,944
Equals:	Balanced budget	<u>\$ -</u>

10 Economic dependence

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

11 Financial instruments

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

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

SHEEP RIVER REGIONAL UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the quarter ended March 31, 2025
Unaudited

Schedule of tangible capital assets

Schedule 1

		Land	Buildings	Engineered Structures	Machinery & Equipment	2025	2024					
2025												
Cost:												
Balance, beginning of year	\$	386,841	\$	1,058,497	8,464,252	\$	519,326	\$	10,428,916	\$	10,417,716	
Acquisitions							20,559		20,559		11,200	
Balance, end of year		386,841		1,058,497	8,464,252		539,885		10,449,475		10,428,916	
Accumulated Amortization:												
Balance, beginning of year		-		271,478	1,330,554		317,441		1,919,473		1,689,409	
Amortization expense									-		230,064	
Balance, end of year		-		271,478	1,330,554		317,441		1,919,473		1,919,473	
Net book value	\$	386,841	\$	787,019	\$	7,133,698	\$	222,444	\$	8,530,002	\$	8,509,443

SHEEP RIVER REGIONAL UTILITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the quarter ended March 31, 2025
Unaudited

Schedule of changes in accumulated surplus

Schedule 2

	Unrestrcited	Internally restricted	Equity in tangible capital assets	Share capital	2025	2024
Balance, beginning of year	\$ 312,952	\$ 891,740	\$ 3,936,508	20	\$ 5,141,220	\$ 5,006,649
Excess of revenue over expenses	119,540	-	-	-	119,540	134,571
Annual amortization expense	-	-	-	-	-	-
Transfer reserves from operating						-
Purchase of capital assets	(20,559)		20,559			-
Change in accumulated surplus	98,981	-	20,559	-	119,540	134,571
Balance, End of Year	411,933	891,740	3,957,067	20	5,260,760	5,141,220