

Vegreville, Alberta
April 21, 2011

Wildcat Company
Chartered Accountants

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Thorild Regional Water Services Commission, as at December 31, 2010, the results of its operations, change in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management's Responsibility for the Financial Statements

We have audited the accompanying financial statements for Thorild Regional Water Services Commission, which comprise the statement of financial position as at December 31, 2010, and the statement of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

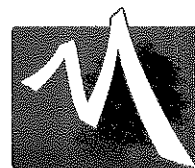
Report on the Financial Statements

To the Chairman and Members of the Thorild Regional Water Services Commission

AUDITORS' REPORT

POST OFFICE BOX 70
VEGREVILLE, ALBERTA T9C 1R1
TELEPHONE (780) 632-3673
FAX (780) 632-6133
WEBSITE www.wildeandco.com

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THORHILD REGIONAL WATER SERVICES COMMISSION
 Statement of Financial Position
 December 31, 2010

	2010	2009
Current ASSETS		
Cash	\$ 140,478	\$ 11,377
Accounts receivable	23,210	-
Receivable from Commission members	14,547	76,073
GST receivable	-	3,249
Prepaid expenses	2,260	-
Investments (Note 3)	211,236	284,954
Capital assets (Note 4)	2,866,893	2,866,893
	391,731	375,653
	\$ 3,258,624	\$ 3,242,546
Current LIABILITIES		
Accounts payable and accrued liabilities	\$ 28,312	\$ 17,268
GST payable	971	-
Current portion of long term debt (Note 5)	63,052	57,859
	92,335	75,127
Long term debt (Note 5)	159,025	222,077
	251,360	297,204
NET ASSETS		
Net assets internally restricted (Note 7)	362,449	358,385
Net assets invested in capital assets (Note 8)	2,644,815	2,586,957
	3,007,264	2,945,342
	\$ 3,258,624	\$ 3,242,546

See accompanying notes

THORHILD REGIONAL WATER SERVICES COMMISSION
Statement of Operations
Year Ended December 31, 2010

	Budget 2010 (unaudited)	2010	2009
Revenues			
Service fees charged to Commission members (Note 11)	\$ 230,000	\$ 232,959	\$ 207,199
Other sales and user charges	1,200	-	26,028
Less: purchase of water	231,200	232,959	233,227
	96,600	104,612	87,722
Gross Profit	134,600	128,347	145,505
Other Revenue			
Investment income	5,000	4,751	6,864
Other revenue	-	24,707	-
Step program	-	-	113
	139,600	157,805	152,482
Expenses			
Salaries, wages and benefits	1,400	738	7,750
Contracted and general services	73,500	63,027	53,733
Materials, goods, and utilities	15,000	10,380	14,945
Provision for allowances	-	-	2,253
Bank charges and short term interest	200	-	187
Interest on long term debt	21,347	21,737	26,980
	111,447	95,882	105,848
Excess of revenue over expenses	28,153	61,922	46,634
Net assets, beginning of year	2,945,342	2,945,342	2,898,708
Net assets, end of year	\$ 2,973,495	\$ 3,007,264	\$ 2,945,342

THORHILD REGIONAL WATER SERVICES COMMISSION
 Statement of Changes in Net Assets
 Year Ended December 31, 2010

Invested in	Internally	Unrestricted	2010	2009
Capital	Restricted		Total	Total
Assets	Assets			
Net assets at beginning of year	\$ 2,586,957	\$ 358,385	\$ 2,945,342	\$ 2,898,708
Excess of revenues over expenses	-	61,922	61,922	46,634
Principal repayments of long term debt	57,859	(57,859)	-	-
Appropriation for internally restricted purposes	-	4,064	(4,064)	-
Net assets at end of year	\$ 2,644,816	\$ 362,449	\$ 3,007,264	\$ 2,945,342

THORHILD REGIONAL WATER SERVICES COMMISSION
Statement of Cash Flows
Year Ended December 31, 2010

	2010	2009
Cash flows from operating activities		
Excess of revenue over expenses	\$ 61,922	\$ 46,634
Net changes in non-cash working capital balances	38,316	(9,855)
Increase in receivable from Commission members	4,220	(914)
Increase (decrease) in GST receivables	(2,260)	-
Increase in prepaids	11,044	(16,513)
Decrease (increase) in accounts payable and accrued liabilities	51,320	(27,282)
	113,242	19,352
Cash flows from investing activities		
Decrease in investments	73,718	3,160
	73,718	3,160
Cash flows from operating activities		
Repayment of long term debt	(57,859)	(53,095)
Change in cash during the year	129,101	(30,583)
Cash position at beginning of year	11,377	41,960
Cash position at end of year	\$ 140,478	\$ 11,377

1. Nature of the organization

The Thorhild Regional Water Services Commission is constituted under the *Municipal Government Act* and was approved by the Minister of Municipal Affairs on December 3, 1992 for the purpose of supplying water services.

Effective April 1, 2009 the Village of Thorhild amalgamated with the County of Thorhild No. 7. The County of Thorhild No. 7 is now the only member of the commission.

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

2. Significant accounting policies

Basis of presentation

The financial statements of the Thorhild Regional Water Services Commission are prepared by management in accordance with Canadian generally accepted accounting principles published by the Canadian Institute of Chartered Accountants ("CICA").

Budget amounts

The budget amounts presented on the statement of operations are taken from the commission's annual budget prepared in September 2010.

Revenue recognition

Service fees and sales of goods are recognized as revenue in the period in which the service is delivered or in which the transaction or events occurred that gave rise to the revenue. The commission follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount is to be received can be reasonably estimated and collection is reasonably assured.

Contributions specified for capital purposes are recorded as deferred capital asset contributions. These deferred contributions are taken into income as the related capital costs are amortized.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contributions.

Government contributions for the acquisition of capital assets are reported as a reduction to the related asset costs.

Capital assets are not amortized.

The Commission is currently classified as a not-for-profit organization under the Act. The Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board (AcSB) will release a new framework in regards to the accounting standards for not-for-profit organizations commencing January 1, 2012.

Future accounting changes

All financial instruments must initially be recognized at fair value on the statement of financial position. Subsequent measurement of the financial instruments is based on their category classification.

<u>Financial Instruments</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held-for-trading	Fair value
Investments	Held-for-trading	Fair Value
Accounts receivable	Loans and receivables	Amortized Cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost
Long term debt	Other financial liabilities	Amortized Cost

The financial instruments of the commission consist of cash, investments, accounts receivables, accounts payables and accrued liabilities, and long term debt. The commission has chosen not to adopt CICA Handbook Sections 3862 and 3863 however, in accordance with Section 3855 (Financial Instruments - Recognition and Measurement) of the Canadian Institute of Chartered Accountants (CICA) handbook, these financial instruments are designated and measured as follows:

Financial instruments

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Use of estimates

2. Significant accounting policies (continued)

3. Investments	2010	2009
Short term investments	\$ 211,236	\$ 284,954

Short term investments have effective interest rates of 0.64% to 4.23% (2009 - 0.40% to 4.23%) and mature in less than one year.

4. Capital assets	2010	2009
Waterlines	\$ 2,866,893	\$ 2,866,893

5. Long term debt	2010	2009
Debtures	\$ 222,077	\$ 279,936
Less portion due within one year	63,052	57,859
Long term debt due beyond one year	\$ 159,025	\$ 222,077

Principal and interest repayments are as follows:

	2011	2012	2013	2014	Total
Principal	\$ 63,052	\$ 68,713	74,884	15,428	\$ 222,077
Interest	\$ 20,045	14,384	8,213	1,485	\$ 44,127
Total	\$ 83,097	\$ 83,097	83,097	16,913	\$ 266,204

Debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 8% to 9.625% per annum and matures in periods 2013 through 2014. Debt is issued on the credit and security of the commission at large.

Interest on long term debt amounted to \$21,737 (2009 - \$26,980).

6. Debt limit

Section 3 of the Municipal Government Act requires that debt and debt limits as defined by Alberta Government Regulation 76/2000 for Thorhild Regional Water Services Commission be disclosed as follows:

	2010	2009
Total debt limit	\$ 524,832	\$ 480,408
Total debt	(222,077)	(279,936)
Total debt limit unused	302,755	200,472
Debt servicing limit	\$ 91,846	\$ 84,071
Debt servicing	(83,097)	(83,097)
Amount of debt servicing limit unused	\$ 8,749	\$ 974

The debt limit is calculated at 2.0 times revenue of the commission (as defined in Alberta Regulation 76/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify commissions that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the commission. Rather, the financial statements must be interpreted as a whole.

7. Net assets internally restricted

	2010	2009
Rate stabilization reserve	\$ 50,000	\$ 50,000
Operating reserve	312,450	308,385
Total net assets internally restricted	\$ 362,450	\$ 358,385

The rate stabilization reserve is used to provide funds for use in stabilizing the price of water.

The operating reserve is used to provide funds for use in general operations. Appropriations to the rate stabilization reserve and the operating reserve from unrestricted net assets are established in the annual operating budget.

8. Net assets invested in capital assets

Net assets invested in capital assets are calculated as follows:

	2010	2009
Capital assets	\$ 2,866,893	\$ 2,866,893
Long term debt	222,077	279,936
Total net assets invested in capital assets	\$ 2,644,816	\$ 2,586,957

9. Financial instruments

It is the commission's policy to control risks associated with financial instruments including avoidance of undue concentrations of risk where possible. This requires a credit review history of customers to mitigate credit risk and entering into long term debt contracts with fixed interest rates where possible. The commission does not have any foreign currency transactions or hedge activities.

The commission's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, and long term debt. It is management's opinion that the commission is not exposed to significant interest or current risk arising from these instruments.

The commission is subject to credit risk with respect to trade and other receivables. Credit risk arises from the possibility that customers and entities to which the commission provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

10. Net assets

The commission manages its capital to ensure that it will be able to continue as a going concern and to provide returns to its members while ensuring the consistent delivery of services. The commission's overall strategy remains unchanged from 2009.

The capital structure of the commission consists of net assets internally restricted for operations and net assets invested in capital assets.

11. Related party transactions

Effective April 1, 2009 the Village of Thorhild amalgamated with the County of Thorhild No. 7. The County of Thorhild No. 7 is now the only member of the commission.

Service fees based on the budgeted net operating costs of the commission and are allocated among the commission members based on actual service utilization during the year. Service fee charges to the commission member is as follows:

	2010	2009
County of Thorhild No. 7	\$ 232,959	\$ 176,240
Village of Thorhild	-	30,959
	\$ 232,959	\$ 207,199

Amounts due from the commission member is payable on receipt of the invoice and has arisen from the service fee charged during the year. Amounts due from the commission member at the end of the year are as follows:

	2010	2009
Thorhild County No. 7	\$ 14,547	\$ 76,073

12. Subsequent events

The Thorhild Regional Water Services Commission is expected to dissolve into the Highway 28/63 Water Services Commission. This change is still in progress and is expected to be resolved in 2011.

13. Budget figures

Budget figures are included for information purposes only and are not audited.

14. Approval of financial statements

The Board and management have approved these financial statements.