

**WATER UTILITY ANNUAL REPORT**  
 To the COMPTROLLER of WATER RIGHTS, Water Utility Act  
 For the fiscal year ended: **December 31, 2011**

File: 0321093

**Parr Utilities Ltd.**  
 1164 Windermere Loop Rd  
 Invermere BC V0A 1K3

*(please correct if address is wrong)*

Contact Name: Paul Partlo Title: President

Phone: 250-342-6999 Fax: 250-342-6998 Email: ppartlo@windermerewater.com

Geographical location of works: Windermere, BC

Local Operator's Name: Ken Mitchell Phone: 250-342-1064 Email: kmitchell@windermerewater.com

Accountant's Name: SEP LLP Chartered Accountants Phone: 403-261-9933 Email: \_\_\_\_\_

**A. CORPORATE DATA:**

**Question:** Has there been a change of more than 20% of the common shares of the utility company?  Yes  No

List names and addresses of all persons or corporations holding over 10% of any class of shares of the business.

Shareholder	Address	% Interest	Phone Number
WNSC Holdings Inc.	1003-200 La Caille Place SW Calgary, AB	100	403-265-7037

**B. SERVICE AREA:**

Number of lots (units) authorized for service: 743 Number of lots (units) connected: 665

**C. WATER CONSUMPTION:**

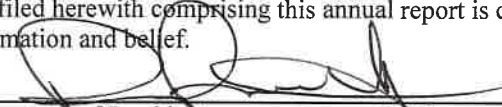
If source(s) of water is metered, state the total input (l. gal., U.S. gal., cu. ft., cu. m.) to the system for the year:  
207,000 m<sup>3</sup>

**D. DESCRIPTION OF SYSTEM ASSETS ACQUISITIONS & DISPOSALS:** COST: \$1,274,405.85  
see attached Capital Asset Additions/Disposal worksheet.

**E. ADDITIONAL QUESTIONS:**

- |  |                                     |                                     |
|--|-------------------------------------|-------------------------------------|
| 1) Any boil advisories during the past year?   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 2) Is the water system adequate to meet consumption needs?                                     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 3) Any major repairs or replacements required in the next 5 years? If yes, explain on reverse. | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 4) Do you treat the water?   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
- If yes, circle type/s of treatment: Filtration, Chlorination, UV; Other (specify): coagulation.

**DECLARATION:** The information filed herewith comprising this annual report is complete and accurate, to the best of my knowledge, information and belief.

  
 \_\_\_\_\_  
 (Signature of President or Secretary of the Company)

PARR Utilities  
 Capital Asset Additions/Disposals  
 YE Dec 31, 2011

	Project	Additions	Disposals
Source of Supply Plant			
Lake Intakes	Lake Intake Project	351,687.06	-
Supply Mains	Lake Intake Project	117,562.35	-
Pumping Plant			
Concrete Structure	Lake Intake Project	336,574.59	-
Electric Pumping Equipment	Lake Intake Project	385,372.05	-
Water treatment system			
Media Filtration Equipment		623.94	-
Electric Pumping Equipment	(Note 2)	-	(53,436.79)
Transmission and Distribution Plant			
Concrete Distribution Reservoirs		529.20	-
Transmission mains	Timber Ridge/Stoddart CPCNs	71,158.93	-
Customer meters	Baltac PRV install (Note 1)	10,897.71	-
		<b>* 1,274,405.85</b>	<b>(53,436.79)</b>

**Notes**

- 1 RDEK funded upgrade to allow additional pressure to Timber Ridge
- 2 Temporary pumping system sold to Central Okanagan Regional District. Proceeds - \$25k

## REVENUE ANALYSIS REPORT

File: 0321093

**Parr Utilities Ltd.**  
1164 Windermere Loop Rd  
Invermere BC V0A 1K3

For the year ended: **December 31, 2011**

<u>No. of Customers (units)</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
▪ unmetered full time	<u>473</u>	<u>73</u>	<u>546</u>
▪ unmetered seasonal	<u>          </u>	<u>          </u>	<u>          </u>
▪ metered full time	<u>          </u>	<u>          </u>	<u>          </u>
▪ metered seasonal	<u>          </u>	<u>          </u>	<u>          </u>
▪ vacant lots with rent charges	<u>119</u>	<u>          </u>	<u>119</u>
▪ vacant lots without rent charges	<u>78</u>	<u>          </u>	<u>78</u>
<b><u>Revenue for Year</u></b>			
Rates: ▪ unmetered full time	<u>\$ 123,439.00</u>	<u>\$ 53,806.00</u>	<u>\$ 177,244.00</u>
▪ unmetered seasonal	<u>          </u>	<u>          </u>	<u>          </u>
▪ metered full time	<u>          </u>	<u>          </u>	<u>          </u>
▪ metered seasonal	<u>          </u>	<u>          </u>	<u>          </u>
Rent (availability) Charges	<u>\$ 52,704.00</u>	<u>          </u>	<u>\$ 52,704.00</u>
Connection Fees	<u>\$ 900.00</u>	<u>          </u>	<u>\$ 900.00</u>
Fire Protection	<u>          </u>	<u>          </u>	<u>          </u>
Irrigation Sales	<u>          </u>	<u>          </u>	<u>          </u>
Bulk Sales	<u>\$ 165,687.00</u>	<u>          </u>	<u>\$ 165,687.00</u>
Other Water Revenue (Specify)	<u>\$ 61,417.00</u>	<u>          </u>	<u>\$ 61,417.00</u>
* See attached worksheet			
<b><u>Total Revenue Before Interest</u></b>			
(To agree with Income Statement)	<u>\$ 404,147.00</u>	<u>\$ 53,806.00</u>	<u>\$ 457,952.00</u>
<b><u>Replacement Reserve Fund</u></b>			
▪ Amount Per Unit	<u>\$ 417.12</u>	<u>\$ 417.12</u>	<u>          </u>
▪ Total For Year	<u>\$ 198,549.12</u>	<u>\$ 30,449.76</u>	<u>\$ 228,998.88</u>

Other Water Revenue  
January 1, 2012 to December 31, 2012

Water Late Payment Penalties	\$ 109
Administration Fees	\$ 48,318
Turn On/Off Fees	\$ 230
Bank Interest	\$ 12,760
	<u>\$ 61,417</u>

**RESERVE/TRUST FUND ANNUAL REPORT**  
(TO THE COMPTROLLER OF WATER RIGHTS, Water Utility Act)

Name of Utility: **Parr Utilities Ltd.**

File: 0321093

Fiscal Year End: **December 31, 2011**

	Replacement Fund	Revenue Deficit Fund	*Deferred Capacity Fund	Maintenance Fund	Construction Fund	Other Fund
<b>Balance, beginning of year</b>	\$ 315,709.00	\$ 1,403,500.00	\$ 1,716,330.11	\$	\$	\$
<b>Add</b>						
Interest Earned	2,213.00	11,692.00	1,191.00			
Contributions	229,000.00					
<b>Replacement Reserve</b>						
from Customer Rates						
from Rent Charges						
from Other	6,344.00					
<b>Deduct</b>						
Interest Withdrawn		35,708.00				
Authorized Releases	63,445.00		1,401,500.00			
<b>Balance, end of fiscal year</b>	489,821.00	1,380,486.00	316,021.00			
Balance, end of fiscal year per bar confirmation attached	468,622.79 21,198.46 489,821.25	1,380,486.00	316,021.00			
Difference (attach explanation if more than \$100)	\$	\$	\$	\$	\$	\$

\* Attach a list of names and lot descriptions for any new Deferred Capacity Trust Fund contributions. - **no additions**

Independent Signing Authority, Title and Name of Firm (Please Print)

Signature

Date Aug. 20/12

Telephone number 250-342-6999

Fax Number 250-342-6998

**BANK CONFIRMATION FORM**  
(to be completed by Bank Representative only)

for

**Parr Utilities Ltd.**

File: 0321093

The undersigned does hereby signify that on December 31, 2011 the following funds were held in a savings/term deposit/safekeeping or G.I.C. account(s) for the above utility, in accordance with the Irrevocable Letter of Authority (I.L.A.) signed on the date shown below:

Name of Fund	ILA Date	Acct Type	Acct No.	Total Amount
Revenue Deficit (Royal Bank of Canada)	Jan 5, 2009			
Replacement (Kootenay Savings CU)	Jul 24, 2007	Summit Savings	147967	468,622.79
Deferred Capacity (Kootenay Savings CU)	Jul 24, 2007	Summit Savings	147967	316,020.66

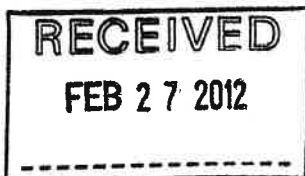
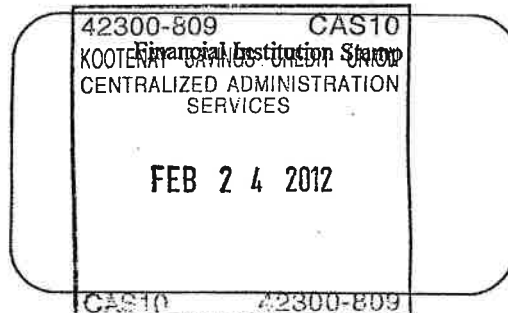
Enclose a separate sheet if needed but ensure that the appropriate Trust Funds are clearly indicated.

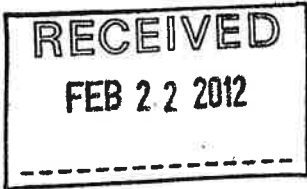
54R Rate Climber Term deposit 147967 21,198.46  
 The above account(s) was(were) not encumbered in any way, and from which account(s) no withdrawals have been made without the written authorization of the Comptroller of Water Rights.

The said Fund(s) is(are) identified as held for the sole discretion of the Comptroller of Water Rights, Water Utility Act, of the Province of British Columbia.

Kootenay Savings CU  
 Name of Financial Institution  
106-1101 Dewdney Ave  
 Address  
Trail BC V1R 4T1  
250-368-3880  
 Telephone  
250-368-8520  
 Fax

Dana Heas  
 Bank Representative Name (please print)  
Dana Heas  
 Bank Representative Signature  
24 Feb 2012  
 Date





**BANK CONFIRMATION FORM**  
(to be completed by Bank Representative only)

for

**Parr Utilities Ltd.**

File: 0321093

The undersigned does hereby signify that on December 31, 2011 the following funds were held in a savings/term deposit/safekeeping or G.I.C. account(s) for the above utility, in accordance with the Irrevocable Letter of Authority (I.L.A.) signed on the date shown below:

Name of Fund	ILA Date	Acct Type	Acct No.	Total Amount
Revenue Deficit (Royal Bank of Canada)	Jan 5, 2009	Guaranteed Investment Cert.	990147709-004	\$1,380,486.00
Replacement (Kootenay Savings CU)	Jul 24, 2007			
Deferred Capacity (Kootenay Savings CU)	Jul 24, 2007			

Enclose a separate sheet if needed but ensure that the appropriate Trust Funds are clearly indicated.

The above account(s) was(were) not encumbered in any way, and from which account(s) no withdrawals have been made without the written authorization of the Comptroller of Water Rights.

The said Fund(s) is(are) identified as held for the sole discretion of the Comptroller of Water Rights, Water Utility Act, of the Province of British Columbia.

Royal Bank of Canada 01360  
Name of Financial Institution  
2 Cranbrook Street  
Cranbrook, British Columbia  
Address V1C 3P6

250-426-0306

Telephone

250-426-5704

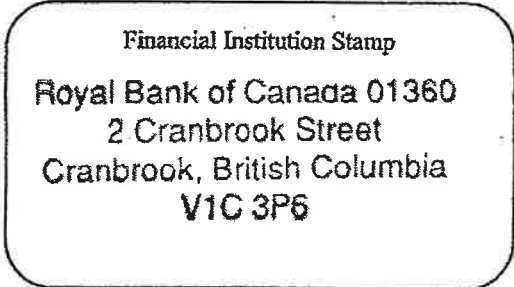
Fax

BRANDON WRIGHT, Commercial Account  
Bank Representative Name (please print) Manager

Bank Representative Signature

February 22, 2012

Date



Note Regarding Vacant Lots Without Rent Charges:

- 78 Lots in Total
- 21 Lots were under CPCN #1377 (Stoddart Creek Estates) Rent Charges were invoiced effective January 2012
- 21 Lots were under CPCN #1339 (Holland Creek Homes) Connections Rent Charges were invoiced effective January 2012
- 6 Lots were under CPCN #1345 (Salvidge) Rent Charges were invoiced effective January 2012
- 2 Lots have Rent Charge and CPCN pending upon receipt at the Comptroller's office
- 3 Lots had customers connected to system in 2012
- 25 Lots were pre-dating initial CPCN in Baltac/Hilltop and Rent Charges were not required





**PARR UTILITIES LTD.**  
**Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

**PARR UTILITIES LTD.**  
**Index to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

---

	Page
REVIEW ENGAGEMENT REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Loss and Deficit	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11
Operating expenses ( <i>Schedule 1</i> )	12
Administration expenses ( <i>Schedule 2</i> )	12

---

## REVIEW ENGAGEMENT REPORT

---

To the Shareholder of Parr Utilities Ltd.

We have reviewed the balance sheet of Parr Utilities Ltd. as at December 31, 2011 and the statements of loss and deficit and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with the basis of accounting in Note 2 to the financial statements.

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. These financial statements are prepared for the purposes of reporting to management and the Comptroller of Water Rights of the province of British Columbia. As a result, these financial statements may not be suitable for another purpose. Our report is intended solely for Parr Utilities Ltd. and the Comptroller of Water Rights and should not be used by parties other than Parr Utilities Ltd. or the Comptroller of Water Rights.



Calgary, Alberta  
April 16, 2012

CHARTERED ACCOUNTANTS

**PARR UTILITIES LTD.**

**Balance Sheet**

**December 31, 2011**

*(Unaudited)*

	2011	2010
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 166,266	\$ 16,481
Accounts receivable	140,614	31,945
Prepaid expenses	6,561	7,036
HST recoverable	22,547	91,874
Prepaid rate application costs (Note 3)	10,000	38,042
	<u>345,988</u>	185,378
Long term portion of prepaid rate application cost	70,000	114,124
Deferred capacity reserve fund (Note 4)	316,021	1,716,330
Revenue deficit reserve fund (Note 5)	1,380,486	1,404,502
Capital replacement reserve fund (Note 6)	489,821	315,709
Revenue deficiency deferral account (Note 7)	695,409	650,409
Property, plant and equipment (Note 8)	10,951,823	10,170,528
Construction work in progress	33,970	59,373
Future income taxes	241,300	199,916
	<u>\$ 14,524,818</u>	<u>\$ 14,816,269</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 186,322	\$ 534,635
Deposits	-	172,678
Current portion of long term debt (Note 9)	6,344	-
Due to shareholder	-	4,584
	<u>192,666</u>	711,897
Long term debt (Note 9)	50,756	-
Due to related companies (Note 10)	10,444,171	10,078,057
Deferred capacity reserve fund	316,021	1,716,330
Replacement reserve fund	489,821	315,709
	<u>11,493,435</u>	12,821,993
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (Note 11)	100	100
Contributions in aid of construction (Note 12)	3,413,486	1,996,530
Deficit	(382,203)	(2,354)
	<u>3,031,383</u>	1,994,276
	<u>\$ 14,524,818</u>	<u>\$ 14,816,269</u>

APPROVED BY THE SOLE DIRECTOR

\_\_\_\_\_  
Director



See notes to financial statements

**PARR UTILITIES LTD.**  
**Statement of Loss and Deficit**  
**Year Ended December 31, 2011**  
*(Unaudited)*

	2011	2010
<b>Revenue</b>	<b>\$ 457,951</b>	<b>\$ 143,216</b>
<b>Expenses</b>		
Operating expenses <i>(Schedule 1)</i>	211,037	156,236
Administration expenses <i>(Schedule 2)</i>	185,466	117,209
Amortization of rate application costs	99,533	38,041
Capital replacement reserve funding	229,000	185,600
Revenue deficiency deferral	(45,000)	(407,418)
Amortization of property, plant and equipment	172,849	165,925
	<b>852,885</b>	<b>255,593</b>
<b>Loss from operations</b>	<b>(394,934)</b>	<b>(112,377)</b>
<b>Loss on disposal of asset</b>	<b>(26,299)</b>	<b>-</b>
<b>Loss before income taxes</b>	<b>(421,233)</b>	<b>(112,377)</b>
<b>Future income taxes (recovered)</b>	<b>(41,384)</b>	<b>(112,377)</b>
<b>Net loss</b>	<b>(379,849)</b>	<b>-</b>
<b>Deficit - beginning of year</b>	<b>(2,354)</b>	<b>(245,345)</b>
	<b>(382,203)</b>	<b>(245,345)</b>
<b>Revenue deficiency deferral from prior years <i>(Note 7)</i></b>	<b>-</b>	<b>242,991</b>
<b>Deficit - end of year</b>	<b>\$ (382,203)</b>	<b>\$ (2,354)</b>

**PARR UTILITIES LTD.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2011**  
*(Unaudited)*

	2011	2010
<b>Operating activities</b>		
Net loss	\$ (379,849)	\$ -
Items not affecting cash:		
Amortization of property, plant and equipment	172,849	165,925
Loss on disposal of assets	26,299	-
Future income taxes	(41,384)	(112,377)
Revenue deficiency deferral	(45,000)	(407,418)
	<u>(267,085)</u>	<u>(353,870)</u>
Changes in non-cash working capital:		
Accounts receivable	(108,669)	(15,063)
Accounts payable and accrued liabilities	(348,316)	73,021
Prepaid expenses	72,641	(61,654)
HST recoverable	69,327	(28,451)
Deposits	(172,678)	(196,879)
	<u>(487,695)</u>	<u>(229,026)</u>
Cash flow used by operating activities	<u>(754,780)</u>	<u>(582,896)</u>
<b>Investing activities</b>		
Additions to property, plant and equipment	(1,251,559)	(10,377,199)
Proceeds on disposal of property, plant and equipment	25,000	-
Construction work in progress	25,403	7,777,458
Contributions in aid of construction	228,490	2,037,276
Funding received for deferred capacity reserve fund	1,190	1,449,462
Funding received for capital replacement reserve fund	231,213	187,665
Funding received (cash taken) for revenue deficit reserve fund	(24,016)	-
	<u>(764,279)</u>	<u>1,074,662</u>
Cash flow from (used by) investing activities	<u>(764,279)</u>	<u>1,074,662</u>
<b>Financing activities</b>		
Advances from related parties	366,114	698,930
Advances to parent company	(4,584)	(375)
Proceeds from long term financing	57,101	-
	<u>418,631</u>	<u>698,555</u>
Cash flow from financing activities	<u>418,631</u>	<u>698,555</u>
<b>Increase (decrease) in cash flow</b>	<b>(1,100,428)</b>	<b>1,190,321</b>
<b>Cash - beginning of year</b>	<b>3,453,022</b>	<b>2,262,701</b>
<b>Cash - end of year</b>	<b>\$ 2,352,594</b>	<b>\$ 3,453,022</b>
<b>Cash flows supplementary information</b>		
Interest paid	<u>\$ 2,165</u>	<u>\$ 3,073</u>
<b>Cash consists of:</b>		
Cash	\$ 166,266	\$ 16,481
Revenue deficit reserve fund	1,380,486	1,404,502
Capital replacement reserve fund	489,821	315,709
Deferred capacity reserve fund	316,021	1,716,330
	<u>\$ 2,352,594</u>	<u>\$ 3,453,022</u>



**PARR UTILITIES LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

---

**1. Description of operations**

The Company is a water utility provider incorporated under the British Columbia Corporations Act. The Company supplies purified water to the Windermere Valley from its water treatment facility located in Invermere, British Columbia.

The Company is required to report financial information to the Comptroller of Water Rights on an annual basis and is required to report and ensure funds are collected and restricted for the replacement of the water facilities and the establishment of water connections for developers.

**2. Summary of significant accounting policies**

Basis of accounting

These financial statements have been prepared in accordance with the recognition and measurement principals of Part V of the CICA Handbook - Accounting, and not the presentation principles or the presentation of all the financial statements or note disclosures required by Canadian generally accepted accounting principles ("GAAP").

Construction work in progress

Construction work in progress is comprised of costs directly associated with the construction of upgrading the capacity of the water treatment facility and the costs associated with installing new water lines in order to increase the range of the system. Costs include all expenditures incurred in connection with the above activities. The Company has contracted with construction companies in order to complete the above mentioned projects. The construction work in progress will ultimately be included in the property, plant and equipment upon completion of the projects or directly recovered from customers. The Company will provide for write-downs where the carrying value exceeds its net realizable value. Construction work in progress costs are not amortized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives using the following rates:

Lake intake system	1.3%	straight-line method
Supply main	1.3%	straight-line method
Concrete Structure - pumping plant	2.0%	straight-line method
Pumping equipment	4.0%	straight-line method
Concrete tanks & foundation	1.7%	straight-line method
Media filtration equipment	3.3%	straight-line method
Pumping equipment - treatment	4.0%	straight-line method
Distribution reserve and stand pipes	1.7%	straight-line method
Transmission mains	1.3%	straight-line method
Distribution mains	1.3%	straight-line method
Customer meters	4.0%	straight-line method

Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

**PARR UTILITIES LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

---

**2. Summary of significant accounting policies (continued)**

Contributions in aid of construction

Contributions in aid of construction are stated at cost less accumulated amortization. Contributions in aid of construction are amortized over their estimated useful lives at a rate of 2% using the straight-line method.

Revenue recognition

Revenue is recognized when water is delivered. Any amounts received in advance of water delivery are deferred and taken into income when earned.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant and equipment. Actual results could differ from these estimates.

**3. Prepaid rate application costs**

In order to complete the water rate application process instituted by the Comptroller of Water Rights, the Company incurred significant costs that are being amortized on a straight line basis over ten years.

	<b>2011</b>	2010
Total allowable prepaid rate application cost	<b>\$ 100,000</b>	\$ 190,207
Less amount amortized	<b>(20,000)</b>	(38,041)
	<b>80,000</b>	152,166
Less current portion	<b>(10,000)</b>	(38,042)
Long term portion	<b>\$ 70,000</b>	\$ 114,124



**PARR UTILITIES LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

**4. Deferred capacity reserve fund**

The balances in this account are for the future expansion of the water treatment plant. These funds are restricted and are subject to the control of the Comptroller of Water Rights, Water Utility Act of the Province of British Columbia.

	2011	2010
Balance, beginning of the year	\$ 1,716,330	\$ 266,869
Cash contributions during the year	-	1,449,000
Cash withdrawals during the year	(1,401,500)	-
Interest earned during the year	1,191	461
	<b>\$ 316,021</b>	<b>\$ 1,716,330</b>

**5. Revenue deficit reserve fund**

The Company is required by the Comptroller of Water Rights to set aside an amount equal to the estimated revenue deficiency for the first three years of operations. These funds are restricted and can only be accessed subject to the control of the Comptroller of Water Rights, Water Utility Act of the Province of British Columbia.

	2011	2010
Balance, beginning of the year	\$ 1,404,502	\$ 1,401,084
Cash withdrawn during the year	(35,708)	-
Interest earned during the year	11,692	3,418
	<b>\$ 1,380,486</b>	<b>\$ 1,404,502</b>

**6. Capital replacement reserve fund**

A quarterly contribution is required by the Comptroller of Water Rights to be set aside to accommodate future replacement of facilities and equipment. Contributions in the year were \$229,000. These funds are restricted and can only be accessed subject to the control of the Comptroller of Water Rights, Water Utility Act of the Province of British Columbia.

	2011	2010
Balance, beginning of the year	\$ 315,709	\$ 128,044
Cash contribution during the year	229,000	185,000
Loan to operating accounts regarding the meter purchases	(63,445)	-
Repayments to fund regarding the meter purchase loan	6,344	-
Interest earned during the year	2,213	2,665
	<b>\$ 489,821</b>	<b>\$ 315,709</b>

**PARR UTILITIES LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

**7. Revenue deficiency deferral account**

Operating deficiencies are expected to be incurred during the startup and build-out period of the utility when the utility revenues from providing water service are inadequate to recover the operating costs. The Company has demonstrated through financial projections the ability to recover these operating deficiencies and thus they are being deferred until a time when operating surpluses are occurring. This is currently estimated to begin in the 2016 fiscal year.

**8. Property, plant and equipment**

	Cost	Accumulated amortization	2011 Net book value
Lake intake system	\$ 351,687	\$ 2,286	\$ 349,401
Supply main	203,344	4,540	198,804
Concrete Structure - pumping plant	336,575	3,366	333,209
Pumping equipment	844,345	44,425	799,920
Concrete tanks & foundation	1,100,000	48,400	1,051,600
Media filtration equipment	2,376,769	142,579	2,234,190
Pumping equipment - treatment	346,564	24,663	321,901
Distribution reserve and stand pipes	614,588	20,268	594,320
Transmission mains	3,607,854	92,417	3,515,437
Distribution mains	1,526,207	42,484	1,483,723
Customer meters	74,635	5,317	69,318
	<b>\$ 11,382,568</b>	<b>\$ 430,745</b>	<b>\$ 10,951,823</b>

	Cost	Accumulated amortization	2010 Net book value
Supply main	\$ 220,782	\$ 4,416	\$ 216,366
Pumping equipment	458,973	18,359	440,614
Media filtration equipment	3,876,145	104,656	3,771,489
Distribution reserve and stand pipes	614,058	9,825	604,233
Transmission mains	3,401,696	44,222	3,357,474
Distribution mains	1,741,808	22,644	1,719,164
Customer meters	63,738	2,550	61,188
	<b>\$ 10,377,200</b>	<b>\$ 206,672</b>	<b>\$ 10,170,528</b>

During the year, the Company reclassified some of its capital assets to more accurately reflect the actual composition of the capital asset base.

**PARR UTILITIES LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

**9. Long term debt**

Long term debt is repayable to the capital replacement reserve fund and is repayable in quarterly payments of \$1,586, is non-interest bearing and unsecured. The loan matures on December 31, 2020.

Amounts payable within one year

	2011	2010
	\$ 57,100	\$ -
	(6,344)	-
	\$ 50,756	\$ -

Principal repayment terms are approximately:

2012	\$ 6,344
2013	6,344
2014	6,344
2015	6,344
2016	6,344
Thereafter	25,380
	\$ 57,100

**10. Due to related companies**

Amounts due to related companies, related by virtue of common ownership, are non-interest bearing, have no set repayment terms and are unsecured.

**11. Share capital**

Authorized:  
20,000 Class A Common voting shares

Issued:  
4 Class A Common shares

	2011	2010
	\$ 100	\$ 100

**12. Contributions in aid of construction**

In certain situations, the Company connects its water system to an existing water supply system in an established subdivision. The Comptroller of Water Rights requires the Company to include the value of these existing systems with the capital assets of the Company. No payments have been made for these systems. In addition to the contribution of assets, new customers are also required to pay a capital contribution as a partial reimbursement of the Company's core water delivery system.

Total contributions received  
Less accumulated amortization

	2011	2010
	\$ 3,507,594	\$ 2,037,275
	(94,108)	(40,745)
	\$ 3,413,486	\$ 1,996,530



**PARR UTILITIES LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

---

**13. Non-capital tax losses carried forward**

The Company has incurred losses of approximately \$507,000 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

2027	\$ 97,000
2028	61,000
2029	144,000
2030	168,000
2031	<u>37,000</u>
	<u>\$ 507,000</u>

**14. Related party transactions**

The Company paid rent to a company related by virtue of common shareholders. In 2011, the rent paid to an affiliated company totalled \$49,451 (2010 - \$51,035). This rent is pursuant to a five year lease which terminates on October 31, 2014.

The minimum annual rental payments over the remaining four years are:

2011	\$52,200
2012	52,200
2013	52,200
2014	43,500

In 2011, the Company sold water to a company related by virtue of common control totalling \$18,576.

The above transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value and has been agreed to by the related parties.

**15. Commitments**

In the normal course of constructing its facilities, the Company has entered into contracts with various construction companies and other suppliers. The Company has ongoing commitments to complete its responsibilities under the terms and conditions of these contracts.

**PARR UTILITIES LTD.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**  
*(Unaudited)*

---

**16. Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due to related companies and due to parent company.

Where there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

**Fair value**

The fair value of financial instruments that are included on the balance sheet approximate their carrying amount due to the short term maturity of these instruments.

The fair value of the due to related companies and due to parent company balances are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

**Credit risk**

Credit risk arises from the possibility that the entities to which the Company provides services may experience difficulty and be unable to fulfil their obligations. The Company is exposed to financial risk that arises from the credit quality of the entities to which it provides services.

**PARR UTILITIES LTD.**  
**Operating expenses**  
**Year Ended December 31, 2011**  
*(Unaudited)*

*(Schedule 1)*

	2011	2010
<b>Operating expenses</b>		
Salaries and wages	\$ 67,917	\$ 50,401
Rent	46,122	47,706
Insurance and licenses	22,854	22,548
Utilities	17,748	12,255
Chemicals	12,418	4,347
Consulting fees	12,345	-
Repairs and maintenance	11,983	5,954
Water testing	6,792	-
Travel, meals & entertainment	5,694	1,594
Trainings & memberships	2,184	1,510
Fuel	1,656	2,755
Advertising	1,644	897
Telephone	1,389	1,317
Permits	166	870
Safety supplies and expenses	125	357
Vehicle	-	3,725
	<u>\$ 211,037</u>	<u>\$ 156,236</u>

**Administration expenses**  
**Year Ended December 31, 2011**  
*(Unaudited)*

*(Schedule 2)*

	2011	2010
<b>Administration expenses</b>		
Salaries & wages	\$ 84,395	\$ 53,358
Professional fees	36,643	12,988
Computer expense	14,468	8,871
Property taxes	12,564	12,564
Travel, meals & entertainment	6,544	4,137
Repairs and maintenance	6,519	6,641
Office	4,811	4,154
Rent	3,330	3,330
Advertising and promotion	2,694	-
Donations	2,500	3,167
Insurance and licenses - admin	2,357	-
Telephone	2,273	2,669
Bank charges	2,165	3,073
Bad debts	2,142	-
Training and memberships	2,061	2,257
	<u>\$ 185,466</u>	<u>\$ 117,209</u>



See notes to financial statements