

DUNDURN RURAL WATER UTILITY

Financial Statements

For the Year Ended December 31, 2021

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Independent Auditors' Report**To the Subscribers of Dundurn Rural Water Utility****Opinion**

We have audited the financial statements of Dundurn Rural Water Utility (the Utility), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Utility as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 report. We are independent of the Utility 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 financial statements, management is responsible for assessing the Utility's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Utility or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Utility's financial reporting process.

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Independent Auditors' Report (continued)**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 it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility'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 Utility'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 Utility to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We 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.

Larry Safinuk

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Saskatoon, Saskatchewan
March 23, 2022

Lingard + Dreger

Chartered Professional Accountants



DUNDURN RURAL WATER UTILITY
STATEMENT OF FINANCIAL POSITION
as at December 31, 2021
With comparative information for 2020

ASSETS

	<u>2021</u>	<u>2020</u> <u>(Restated)</u>	<u>2019</u> <u>(Restated)</u>
CURRENT:			
Cash and equivalents	\$ 293,378	\$ 90,092	\$ 87,160
Short-term investments (Note 6)	727,523	2,199,098	939,953
Restricted short-term investments (Note 7)	119,162	458,583	650,578
Accounts receivable (Note 8)	256,948	288,482	300,483
Prepaid expenses	25,290	24,357	1,814
Inventory (Note 9)	22,900	7,648	5,117
Current portion of subscriber loans receivable (Note 10)	<u>12,396</u>	<u>10,720</u>	<u>11,660</u>
	1,457,597	3,078,980	1,996,765
LONG-TERM INVESTMENTS (Note 6)	2,723,071	1,051,842	2,331,497
RESTRICTED LONG-TERM INVESTMENTS (Note 7)	511,182	298,781	99,599
SUBSCRIBER LOANS RECEIVABLE (Note 10)	20,379	11,410	21,202
PROPERTY AND EQUIPMENT (Note 11)	<u>22,005,501</u>	<u>22,427,827</u>	<u>22,760,569</u>
	<u>\$ 26,717,730</u>	<u>\$ 26,868,840</u>	<u>\$ 27,209,632</u>

LIABILITIES

CURRENT:			
Accounts payable and accrued liabilities (Note 12)	\$ <u>584,397</u>	\$ <u>774,935</u>	\$ <u>600,989</u>
	584,397	774,935	600,989
DEFERRED REVENUE (Note 13)	<u>10,757,443</u>	<u>11,102,824</u>	<u>11,448,205</u>
	<u>11,341,840</u>	<u>11,877,759</u>	<u>12,049,194</u>

EQUITY

RETAINED EARNINGS	13,416,519	13,062,397	13,261,191
SUSTAINABILTY RESERVE	<u>1,959,371</u>	<u>1,928,684</u>	<u>1,899,247</u>
	<u>15,375,890</u>	<u>14,991,081</u>	<u>15,160,438</u>
	<u>\$ 26,717,730</u>	<u>\$ 26,868,840</u>	<u>\$ 27,209,632</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

DUNDURN RURAL WATER UTILITY

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

for the year ended December 31, 2021

With comparative information for 2020

	<u>2021</u>	<u>2020</u> <u>(Restated)</u>
REVENUE:		
Water and operations billings (Note 14)	\$ 1,766,369	\$ 1,651,751
New subscriber and developer connection fees	384,773	26,700
Interest and investment income	63,194	66,995
Other	<u>29,000</u>	<u>28,685</u>
	<u>2,243,336</u>	<u>1,774,131</u>
EXPENSES:		
Administration fees	93,515	93,515
Advertising and promotion	1,077	75
Board expenses	17,109	21,353
Insurance	24,214	22,189
Interest and bank charges	6,576	6,356
Memberships and licenses	100	100
Office	20,053	24,097
Office building	13,668	12,304
Power – pump houses	36,268	42,244
Professional fees	13,050	11,832
Repairs and maintenance	34,870	33,022
Telephone	11,739	12,513
Training	2,024	1,202
Travel	3,952	4,552
Vehicle	22,918	24,455
Water	1,036,343	1,099,164
Water operations salaries and contracts	<u>256,727</u>	<u>273,203</u>
	<u>1,594,203</u>	<u>1,682,176</u>
NET INCOME FROM OPERATIONS FOR THE YEAR	<u>649,133</u>	<u>91,955</u>
OTHER REVENUE (EXPENSE):		
Amortization of deferred revenue	345,381	345,381
Depreciation of property and equipment	<u>(609,705)</u>	<u>(606,693)</u>
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 384,809</u>	<u>\$ (169,357)</u>

DUNDURN RURAL WATER UTILITY

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2021
With comparative information for 2020

	Retained earnings	Sustainability reserve	2021	2020
Balance, beginning of year	\$ 12,984,926	\$ 1,928,684	\$ 14,913,610	\$ 15,116,454
Prior period adjustment <i>(Note 20)</i>	<u>77,471</u>	<u>-</u>	<u>77,471</u>	<u>43,984</u>
Balance, as restated	13,062,397	1,928,684	14,991,081	15,160,438
Net income (loss) and comprehensive income (loss) for the year	384,809	-	384,809	(169,357)
Transfers to sustainability reserve <i>(Note 19)</i>	(30,687)	30,687	-	-
Balance, end of year	\$ 13,416,519	\$ 1,959,371	\$ 15,375,890	\$ 14,991,081

DUNDURN RURAL WATER UTILITY

STATEMENT OF CASH FLOWS
for the year ended December 31, 2021
With comparative information for 2020

	<u>2021</u>	<u>2020</u> <u>(Restated)</u>
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss) for the year	\$ 384,809	\$(169,357)
Items not involving cash:		
Amortization of deferred revenue	(345,381)	(345,381)
Depreciation of property and equipment	<u>609,705</u>	<u>606,693</u>
	<u>649,133</u>	<u>91,955</u>
 Change in non-cash working capital balances related to operations -		
Accounts receivable	31,534	12,001
Prepaid expenses	(933)	(22,543)
Inventory	(15,252)	(2,531)
Accounts payable and accrued liabilities	<u>(190,538)</u>	<u>173,945</u>
 Total from operating activities	<u>473,944</u>	<u>252,827</u>
 INVESTING ACTIVITIES		
Purchase of property and equipment	(187,379)	(273,950)
Purchase of investments	(4,509,406)	(2,057,665)
Disposal of investments	4,436,771	2,070,988
Loans to subscribers	(32,314)	-
Repayments of subscriber loans	<u>21,670</u>	<u>10,732</u>
 Total used by investing activities	<u>(270,658)</u>	<u>(249,895)</u>
 INCREASE IN CASH POSITION DURING YEAR	203,286	2,932
 CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>90,092</u>	<u>87,160</u>
 CASH AND EQUIVALENTS, END OF YEAR	\$ <u><u>293,378</u></u>	\$ <u><u>90,092</u></u>
 CASH AND EQUIVALENTS CONSISTS OF		
Cash	293,178	89,892
Petty cash	<u>200</u>	<u>200</u>
	\$ <u><u>293,378</u></u>	\$ <u><u>90,092</u></u>

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS **for the year ended December 31, 2021**

1. THE UTILITY

The Dundurn Rural Water Utility (“the Utility”) is a Public Utility Board incorporated under Section 23 of *The Municipalities Act, 2006*, of the Province of Saskatchewan, by joint agreement of:

R.M. of Dundurn, #314	Resort Village of Shields
R.M. of Rosedale, #283	Resort Village of Thode
R.M. of Blucher, #343	Town of Dundurn
Town of Hanley	

The Utility was formed in order to provide water from the city of Saskatoon to the rural residents of these municipalities. The Utility is located at 410 2nd Street, Dundurn, Saskatchewan. The Utility is exempt from Canadian federal and provincial taxes under the provisions of *The Income Tax Act*.

2. BASIS OF PRESENTATION

a) Statement of compliance

The Utility has elected to prepare these financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved by the Board of Directors on “DATE”.

b) Basis of presentation

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 5*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policy set out in *Note 15*. The Utility’s presentation and functional currency is Canadian dollars.

b) Revenue recognition

Water and operations billing revenue

Water and operations billings consist of three types of revenue: water billings, service charge revenue and sustainability revenue. The Utility requires that all subscribers sign a subscriber agreement in order to receive water. All contracts are month-to-month may be cancelled by the subscriber at any time.

Revenue from water billings consists of sales of water to subscribers at a rate of \$4.142/cubic meter (2020 - \$4.142/cubic meter). Subscribers are billed according to the volume of water consumed.

The Utility charges subscribers service charges at varying rates depending on whether the subscriber receives water or only has a curb stop and as such is not receiving water. Service charge revenue for subscribers receiving water is billed on a monthly basis at a rate of \$26.00/month (2020 - \$26.00/month). Those subscribers with a curb stop who are not receiving water are billed a service charge on a monthly basis at a rate of \$11/month (2020 - \$11/month).

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Utility charges all subscribers a \$1/month fee sustainability fee (2020 - \$1/month). This sustainability fee is transferred to the sustainability reserve which is further described in *Note 19*.

The Utility recognizes water and operations billings revenue on a monthly basis when it transfers control of the water to the subscriber. This is considered to occur when the water has been physically transferred to the subscriber. Revenue is measured at the fair value of the consideration received.

New subscriber and developer connection fees

The Utility charges new subscribers and developers a fee for connecting to the water pipeline. The construction and installation costs are itemized in the subscriber agreement. Revenue from new subscriber connection fees is recognized when the subscriber has been connected to the water pipeline and can begin receiving water. Revenue from new developer connection fees is recognized upon the installation of curb stops.

From time to time the Utility receives cash from developers and subscribers to be used in the construction of water pipeline infrastructure. Any cash received in advance is recognized as a deferred deposit. Upon connection to the water pipeline the Utility has fulfilled the contractual obligation, controls the asset(s) and no further performance is required. The Utility then recognizes the fair value of the contributed assets as new subscriber and developer connection fee revenue.

c) Impairment of non-financial assets

The Utility reviews the recoverability of non-financial assets subject to amortization whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The asset's recoverable amount is the higher of its fair value less cost to sell and its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are cash-generating units. The Utility evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

d) Cash and equivalents

Cash and cash equivalents consist of cash or highly liquid investments which are readily convertible into cash and subject to an insignificant risk of change in value. Interest from cash is recorded on an accrual basis. All gains are recognized in income in the period in which they arise.

e) Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using the straight-line method over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the asset. Major components of property and equipment are depreciated separately over their respective useful lives. Land is not depreciated. Depreciation has been calculated as follows:

Buildings	Straight-line over 50 years
Water pipeline equipment	Straight-line over 30 years
Water pipeline system infrastructure	Straight-line over 50 years
Solar panel systems	Straight-line over 25 years
Furniture, tools and equipment	Straight-line over 5 years
Vehicles	Straight-line over 5 years
Computer equipment	Straight-line over 2 years

f) Inventory

The Utility carries an inventory of parts which are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Net realizable value is the estimated selling price less estimated costs of completion and applicable selling expenses. If the carrying value exceeds the net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances causing it no longer exist.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS **for the year ended December 31, 2021**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Deferred revenue

The Utility became eligible for grants under the Building Canada Fund by constructing a water pipeline system. The grant funding is accounted for in accordance with *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*. As such grant funding is recognized in income on a systematic basis as amortization of deferred revenue over the estimated useful life of the asset (40 years).

h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Utility has not incurred any decommissioning costs related to its constructed water pipeline accordingly no provision has been recorded for such site reclamation or abandonment.

i) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized in the statement of financial position when the Utility becomes party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL"), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Classification and subsequent measurement

The Utility classifies financial assets, at the time of initial recognition, according to the Utility's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories: a) amortized cost and b) fair value through profit or loss.

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

All financial assets not classified as amortized cost as described above are measured at FVTPL.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in the period that the liability is derecognized.

Impairment of financial instruments

The Utility assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial instruments carried at amortized cost. The Utility was required to revise its impairment methodology under IFRS 9 for the following class of assets:

Accounts receivable and subscriber loans: For accounts receivables and subscriber loans, the Utility applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable and contract assets within the scope of IFRS 15. The Utility has established a provision based on the Utility's historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS **for the year ended December 31, 2021**

4. NEW ACCOUNTING STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

Amendment to IAS 8: Definition of Accounting Estimates

In February of 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to update the definition of accounting estimates. The new definition states that “Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty”, and the amendment also provides examples of accounting estimates and clarifies the manner in which changes in accounting estimates are to be recognized in the financial statements.

This amendment was effective for annual periods beginning on or after January 1, 2023 and is to be applied prospectively.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date

In January of 2020, the IASB issued amendments to IAS , *Presentation of Financial Statements*, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Utility has a right to defer settlement of a liability by at least twelve months;
- provide that Management’s expectations are not a relevant consideration as to whether the Utility will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Utility has not yet determined the impact of these amendments on its financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Utility makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effects of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk to cause material adjustment to the carrying amounts of assets and liabilities recognized in these financial statements within the next financial year are discussed below:

Useful lives of property and equipment

Management reviews the useful lives of depreciable assets at the end of every reporting period. As at December 31, 2021, management has considered that the useful lives reflect the estimated remaining period that the property and equipment are expected to be used by the Utility. The carrying value of the property and equipment is presented in *Note 11*.

DUNDURN RURAL WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

6. INVESTMENTS

Investments are recorded at fair value and consist of the following:

	2021		2020	
	Years to maturity	Market value	Yield to maturity	Market value
Short-term				
RBC investment savings account mutual fund	-	\$ 447,045	-	\$ 175,080
Guaranteed Investment certificates	1	280,478	2.42% - 3.00%	2,024,018
		\$ 727,523		\$ 2,199,098
Long-term				
Guaranteed Investment certificates	1-5	\$ 2,723,071	1.00% - 3.42%	\$ 1,051,842
		\$ 2,723,071		\$ 1,051,842

7. RESTRICTED INVESTMENTS

The restricted investments are recorded at fair value and consist of the following:

	2021		2020	
	Years to maturity	Market value	Yield to maturity	Market value
Short-term				
RBC investment savings account mutual fund	-	\$ 53,990	-	\$ 253,961
Guaranteed Investment certificates	1	65,172	2.95%	204,622
		\$ 119,162		\$ 458,583
Long-term				
Guaranteed Investment certificates	2-4	\$ 511,182	1.50% - 3.46%	\$ 298,781
		\$ 511,182		\$ 298,781

The board has internally restricted these investments as described in Note 19.

8. ACCOUNTS RECEIVABLE

	2021	2020
Water and operations billings	\$ 204,788	\$ 244,786
Other trade receivables	4,125	2,071
GST receivable	39,741	40,625
Capital receivable	8,294	1,000
	\$ 256,948	\$ 288,482

9. INVENTORY

	2021	2020
Parts	\$ 22,900	\$ 7,648
	\$ 22,900	\$ 7,648

The amount of inventory recognized in repairs and maintenance expense in the current year was \$NIL (2020 - \$NIL).

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

10. SUBSCRIBER LOANS RECEIVABLE

These amounts represent the unpaid amount of subscriber costs to connect to water supply pipelines which are financed by the Utility. Any balances of principal and interest owing for the calendar year and remaining unpaid 30 days after the payment is due can be applied to the relevant property taxes under the provisions of the *Municipalities Act*. The amounts added to the property taxes are collected by the Utility from the relevant Rural Municipality.

	2021	2020
Phase I & II loans financed over 15 years plus interest at 6.34%	\$ -	\$ 1,219
Infill project 2017 loans financed over 5 years plus interest at 6%	5,788	11,112
Infill project 2019 loans financed over 5 years plus interest at 6%	-	9,799
Infill project 2020 loans financed over 5 years plus interest at 6%	26,987	-
	32,775	22,130
Less: Current portion	(12,396)	(10,720)
	\$ 20,379	\$ 11,410

The estimated repayments of the subscriber loans receivable over the next five year are as follows:

2022	\$ 12,396
2023	6,312
2024	5,876
2025	5,876
2026	2,315
	<u>\$ 32,775</u>

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

11. PROPERTY AND EQUIPMENT

	Land	Water pipeline system	Pumphouse	Pumphouse equipment	Furniture, tools, and equipment	Solar panel systems	Computer equipment	Vehicles	Building	Total
Cost										
Balance December 31, 2019	\$ 108,610	\$ 22,498,891	\$ 2,591,557	\$ 785,213	\$ 35,536	\$ 137,901	\$ 3,184	\$ 140,203	\$ 768,566	\$ 27,069,661
Additions	-	127,390	-	37,050	16,746	71,388	2,264	19,112	-	273,950
Disposals	-	-	-	-	(4,641)	-	(3,185)	(29,928)	-	(37,754)
Balance December 31, 2020	\$ 108,610	\$ 22,626,281	\$ 2,591,557	\$ 822,263	\$ 47,641	\$ 209,289	\$ 2,263	\$ 129,387	\$ 768,566	\$ 27,305,857
Additions	-	94,219	-	61,525	-	25,204	-	-	6,431	187,379
Disposals	-	-	-	-	(1,036)	-	(2,263)	(1,304)	-	(4,603)
Balance December 31, 2021	\$ 108,610	\$ 22,720,500	\$ 2,591,557	\$ 883,788	\$ 46,605	\$ 234,493	\$ -	\$ 128,083	\$ 774,997	\$ 27,488,633
Accumulated Depreciation										
Balance December 31, 2019	\$ -	\$ 3,631,044	\$ 408,780	\$ 160,530	\$ 12,548	\$ 10,996	\$ 1,592	\$ 68,133	\$ 15,468	\$ 4,309,091
Additions	-	452,526	64,789	27,409	9,528	8,371	2,724	25,878	15,468	606,693
Disposals	-	-	-	-	(4,641)	-	(3,185)	(29,928)	-	(37,754)
Balance December 31, 2020	\$ -	\$ 4,083,570	\$ 473,569	\$ 187,939	\$ 17,435	\$ 19,367	\$ 1,131	\$ 64,083	\$ 30,936	\$ 4,878,030
Additions	-	454,410	64,789	29,459	9,320	9,380	1,132	25,617	15,598	609,705
Disposals	-	-	-	-	(1,036)	-	(2,263)	(1,304)	-	(4,603)
Balance December 31, 2021	\$ -	\$ 4,537,980	\$ 538,358	\$ 217,398	\$ 25,719	\$ 28,747	\$ -	\$ 88,396	\$ 46,534	\$ 5,483,132
Property and equipment, net										
December 31, 2020	108,610	18,542,711	2,117,988	634,324	30,206	189,922	1,132	65,304	737,630	22,427,827
December 31, 2021	108,610	18,182,520	2,053,199	666,390	20,886	205,746	-	39,687	728,463	22,005,501

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade payables	\$ 104,665	\$ 105,635
Contract liabilities	479,732	669,300
	\$ 584,397	\$ 774,935

Contract liabilities represent deposits received from developers and subscribers and manifold deposits received prior to a subscriber connecting to the water pipeline. The contract liabilities are as follows:

	Manifold deposits	Developer deposits	New subscriber deposits	Total
Balance at January 1, 2020	\$ 485,000	\$ 18,000	\$ -	\$ 503,000
Deposits received during the year	-	172,800	13,500	186,300
Amounts recognized as revenue during the year	(20,000)	-	-	(20,000)
Balance December 31, 2020	\$ 465,000	\$ 190,800	\$ 13,500	\$ 669,300
Deposits received during the year	-	25,200	8,732	33,932
Amounts recognized as revenue during the year	(4,000)	(216,000)	(3,500)	(223,500)
Balance December 31, 2021	\$ 461,000	\$ -	\$ 18,732	\$ 479,732

13. DEFERRED REVENUE

	2021	2020
Government grants received	\$ 13,815,235	\$ 13,815,235
Additions during the year	-	-
Less: amounts amortized to income	(3,057,792)	(2,712,411)
Total deferred revenue	\$ 10,757,443	\$ 11,102,824

14. REVENUE

	2021	2020
Water billing revenue	\$ 1,348,197	\$ 1,246,412
Service charges	363,717	358,148
Sustainability reserve income	30,687	29,437
Other	23,768	17,754
	\$ 1,766,369	\$ 1,651,751

The Utility bills subscribers on a month-to-month basis and earns revenue in only one geographic location accordingly revenue has not been disaggregated based on contract duration or geographic region.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

15. FINANCIAL INSTRUMENTS

Credit risk

The Utility in the normal course of business is exposed to credit risk from its customers. The accounts receivable are subject to normal industry risks in the geographic region in which the Utility operates. Any balances of principal and interest owing for the calendar year and remaining unpaid 30 days after the payment is due can be applied to the relevant property taxes under the provisions of the *Municipalities Act*. The amounts added to the property taxes are collected by the Utility from the relevant Rural Municipality therefore the risk of non-collection is extremely low.

As at December 31, 2021 the Utility's largest customer represented 6.32% (2020 – 14.14%) of the accounts receivables. An analysis of the aging of the lease receivables that were past due but not impaired is as follows:

	December 31, 2021	December 31, 2020
Current	\$ 239,488	\$ 249,932
0 – 30 days past due	4,442	17,083
31- 60 days past due	-	281
Over 60 days past due	13,018	21,186
	<u>\$ 256,948</u>	<u>\$ 288,482</u>

The loss allowance provision as at December 31, 2021 is determined as follows and incorporates forward-looking information.

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	\$239,488	\$4,442	\$727	\$12,291	\$256,948
Loss allowance provision	-	-	-	-	-

Loss rates are based on actual credit loss experience over the past 10 years. As the Utility can collect accounts in arrears by having the amounts in question added to a subscriber's property tax assessment the historical credit losses from water and operations billings have been nil. Accounts receivable related to other revenue are minor to the operations of the Utility and any losses on these balances are immaterial. As such no loss allowance provision has been recorded.

Movements in the allowance for impairment of trade receivables

The movement in the allowance for impairment in the trade receivables during the year was as follows.

	2021	2020
Balance at January 1	\$ -	\$ -
Amounts written off	-	-
Net remeasurements of loss allowance	-	-
Ending balance at December 31	\$ -	\$ -

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS **for the year ended December 31, 2021**

15. FINANCIAL INSTRUMENTS (continued)

As at December 31, 2021, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2020 are shown in the table below:

Classification	December 31, 2021		December 31, 2020	
	Fair value	Carrying value	Fair value	Carrying value
<i>Financial assets</i>				
Cash and equivalents	\$ 293,378	\$ 293,378	\$ 90,092	\$ 90,092
Accounts receivable (1)	217,207	217,207	247,857	247,857
<i>Financial liabilities</i>				
Accounts payable	584,397	584,397	774,935	774,935

(1) *Excluding taxes receivable*

The fair values of the Utility's financial instruments measured at December 31, 2021, constitute Level 1 measurements for its cash and equivalents within the fair value hierarchy.

Liquidity risk

Liquidity risk is the risk that the Utility will not be able to meet its obligations associated with financial liabilities. The Utility has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operations. The Utility coordinates this planning and budgeting process with its financing activities through the capital management process described in *Note 18*, in normal circumstances.

The Utility's financial liabilities are comprised of its accounts payable and accrued liabilities the contractual maturities of which at December 31, 2021, with comparative figures for December 31, 2020, are summarized as follows:

	December 31, 2021	December 31, 2020
Accounts payable with contractual maturities -		
Within 90 days or less	\$ 104,665	\$ 105,635
In later than 90 days, not later than one year	-	-
Due to related parties with contractual maturities -		
Within 90 days or less	-	-
In later than 90 days, not later than a year	-	-

Market risk

The significant market risks to which the Utility is exposed include interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Utility is exposed to interest rate risk on its short and long-term investments.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS **for the year ended December 31, 2021**

17. CONTRACTUAL COMMITMENT

The Utility has entered into an agreement with the Saskatchewan Water Corporation for the supply of potable water. The agreement specifies certain minimum water purchase requirements. The agreement automatically renews each year. As Saskatchewan Water Corporation is the sole supplier of water the Utility is economically dependent upon Saskatchewan Water Corporation.

18. CAPITAL MANAGEMENT

The Utility has no formal capital management policy however the Board of Directors conducts an annual budgeting and strategic planning meeting. The Utility has no externally imposed capital requirements.

19. SUSTAINABILITY RESERVE

The Utility established the sustainability reserve in order to fund a tangible capital asset reserve and a pre-paid manifold reserve. The sustainability reserve is funded by short-term and long-term investments that have been internally restricted by the board of directors. These investments are presented in *Note 7*. Management requires board approval in order to access these funds. The sustainability reserve income earned in the year, as presented in *Note 14*, is transferred to the sustainability reserve on an annual basis. In addition, the board may make additional transfers to the reserve fund.

During the current year the Utility made the following transfers to the sustainability reserve:

	2021	2020
Transfer to the sustainability reserve per board motion	\$ -	\$ -
Sustainability reserve income	30,687	29,437
	\$ 30,687	\$ 29,437

20. CHANGE IN ACCOUNTING POLICY

During 2021, the Utility changed its accounting policy for the depreciation period of its solar panel systems to 25 years. In previous periods, the Utility had estimated the useful lives of the assets to be 5 years and as such the assets were depreciated on a straight-line basis over this period. However, these assets have warranty coverage for 25 years and as such will provide future economic benefits over a longer period than initially determined. As such, this change in accounting policy better reflects the expected useful lives of the assets and therefore provides equally reliable and more relevant information.

This change in accounting policy had the following effect on the financial statements of the Utility:

	Property and equipment	Retained earnings	Net income (loss) for the year
Balance at December 31, 2019 as previously reported	\$ 22,716,585	\$ 13,217,207	\$ (91,820)
Change in accounting policy impact	43,984	43,984	22,064
Balance at December 31, 2019 restated	\$22,760,569	\$13,261,191	\$ (69,756)
Balance at December 31, 2020 as previously reported	22,350,356	12,984,926	(202,843)
Change in accounting policy impact	77,471	77,471	33,486
Balance at December 31, 2020 restated	\$22,427,827	\$13,062,397	\$ (169,357)