

HIGHWAY 41 WATER UTILITY
Financial Statements
Year Ended December 31, 2020

HIGHWAY 41 WATER UTILITY
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Year Ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

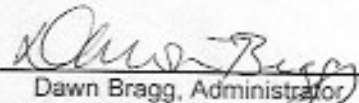
The financial statements of Highway 41 Water Utility have been prepared in accordance with Canadian Public Sector Accounting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Highway 41 Water Utility's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Executive Committee. The Executive Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Executive Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Grant Thornton LLP, in accordance with Canadian Public Sector Accounting Standards.


Graham White, Chairperson


Dawn Bragg, Administrator

Aberdeen, SK
Date: April 29/21

INDEPENDENT AUDITOR'S REPORT

To the Members of Highway 41 Water Utility

Opinion

We have audited the financial statements of Highway 41 Water Utility (the Utility), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Utility as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting 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 *Auditor's 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 10 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2019 has been restated. Our opinion has not been modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting 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 the financial statements, management is responsible for assessing the Utility's ability to continue as a going concern, disclosing, as applicable, matters relating to 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditor's 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 auditor's report. However, future events or conditions may cause the Utility to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton LLP

Saskatoon, Canada

June 1, 2021

Chartered Professional Accountants

HIGHWAY 41 WATER UTILITY
Statement of Financial Position
December 31, 2020

	2020	2019 (Restated - See Note 10)
FINANCIAL ASSETS		
Cash (Note 3)	\$ 759,736	\$ 450,739
Short term deposits	749,745	630,764
Receivables (Note 4)	53,806	104,568
Goods and services tax recoverable	14,367	6,061
Subscriber loans receivable (Note 5)	147,351	170,252
Long term deposits	-	259,475
	1,725,005	1,621,859
LIABILITIES		
Accounts payable	36,101	54,131
Deposits received	3,494	3,494
Employee deductions payable	5,061	2,442
	44,656	60,067
NET FINANCIAL ASSETS	1,680,349	1,561,792
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	10,026,713	10,084,005
ACCUMULATED SURPLUS	\$ 11,707,062	\$ 11,645,797

ON BEHALF OF BOARD

_____ Director

_____ Director

HIGHWAY 41 WATER UTILITY
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2020

	Budget		2019
	Budget (unaudited)	2020	(Restated - See Note 10)
REVENUES			
Water sales	\$ 462,758	\$ 505,033	\$ 475,953
Connection payments	183,872	272,129	19,004
Maintenance and infrastructure	163,205	169,050	162,015
Recovery of bad debts	-	30,000	7,000
Meter installations	26,400	26,400	6,000
Expense recoveries	-	22,455	13,553
Interest income	12,155	20,492	20,334
Sustainability	12,731	13,016	11,809
Other revenue	31,442	2,434	7,073
Custom work	-	116	500
Gains on disposal of assets	-	-	11,000
Allocation increase	-	-	22,400
	<u>892,563</u>	<u>1,061,125</u>	<u>756,641</u>
EXPENSES			
Administration (<i>Schedule 1 & 2</i>)	92,456	83,659	89,757
Operating (<i>Schedule 1 & 2</i>)	1,026,067	916,201	906,930
	<u>1,118,523</u>	<u>999,860</u>	<u>996,687</u>
ANNUAL SURPLUS (DEFICIT)	(132,760)	61,265	(240,046)
ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS PREVIOUSLY STATED	11,870,744	11,870,744	12,116,590
PRIOR PERIOD ADJUSTMENT (<i>Note 10</i>)	(224,947)	(224,947)	(230,747)
ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS RESTATED	<u>11,645,797</u>	<u>11,645,797</u>	<u>11,885,843</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 11,513,037</u>	<u>\$ 11,707,062</u>	<u>\$ 11,645,797</u>

See notes to financial statements

HIGHWAY 41 WATER UTILITY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2020

	Budget 2020	2020	2019 (Restated - See Note 10)
ANNUAL SURPLUS (DEFICIT)	\$ (132,760)	\$ 61,265	\$ (240,046)
Amortization of tangible capital assets	-	272,431	268,136
Purchase of tangible capital assets	-	(215,142)	(40,304)
Proceeds on disposal of tangible capital assets	-	-	11,000
(Gain) on disposal of assets	-	-	(11,000)
	-	57,289	227,832
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(132,760)	118,557	(12,214)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	1,531,540	1,561,792	1,574,006
NET FINANCIAL ASSETS - END OF YEAR (Note 3)	\$ 1,398,780	\$ 1,680,349	\$ 1,561,792

See notes to financial statements

HIGHWAY 41 WATER UTILITY
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019 (Restated - See Note 10)
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 61,265	\$ (240,046)
Items not affecting cash:		
Amortization of tangible capital assets	272,431	268,136
Gain on disposal of tangible capital assets	-	(11,000)
	<u>333,696</u>	<u>17,090</u>
Changes in non-cash working capital:		
Receivables	50,762	(17,626)
Accounts payable	(18,028)	11,616
Goods and services tax payable	(8,305)	7,605
Loans and notes receivable	22,901	144,113
Employee deductions payable	2,619	-
	<u>49,949</u>	<u>145,708</u>
Cash flow from operating activities	<u>383,645</u>	<u>162,798</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(215,142)	(40,304)
Proceeds on disposal of tangible capital assets	-	11,000
Short term deposits	(118,981)	(364,706)
Long term deposits	259,475	-
	<u>(74,648)</u>	<u>(394,010)</u>
Cash flow used by investing activities	<u>(74,648)</u>	<u>(394,010)</u>
FINANCING ACTIVITY		
Repayment of callable debt	-	(28,972)
	<u>-</u>	<u>(28,972)</u>
Cash flow from (used by) financing activity	<u>-</u>	<u>(28,972)</u>
INCREASE (DECREASE) IN CASH FLOW	308,997	(260,184)
Cash - beginning of year	<u>450,739</u>	<u>710,923</u>
CASH - END OF YEAR (Note 3)	\$ 759,736	\$ 450,739

See notes to financial statements

HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2020

1. PURPOSE OF THE UTILITY

Highway 41 Water Utility (the "Utility") is a public utility board created under the authority of The Municipalities Act of the Province of Saskatchewan by bylaw of the Rural Municipality of Aberdeen No. 373. Municipalities participating in the Utility include the Rural Municipality of Aberdeen No. 373, the Rural Municipality of Blucher No. 343 and the Rural Municipality of Grant No. 372.

Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Utility are prepared by management in accordance with the Canadian public sector accounting standards established by the Public Sector Accounting Board of the Accounting Standards Oversight Council. Significant aspects of the accounting policies are as follows:

Revenue recognition

The Utility derives a portion of its revenues from the sale of water to its subscribers. The revenue from the sale of this water is billed based on consumption and is recognized in the period in which the water is provided. Any advance payments received at the end of the year are classified as deferred revenue.

The Utility derives a portion of its revenues from installing water connections to new subscribers. The revenue from the new connections is recognized in the period in which the connection was completed.

Subscriber loan interest revenue is accrued monthly per the terms of the contract.

Measurement uncertainty

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, 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 are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Items subject to significant management judgement include the useful life of tangible capital assets when considering amortization rates and allowances for doubtful loan and receivable accounts.

Term deposits

Term deposits, with original maturities at date of purchase beyond three months and less than twelve months, are carried at amortized cost and presented as current assets on the statement of financial position.

Term deposits, with original maturities at date of purchase beyond twelve months, are carried at amortized cost and presented as long-term assets on the statement of financial position.

(continues)

HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Land		non-amortizable
Buildings	10 years	straight-line method
Metering equipment	10 years	straight-line method
Vehicles	10 years	straight-line method
Office technology	5 years	straight-line method
Pipes	50 years	straight-line method
Utility infrastructure	50 years	straight-line method

The Utility regularly reviews its tangible capital assets to eliminate obsolete items.

Impairment of Long Lived Assets

The Utility tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Net Financial Assets:

Net Financial Assets at the end of an accounting period are the net amount of financial assets less liabilities outstanding. Financial assets represent items such as cash and those other assets on hand which could provide resources to discharge existing liabilities or finance future operations. These include realizable assets which are convertible to cash and not intended for consumption in the normal course of operations.

Non-financial assets:

Tangible capital and other non-financial assets are accounted for as assets by the government because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

Appropriated Reserves:

Reserves are established at the discretion of the board of directors to designate surplus for future operating and capital transactions. Amounts so designated are described on Schedule 3.

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HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of segmented disclosure

The Utility follows the Public Sector Accounting Board's recommendations requiring financial information to be provided on a segmented basis. The Utility's services have been segmented by grouping activities that have similar service objectives (by function).

The segments (functions) are as follows:

Administration: provides administrative support for operations

Operating: provides the deliver of water

All revenues are directly related to operating.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. CASH

	2020	2019
Royal Bank of Canada - Incidental	\$ 425,334	\$ 388,398
Royal Bank of Canada - Project	334,402	62,341
	\$ 759,736	\$ 450,739

4. RECEIVABLES

	2020	2019 (Restated - See Note 10)
Utility fees receivable	\$ 54,623	\$ 74,671
Other Receivables	-	30,253
Subtotal	54,623	104,924
Allowance for doubtful accounts	(817)	(356)
	\$ 53,806	\$ 104,568

HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2020

5. SUBSCRIBER LOANS RECEIVABLE

	2020	2019
Subscriber loans receivable	\$ 157,351	\$ 210,252
Allowance for doubtful accounts	(10,000)	(40,000)
	\$ 147,351	\$ 170,252

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 (Restated - See Note 10) Net book value
Land	\$ 31,905	\$ -	\$ 31,905	\$ 31,905
Buildings	180,000	126,000	54,000	72,000
Vehicles	53,912	14,548	39,364	44,755
Office equipment	21,095	18,986	2,109	4,219
Furniture and fixtures	8,239	7,997	242	638
Pipes	9,846,104	1,967,202	7,878,902	8,058,417
Utility infrastructure	2,480,748	460,557	2,020,191	1,872,071
	\$ 12,622,003	\$ 2,595,290	\$ 10,026,713	\$ 10,084,005

7. IMPACTS OF COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Impacts to the operations of Highway 41 Water Utility were the increased overall increase in water purchased and provided as members of the community were required to stay home due to the Provincial Health Orders. Council meetings were held virtually for parts of the year, and some meter checking was denied due to safety concerns.

The Utility will continue to respond to COVID-19 by providing the necessary water supply that the communities require.

8. SIGNIFICANT SUPPLIER

The Utility obtains all of its water for distribution from the Sask Water. The Utility has a contract with and is in compliance with the terms of that contract.

HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2020

9. BUDGET INFORMATION AND RECONCILIATION

The budget figures, provided for comparison purposes only, are those approved by the Board. In accordance with the terms of the engagement, they have not been subjected to audit or review.

	<u>2020</u>
<u>Budget reconciliation</u>	
Budgeted surplus approved by the board	\$ 47,976
Inclusion of amortization into budgeted amounts	(273,936)
Inclusion of tangible capital asset purchases in budgeted amounts	<u>93,200</u>
Budgeted surplus	<u>\$ (132,760)</u>

HIGHWAY 41 WATER UTILITY
Notes to Financial Statements
Year Ended December 31, 2020

10. PRIOR PERIOD ADJUSTMENT

During 2020 it was determined that a portion of a tangible capital asset had been disposed of to a 3rd party in 2013. As a result, the previously recorded tangible capital asset, receivables and amortization expense required adjustment. The Utility has treated this adjustment as an error. As a result the utility has restated its 2019 comparative figures to reflect this correction as follows:

	2019		
	Previously Reported	Adjustments	2019 Restated
<u>Statement of Financial Position</u>			
Receivables	\$ 74,315	\$ 30,253	\$ 104,568
Tangible Capital Assets	10,339,205	(255,200)	10,084,005
Accumulated Surplus	11,870,744	(224,947)	11,645,797
 <u>Statement of Operations and Accumulated Surplus</u>			
Expenses	\$ 1,002,487	\$ (5,800)	\$ 996,687
Deficit	(245,846)	5,800	(240,046)
Accumulated Surplus end of year	11,870,744	(224,947)	11,645,797
 <u>Statement of Change in Net Financial Assets</u>			
Deficit	\$ (245,846)	\$ 5,800	\$ (240,046)
Net Financial Assets - end of year	1,531,539	30,253	1,561,792
 <u>Statement of Cash Flows</u>			
Deficit	\$ (245,846)	\$ 5,800	\$ (240,046)
Amortization of tangible capital assets	273,936	(5,800)	268,136

HIGHWAY 41 WATER UTILITY
Schedule of Segment Disclosure by Function (2020 Expenses)
Schedule One

Year Ended December 31, 2020

	Budget	Administration	Operating	2020
Expenses				
Water purchases	\$ 345,944	\$ -	\$ 402,769	\$ 402,769
Amortization	273,936	-	272,433	272,433
Repairs and maintenance	238,935	2,158	76,317	78,475
Salaries and wages	136,465	24,328	113,834	138,162
Utilities	35,365	-	36,645	36,645
Insurance	15,000	10,318	-	10,318
Telephone	13,103	10,867	-	10,867
Legal fees	6,000	13,863	-	13,863
Professional fees	31,523	5,374	14,090	19,464
Office	11,964	6,595	113	6,708
Travel	9,288	5,523	-	5,523
Interest and bank charges	-	3,816	-	3,816
Memberships	1,000	817	-	817
Expenses total	\$ 1,118,523	\$ 83,659	\$ 916,201	\$ 999,860

See notes to financial statements

HIGHWAY 41 WATER UTILITY
Schedule of Segment Disclosure by Function (2019 Expenses)
Schedule Two

Year Ended December 31, 2019

	Administration	Operating	2019
Expenses			
Water purchases	\$ -	\$ 346,561	\$ 346,561
Amortization	-	268,136	268,136
Repairs and maintenance	5,765	144,135	149,900
Salaries and wages	23,033	107,381	130,414
Utilities	-	34,332	34,332
Insurance	15,776	-	15,776
Professional fees	4,028	5,898	9,926
Telephone	12,080	-	12,080
Legal fees	11,443	-	11,443
Office	7,666	193	7,859
Travel	5,771	-	5,771
Interest on callable debt	-	294	294
Interest and bank charges	2,609	-	2,609
Memberships	808	-	808
Meetings and conventions	778	-	778
Expenses total	\$ 89,757	\$ 906,930	\$ 996,687

HIGHWAY 41 WATER UTILITY
Schedule of Accumulated Surplus
Schedule Three

Year Ended December 31, 2020

	2019	Changes	2020
Unappropriated Surplus	\$ 1,277,939	\$ 84,378	\$ 1,362,317
Appropriated Reserves			
Sustainability Fund	48,881	13,016	61,897
Water Allocation Fund	64,720	-	64,720
Invested in Subscriber Loans	170,252	(22,901)	147,351
Line repair fund	-	44,064	44,064
Appropriated Reserves total	283,853	34,179	318,032
Net Investment in Tangible Capital Assets			
Tangible Capital Assets	10,084,005	(57,292)	10,026,713
Less: Related Debt	-	-	-
Net Investment in Tangible Capital Assets total	10,084,005	(57,292)	10,026,713
Total Accumulated Surplus	\$ 11,645,797	\$ 61,265	\$ 11,707,062