

**DUNDURN RURAL WATER UTILITY**

**Financial Statements**

**For the Year Ended December 31, 2020**



**Max Lingard**

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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, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and comprehensive income (loss), changes in equity and cash flows for the year then ended, 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 Dundurn Rural Water Utility as at December 31, 2020, and its financial performance and its 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 Dundurn Rural Water 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 to 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 Dundurn Rural Water 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 Dundurn Rural Water Utility or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Dundurn Rural Water Utility's financial reporting process.

**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.

### Independent Auditors' Report (Continued)

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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 misstatements 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 Dundurn Rural Water 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 Dundurn Rural Water Utility 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 Dundurn Rural Water 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.



**Independent Auditors' Report (Continued)**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**Saskatoon, Saskatchewan  
March 24, 2021**

*Lingard + Dreger*

**Chartered Professional Accountants**



**DUNDURN RURAL WATER UTILITY**  
**STATEMENT OF FINANCIAL POSITION**  
**as at December 31, 2020**  
*With comparative information for 2019*

**ASSETS**

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>CURRENT:</b>		
Cash and equivalents	\$ 90,092	\$ 87,160
Short-term investments (Note 6)	2,199,098	939,953
Restricted short-term investments (Note 7)	458,583	650,578
Accounts receivable (Note 8)	288,482	300,483
Prepaid expenses	24,357	1,814
Inventory (Note 9)	7,648	5,117
Current portion of subscriber loans receivable (Note 10)	<u>10,720</u>	<u>11,660</u>
	3,078,980	1,996,765
<b>LONG-TERM INVESTMENTS (Note 6)</b>	1,051,842	2,331,497
<b>RESTRICTED LONG-TERM INVESTMENTS (Note 7)</b>	298,781	99,599
<b>SUBSCRIBER LOANS RECEIVABLE (Note 10)</b>	11,410	21,202
<b>PROPERTY AND EQUIPMENT (Note 11)</b>	<u>22,350,356</u>	<u>22,716,585</u>
	<b>\$ <u>26,791,369</u></b>	<b>\$ <u>27,165,648</u></b>

**LIABILITIES**

<b>CURRENT:</b>		
Accounts payable and accrued liabilities (Note 12)	\$ <u>774,935</u>	\$ <u>600,990</u>
	774,935	600,990
<b>DEFERRED REVENUE (Note 13)</b>	<u>11,102,824</u>	<u>11,448,205</u>
	<u>11,877,759</u>	<u>12,049,195</u>

**EQUITY**

<b>RETAINED EARNINGS</b>	12,984,926	13,217,206
<b>SUSTAINABILITY RESERVE</b>	<u>1,928,684</u>	<u>1,899,247</u>
	<u>14,913,610</u>	<u>15,116,453</u>
	<b>\$ <u>26,791,369</u></b>	<b>\$ <u>27,165,648</u></b>

APPROVED BY THE BOARD:

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

**DUNDURN RURAL WATER UTILITY**

**STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

**for the year ended December 31, 2020**

***With comparative information for 2019***

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>REVENUE:</b>		
Water and operations billings (Note 14)	\$ 1,651,751	\$ 1,558,970
New subscriber and developer connection fees	26,700	72,885
Interest and investment income	66,995	105,798
Other	<u>28,685</u>	<u>35,355</u>
	<u>1,774,131</u>	<u>1,773,008</u>
<b>EXPENSES:</b>		
Administration fees	93,515	55,432
Advertising and promotion	75	206
Board expenses	21,353	24,260
Insurance	22,189	19,176
Interest and bank charges	6,356	6,994
Memberships and licenses	100	100
Office	24,097	23,104
Office building	12,304	26,372
Power – pump houses	42,244	44,175
Professional fees	11,832	18,321
Repairs and maintenance	33,022	66,895
Telephone	12,513	9,212
Training	1,202	1,229
Travel	4,552	4,133
Vehicle	24,455	28,017
Water	1,099,164	988,553
Water operations salaries and contracts	<u>273,203</u>	<u>273,301</u>
	<u>1,682,176</u>	<u>1,589,480</u>
<b>NET INCOME FROM OPERATIONS FOR THE YEAR</b>	<u>91,955</u>	<u>183,528</u>
<b>OTHER REVENUE (EXPENSE):</b>		
Amortization of deferred revenue	345,381	345,381
Depreciation of property and equipment	<u>( 640,179)</u>	<u>( 620,729)</u>
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	\$ ( <u>202,843</u> )	\$ ( <u>91,820</u> )

**DUNDURN RURAL WATER UTILITY**

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended December 31, 2020**  
*With comparative information for 2019*

	<b>Retained earnings</b>	<b>Sustainability reserve</b>	<b>2020</b>	<b>2019</b>
<b>Balance, beginning of year</b>	\$ 13,217,206	\$ 1,899,247	\$ 5,116,453	\$ 15,208,273
Net income (loss) and comprehensive income (loss) for the year	(202,843)	-	(202,843)	(91,820)
Transfers to sustainability reserve (Note 19)	(29,437)	29,437	-	-
<b>Balance, end of year</b>	<b>\$12,984,926</b>	<b>\$ 1,928,684</b>	<b>\$ 14,913,610</b>	<b>\$ 15,116,453</b>

**DUNDURN RURAL WATER UTILITY**

**STATEMENT OF CASH FLOWS**  
**for the year ended December 31, 2020**  
***With comparative information for 2019***

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss) and comprehensive income (loss) for the year	\$( 202,843)	\$( 91,820)
Items not involving cash:		
Amortization of deferred revenue	( 345,381)	( 345,381)
Depreciation of property and equipment	<u>640,179</u>	<u>620,729</u>
	<u>91,955</u>	<u>183,528</u>
 Change in non-cash working capital balances related to operations -		
Accounts receivable	12,001	( 23,524)
Prepaid expenses	( 22,543)	( 700)
Inventory	( 2,531)	20,230
Accounts payable and accrued liabilities	<u>173,945</u>	<u>( 38,388)</u>
 Total from operating activities	<u>252,827</u>	<u>141,146</u>
 <b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	( 273,950)	( 850,218)
Proceeds on disposition of property and equipment	-	-
Purchase of investments	( 2,057,665)	( 1,231,303)
Disposal of investments	2,070,988	1,987,526
Loans to subscribers	-	( 15,685)
Repayments of subscriber loans	<u>10,732</u>	<u>30,242</u>
 Total from (used by) investing activities	<u>( 249,895)</u>	<u>( 79,438)</u>
 <b>INCREASE (DECREASE) IN CASH POSITION DURING YEAR</b>	2,932	61,708
 <b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>87,160</u>	<u>25,452</u>
 <b>CASH AND EQUIVALENTS, END OF YEAR</b>	\$ <u><u>90,092</u></u>	\$ <u><u>87,160</u></u>
 <b>CASH AND EQUIVALENTS CONSISTS OF</b>		
Cash	89,892	86,960
Petty cash	<u>200</u>	<u>200</u>
	\$ <u><u>90,092</u></u>	\$ <u><u>87,160</u></u>



**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

**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 2<sup>nd</sup> 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 March 24, 2021.

**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 (2019 - \$4.142/cubic meter). Subscribers are billed according to the volume of water consumed.

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

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

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 (2019 - \$25.58/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 (2019 - \$11/month).

The Utility charges all subscribers a \$1/month fee sustainability fee (2019 - \$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.

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

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

**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
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.

**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.

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

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

*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.

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

***Amendments to IAS 1 and IAS 8: Definition of Material***

In October of 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

This amendment was effective for annual periods beginning on or after January 1, 2020. The amendments to the definition of material did not have a significant impact on the financial statements.

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

In January 2020, the IASB issued amendments to IAS 1, *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.

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

**4. NEW ACCOUNTING STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

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, 2020, 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*.

**6. INVESTMENTS**

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

	<b>2020</b>		<b>2019</b>	
	<b>Years to maturity</b>	<b>Market value</b>	<b>Yield to maturity</b>	<b>Market value</b>
<b>Short-term</b>				
RBC investment savings account mutual fund	-	\$ 175,080	-	\$ -
Guaranteed Investment certificates	1	2,024,018	1.60% - 3.00%	939,953
		<b>\$ 2,199,098</b>		<b>\$ 939,953</b>
<b>Long-term</b>				
Guaranteed Investment certificates	1-3	\$ 1,051,842	1.10% - 3.42%	\$ 2,331,497
		<b>\$ 1,051,842</b>		<b>\$ 2,331,497</b>

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

**7. RESTRICTED INVESTMENTS**

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

	<b>2020</b>		<b>2019</b>	
	<b>Years to maturity</b>	<b>Market value</b>	<b>Yield to maturity</b>	<b>Market value</b>
<b>Short-term</b>				
RBC investment savings account mutual fund	-	\$ 253,961	-	\$ 464,118
Guaranteed Investment certificates	1	204,622	2.45% - 3.00%	186,460
		<b>\$ 458,583</b>		<b>\$ 650,578</b>
<b>Long-term</b>				
Guaranteed Investment certificates	2	\$ 298,781	2.35% - 3.46%	\$ 99,599
		<b>\$ 298,781</b>		<b>\$ 99,599</b>

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

**8. ACCOUNTS RECEIVABLE**

	<b>2020</b>	<b>2019</b>
Water and operations billings	\$ 244,786	\$ 224,349
Other trade receivables	2,071	8,733
GST receivable	40,625	66,401
Capital receivable	1,000	1,000
	<b>\$ 288,482</b>	<b>\$ 300,483</b>

**9. INVENTORY**

	<b>2020</b>	<b>2019</b>
Parts	\$ 7,648	\$ 5,117
	<b>\$ 7,648</b>	<b>\$ 5,117</b>

The amount of inventory recognized in repairs and maintenance expense in the current year was \$NIL (2019 - \$2,073).

**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.

	<b>2020</b>	<b>2019</b>
Phase I & II loans financed over 15 years plus interest at 6.34%	\$ 1,219	\$ 3,946
Infill project 2017 loans financed over 5 years plus interest at 6%	11,112	16,126
Infill project 2019 loans financed over 5 years plus interest at 6%	9,799	12,790
	22,130	32,862
Less: Current portion	( 10,720)	( 11,660)
	<b>\$ 11,410</b>	<b>\$ 21,202</b>

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

**10. SUBSCRIBER LOANS RECEIVABLE (continued)**

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

2021	\$ 10,720
2022	8,179
2023	3,203
2024	28
2025	-
	<u>\$ 22,130</u>

**11. PROPERTY AND EQUIPMENT**

	Land	Water pipeline system	Pumphouse	Pumphouse equipment	Furniture, tools, and equipment	Computer equipment	Vehicles	Building	Total
<b>Cost</b>									
Balance December 31, 2018	\$ 108,610	\$ 22,469,593	\$ 2,591,557	\$ 892,594	\$ 16,886	\$ 7,423	\$ 140,203	\$ -	\$ 26,226,866
Additions	-	29,298	-	30,520	18,650	3,184	-	768,566	850,218
Disposals	-	-	-	-	-	(7,423)	-	-	(7,423)
Balance December 31, 2019	\$ 108,610	\$ 22,498,891	\$ 2,591,557	\$ 923,114	\$ 35,536	\$ 3,184	\$ 140,203	\$ 768,566	\$ 27,069,661
Additions	-	127,390	-	108,438	16,746	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	\$ 1,031,552	\$ 47,641	\$ 2,263	\$ 129,387	\$ 768,566	\$ 27,305,857
<b>Accumulated Depreciation</b>									
Balance December 31, 2018	\$ -	\$ 3,181,066	\$ 343,991	\$ 161,757	\$ 5,441	\$ 7,423	\$ 40,092	\$ -	\$ 3,739,770
Additions	-	449,978	64,789	53,754	7,107	1,592	28,041	15,468	620,729
Disposals	-	-	-	-	-	(7,423)	-	-	(7,423)
Balance December 31, 2019	\$ -	\$ 3,631,044	\$ 408,780	\$ 215,511	\$ 12,548	\$ 1,592	\$ 68,133	\$ 15,468	\$ 4,353,076
Additions	-	452,526	64,789	69,266	9,528	2,724	25,878	15,468	640,179
Disposals	-	-	-	-	(4,641)	(3,185)	(29,928)	-	(37,754)
Balance December 31, 2020	\$ -	\$ 4,083,570	\$ 473,569	\$ 284,777	\$ 17,435	\$ 1,131	\$ 64,083	\$ 30,936	\$ 4,955,501
<b>Property and equipment, net</b>									
December 31, 2019	108,610	18,867,847	2,182,777	707,603	22,988	1,592	72,070	753,098	22,716,585
December 31, 2020	108,610	18,542,711	2,117,988	746,775	30,206	1,132	65,304	737,630	22,350,356

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2020

**12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2020</b>	<b>2019</b>
Trade payables	\$ 105,635	\$ 97,990
Contract liabilities	669,300	503,000
	<b>\$ 774,935</b>	<b>\$ 600,990</b>

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:

	<b>Manifold deposits</b>	<b>Developer deposits</b>	<b>New subscriber deposits</b>	<b>Total</b>
Balance at January 1, 2019	\$ 507,000	\$ 18,000	\$ 1,000	\$ 526,000
Deposits received during the year	-	-	-	-
Amounts recognized as revenue during the year	(22,000)	-	(1,000)	(23,000)
<b>Balance December 31, 2019</b>	<b>\$ 485,000</b>	<b>\$ 18,000</b>	<b>\$ -</b>	<b>\$ 503,000</b>
Deposits received during the year	-	172,800	13,500	186,300
Amounts recognized as revenue during the year	(20,000)	-	-	(20,000)
<b>Balance December 31, 2020</b>	<b>\$ 465,000</b>	<b>\$ 190,800</b>	<b>\$ 13,500</b>	<b>\$ 669,300</b>

**13. DEFERRED REVENUE**

	<b>2020</b>	<b>2019</b>
Government grants received	\$ 13,815,235	\$ 13,815,235
Additions during the year	-	-
Less: amounts amortized to income	( 2,712,411)	( 2,367,030)
<b>Total deferred revenue</b>	<b>\$ 11,102,824</b>	<b>\$ 11,448,205</b>

**14. REVENUE**

	<b>2020</b>	<b>2019</b>
Water billing revenue	\$ 1,246,412	\$ 1,176,430
Service charges	358,148	349,663
Sustainability reserve income	29,437	28,562
Other	17,754	4,315
	<b>\$ 1,651,751</b>	<b>\$1,558,970</b>

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, 2020**

**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, 2020 the Utility's largest customer represented 14.14% (2019 - 8.02%) of the accounts receivables. An analysis of the aging of the lease receivables that were past due but not impaired is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	\$ 249,932	\$ 287,703
0 – 30 days past due	17,083	509
31- 60 days past due	281	224
Over 60 days past due	21,186	12,047
	<b>\$ 288,482</b>	<b>\$ 300,483</b>

The loss allowance provision as at December 31, 2020 is determined as follows and incorporates forward-looking information.

	<b>Current</b>	<b>More than 30 days past due</b>	<b>More than 60 days past due</b>	<b>More than 120 days past due</b>	<b>Total</b>
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	\$249,932	\$17,083	\$2,523	\$18,944	\$288,482
Loss allowance provision	-	-	-	-	-

Loss rates are based on actual credit loss experience over the past 9 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.

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ -	\$ -
Amounts written off	-	-
Net remeasurements of loss allowance	-	-
<b>Ending balance at December 31</b>	<b>\$ -</b>	<b>\$ -</b>

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

**15. FINANCIAL INSTRUMENTS (continued)**

As at December 31, 2020, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2019 are shown in the table below:

Classification	December 31, 2020		December 31, 2019	
	Fair value	Carrying value	Fair value	Carrying value
<b>Financial assets</b>				
Cash and equivalents	\$ 90,092	\$ 90,092	\$ 87,160	\$ 87,160
Accounts receivable (1)	247,857	247,857	234,082	234,082
<b>Financial liabilities</b>				
Accounts payable	774,935	774,935	600,990	600,990

(1) Excluding taxes receivable

The fair values of the Utility's financial instruments measured at December 31, 2020, 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, 2020, with comparative figures for December 31, 2019, are summarized as follows:

	December 31, 2020	December 31, 2019
Accounts payable with contractual maturities -		
Within 90 days or less	\$ 774,935	\$ 600,990
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, 2020**

**16. RELATED PARTY TRANSACTIONS**

Key management personnel include the board of directors and the administrator. Key management personnel compensation comprised:

**Key management compensation**

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Retainers, wages and benefits	\$ 93,415	\$ 55,432
Honorariums and travel	19,303	20,769

During the year the Utility incurred charges from directors or companies sharing common directors as follows:

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Services and reimbursement of expenses</b>		
Company controlled by the Administrator (a)	\$ 93,415	\$ 55,432
Honorariums and travel	19,303	20,769

(a) Key management personnel compensation.

The Utility is related to the R.M. of Dundurn, R.M. of Rosedale, R.M. of Blucher, Town of Hanley, Resort Village of Shields, Resort Village of Thode and the Town of Dundurn as the government organizations are entitled to appoint members to the Utilities board of directors. During the year the following transactions occurred with these related parties:

	<b>R.M. of Dundurn</b>	<b>R.M. of Rosedale</b>	<b>R.M. of Blucher</b>	<b>Town of Hanley</b>	<b>Resort Village of Shields</b>	<b>Resort Village of Thode</b>	<b>Town of Dundurn</b>
<b>Revenue</b>							
Water and operations billings	\$ 470	\$ -	\$ -	\$ 216,617	\$ 67,942	\$ 68,848	\$ 227,466
Other revenue	55	-	-	-	-	-	105
	\$ 525	\$ -	\$ -	\$ 216,617	\$ 67,942	\$ 68,848	\$ 227,571
<b>Expenses</b>							
Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139
Water from Fill Station	1,825	-	-	-	-	-	-
Permits and fees	50	-	-	-	85	-	-
Utilities	-	-	-	-	-	-	1,308
Taxes and capital water	-	-	-	-	-	-	1,658
	\$ 1,875	\$ -	\$ -	\$ -	\$ 85	\$ -	\$ 3,105

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2020**

**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:

	<b>2020</b>	<b>2019</b>
Transfer to the sustainability reserve per board motion	\$ -	\$ -
Sustainability reserve income	29,437	28,562
	<b>\$ 29,437</b>	<b>\$ 28,562</b>