



March 22, 2023

Confidential

Dundurn Rural Water Utility
PO Box 442
410 - 2nd Street
Dundurn Saskatchewan S0K 1K0

Dear Mrs. Rosalind Arndt:

This letter provides details on the completion of the financial statements and other important information for the year ended December 31, 2022.

Financial statements

Please find attached a digital copy of the audited financial statements for Dundurn Rural Water Utility for the year ended December 31, 2022.

Management's representations letter

One copy of the letter of representation.

Independence letter

One copy of the independence letter. We are required to disclose any relationships between the Utility and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence. We are not aware of any relationships between ourselves and the Utility.

Audit findings letter

- One copy of the audit findings letter.

Adjusting Journal Entries

Please find attached the adjusting journal entries and ending trial balance for the year ended December 31, 2022. These are to be entered in your accounting program using a December 31, 2022 date.

We also attach a form for your review and signature that acknowledges your understanding and approval of the above journal entries.

Invoice

Please find attached our invoice for services rendered. Our invoices are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1% per month. Invoices can be paid by cheque or e-transfer to info@lingarddreger.ca.

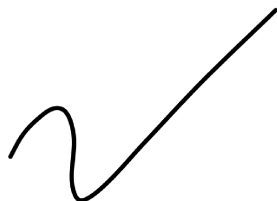


Closing Comments

We have relied on you to provide us with the necessary information in a form sufficiently complete to enable us to prepare the financial statements.

We thank you for the opportunity to be of service to you and trust everything is in order. If you have any questions or concerns, please contact us by email at max.l@lingarddreger.ca or call 306 244-0808.

Yours truly,

A handwritten signature in black ink, consisting of a stylized 'M' followed by a long, sweeping line that curves upwards and to the right.

Max Lingard, CPA, CA
Partner

LINGARD + DREGER LLP





March 22, 2023

Confidential

Dundurn Rural Water Utility
PO Box 442
410 - 2nd Street
Dundurn Saskatchewan S0K 1K0

Dear Board Members:

We have been engaged to audit the financial statements of Dundurn Rural Water Utility for the year ending December 31, 2022.

The purpose of this letter is to communicate with you regarding all relationships between Dundurn Rural Water Utility and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence.

The following comments have been prepared to facilitate our discussion with you regarding independence matters arising since March 23, 2022, the date of our last letter.

We hereby confirm that we:

- have complied with the requirements regarding independence in the Rules of Conduct of the Chartered Professional Accountants of Saskatchewan; and
- have disclosed all relationships and other matters between the Firm, network firm and the entity that in our opinion may reasonably be thought to bear on independence.

We are not aware of any relationships between Dundurn Rural Water Utility and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from March 23, 2022 to March 22, 2023.

This letter is intended solely for the use of the audit committee, the board of directors, management, and others within the Utility and should not be used for any other purpose.

Should you wish to discuss this matter with us further, please contact us at your earliest convenience.

Yours truly,

A handwritten signature in black ink, appearing to read 'Max Lingard', is written over a light blue horizontal line.

Max Lingard, CPA, CA
Partner

LINGARD + DREGER LLP



DUNDURN RURAL WATER UTILITY

Financial Statements

For the Year Ended December 31, 2022



Max Lingard

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Brenden Dreger

CPA
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Larry Safinuk

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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, 2022, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Utility as at December 31, 2022, 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 the 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.





Max Lingard

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Brenden Dreger

CPA

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Larry Safinuk

B. Comm., CPA, CA

larry.s@lingarddreger.ca

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.





Max Lingard

B. Comm., MPAcc., CPA, CA
max.l@lingarddreger.ca

- 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.

Brenden Dreger

CPA
brenden.d@lingarddreger.ca

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

B. Comm., CPA, CA
larry.s@lingarddreger.ca

Saskatoon, Saskatchewan
March 22, 2023

Lingard + Dreger

Chartered Professional Accountants



DUNDURN RURAL WATER UTILITY
STATEMENT OF FINANCIAL POSITION
as at December 31, 2022

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT:		
Cash and equivalents	\$ 120,569	\$ 293,378
Short-term investments (Note 6)	1,748,664	727,523
Restricted short-term investments (Note 7)	418,189	119,162
Accounts receivable (Note 8)	260,343	256,948
Prepaid expenses	15,649	25,290
Inventory (Note 9)	17,366	22,900
Current portion of subscriber loans receivable (Note 10)	<u>9,712</u>	<u>12,396</u>
	2,590,492	1,457,597
LONG-TERM INVESTMENTS (Note 6)	1,407,513	2,723,071
RESTRICTED LONG-TERM INVESTMENTS (Note 7)	226,864	511,182
SUBSCRIBER LOANS RECEIVABLE (Note 10)	21,815	20,379
PROPERTY AND EQUIPMENT (Note 11)	<u>21,775,103</u>	<u>22,005,501</u>
	\$ <u>26,021,787</u>	\$ <u>26,717,730</u>

LIABILITIES

CURRENT:		
Accounts payable and accrued liabilities (Note 12)	\$ <u>473,918</u>	\$ <u>584,397</u>
	473,918	584,397
DEFERRED REVENUE (Note 13)	<u>10,412,062</u>	<u>10,757,443</u>
	<u>10,885,980</u>	<u>11,341,840</u>

EQUITY

RETAINED EARNINGS	13,146,493	13,416,519
SUSTAINABILTY RESERVE	<u>1,989,314</u>	<u>1,959,371</u>
	<u>15,135,807</u>	<u>15,375,890</u>
	\$ <u>26,021,787</u>	\$ <u>26,717,730</u>

APPROVED ON BEHALF OF THE BOARD:

DocuSigned by:

Lloyd Gratrix

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Director

DocuSigned by:

[Signature]

C80255569D5F45E...
Director

DUNDURN RURAL WATER UTILITY**STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**
for the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE:		
Water and operations billings (Note 14)	\$ 1,674,821	\$ 1,766,369
New subscriber and developer connection fees	128,258	384,773
Interest and investment income	100,454	63,194
Other	<u>32,925</u>	<u>29,000</u>
	<u>1,936,458</u>	<u>2,243,336</u>
EXPENSES:		
Administration fees	96,218	93,515
Advertising and promotion	380	1,077
Board expenses	26,303	17,109
Insurance	25,097	24,214
Interest and bank charges	6,596	6,576
Memberships and licenses	100	100
Office	22,140	20,053
Office building	15,783	13,668
Power – pump houses	37,877	36,268
Professional fees	17,005	13,050
Repairs and maintenance	78,920	34,870
Telephone	12,333	11,739
Training	2,743	2,024
Travel	4,729	3,952
Vehicle	33,292	22,918
Water	1,249,656	1,036,343
Water operations salaries and contracts	<u>261,636</u>	<u>256,727</u>
	<u>1,890,808</u>	<u>1,594,203</u>
NET INCOME FROM OPERATIONS FOR THE YEAR	<u>45,650</u>	<u>649,133</u>
OTHER REVENUE (EXPENSE):		
Amortization of deferred revenue	345,381	345,381
Depreciation of property and equipment	<u>(631,114)</u>	<u>(609,705)</u>
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (240,083)</u>	<u>\$ 384,809</u>

DUNDURN RURAL WATER UTILITY
STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2022

	Retained earnings	Sustainability reserve	2022	2021
Balance, beginning of year	\$ 13,416,519	\$ 1,959,371	\$ 15,375,890	\$ 14,991,081
Net income (loss) and comprehensive income (loss) for the year	(240,083)	-	(240,083)	384,809
Transfers to sustainability reserve (Note 19)	(29,943)	29,943	-	-
Balance, end of year	\$ 13,146,493	\$ 1,989,314	\$ 15,135,807	\$ 15,375,890

DUNDURN RURAL WATER UTILITY**STATEMENT OF CASH FLOWS**
for the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss) for the year	\$(240,083)	\$ 384,809
Items not involving cash:		
Amortization of deferred revenue	(345,381)	(345,381)
Depreciation of property and equipment	<u>631,114</u>	<u>609,705</u>
	<u>45,650</u>	<u>649,133</u>
Change in non-cash working capital balances related to operations -		
Accounts receivable	(3,395)	31,534
Prepaid expenses	9,641	(933)
Inventory	5,534	(15,252)
Accounts payable and accrued liabilities	<u>(110,478)</u>	<u>(190,538)</u>
Total from (used by) operating activities	<u>(53,048)</u>	<u>473,944</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(400,715)	(187,379)
Purchase of investments	(1,018,853)	(4,509,406)
Disposal of investments	1,298,559	4,436,771
Loans to subscribers	(15,500)	(32,314)
Repayments of subscriber loans	<u>16,748</u>	<u>21,670</u>
Total used by investing activities	<u>(119,761)</u>	<u>(270,658)</u>
INCREASE (DECREASE) IN CASH POSITION DURING YEAR	<u>(172,809)</u>	<u>203,286</u>
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>293,378</u>	<u>90,092</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 120,569</u>	<u>\$ 293,378</u>
CASH AND EQUIVALENTS CONSISTS OF		
Cash	120,369	293,178
Petty cash	<u>200</u>	<u>200</u>
	<u>\$ 120,569</u>	<u>\$ 293,378</u>

DUNDURN RURAL WATER UTILITY**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2022**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 401 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 March 22, 2023.

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 (2021 - \$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 (2021 - \$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 (2021 - \$11/month).

DUNDURN RURAL WATER UTILITY**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2022**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Utility charges all subscribers a \$1/month fee sustainability fee (2021 - \$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, 2022****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, 2022**

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, 2022, 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, 2022

6. INVESTMENTS

Investments are recorded at amortized cost and consist of the following:

		2022		2021	
	Years to maturity	Amortized cost	Yield to maturity	Amortized cost	Amortized cost
Short-term					
RBC investment savings account mutual fund	-	\$ 136,979	-	\$ 447,045	
Guaranteed Investment certificates	1	1,611,685	1.10% - 3.42%	280,478	
		\$ 1,748,664		\$ 727,523	
Long-term					
Guaranteed Investment certificates	1-4	\$ 1,407,513	1.00% - 2.93%	\$ 2,723,071	
		\$ 1,407,513		\$ 2,723,071	

7. RESTRICTED INVESTMENTS

The restricted investments are recorded at amortized cost and consist of the following:

		2022		2021	
	Years to maturity	Amortized cost	Yield to maturity	Amortized cost	Amortized cost
Short-term					
RBC investment savings account mutual fund	-	\$ 10,138	-	\$ 53,990	
Guaranteed Investment certificates	1	408,051	1.50% - 3.46%	65,172	
		\$ 418,189		\$ 119,162	
Long-term					
Guaranteed Investment certificates	2-3	\$ 226,864	2.35% - 3.30%	\$ 511,182	
		\$ 226,864		\$ 511,182	

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

8. ACCOUNTS RECEIVABLE

	2022		2021	
Water and operations billings	\$	199,570	\$	204,788
Other trade receivables		3,487		4,125
GST receivable		52,286		39,741
Capital receivable		5,000		8,294
		\$ 260,343		\$ 256,948

9. INVENTORY

	2022		2021	
Parts	\$	17,366	\$	22,900
		\$ 17,366		\$ 22,900

The amount of inventory recognized in repairs and maintenance expense in the current year was \$NIL (2021 - \$NIL).

DUNDURN RURAL WATER UTILITY**NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022****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.

	2022	2021
Infill project 2017 loans financed over 5 years plus interest at 6%	\$ 435	\$ 5,788
Infill project 2020 loans financed over 5 years plus interest at 6%	21,548	26,987
Infill project 2021 loans financed over 5 years plus interest at 6%	9,544	-
	31,527	32,775
Less: Current portion	(9,712)	(12,396)
	\$ 21,815	\$ 20,379

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

2023	\$ 9,712
2024	8,276
2025	8,276
2026	4,586
2027	677
	<u>\$ 31,527</u>

DUNDURN RURAL WATER UTILITY**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2022**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, 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
Additions	-	80,240	-	166,671	1,760	148,820	3,224	-	-	400,715
Disposals	-	-	-	-	(11,208)	-	-	(108,972)	-	(120,180)
Balance December 31, 2022	\$ 108,610	\$ 22,800,740	\$ 2,591,557	\$ 1,050,459	\$ 37,157	\$ 383,313	\$ 3,224	\$ 19,111	\$ 774,997	\$ 27,769,168
Accumulated Depreciation										
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
Additions	-	456,014	64,789	35,015	10,808	15,333	1,612	32,043	15,500	631,114
Disposals	-	-	-	-	(11,208)	-	-	(108,973)	-	(120,181)
Balance December 31, 2022	\$ -	\$ 4,993,994	\$ 603,147	\$ 252,413	\$ 25,319	\$ 44,080	\$ 1,612	\$ 11,466	\$ 62,034	\$ 5,994,065
Property and equipment, net										
December 31, 2021	108,610	18,182,520	2,053,199	666,390	20,886	205,746	-	39,687	728,463	22,005,501
December 31, 2022	108,610	17,806,746	1,988,410	798,046	11,838	339,233	1,612	7,645	712,963	21,775,103

DUNDURN RURAL WATER UTILITY**NOTES TO THE FINANCIAL STATEMENTS****for the year ended December 31, 2022****12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2022	2021
Trade payables	\$ 16,918	\$ 104,665
Contract liabilities	457,000	479,732
	\$ 473,918	\$ 584,397

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, 2021	\$ 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
Deposits received during the year	-	2,000	93,126	95,126
Amounts recognized as revenue during the year	(15,000)	(2,000)	(100,858)	(117,858)
Balance December 31, 2022	\$ 446,000	\$ -	\$ 11,000	\$ 457,000

13. DEFERRED REVENUE

	2022	2021
Government grants received	\$ 13,815,235	\$ 13,815,235
Additions during the year	-	-
Less: amounts amortized to income	(3,403,173)	(3,057,792)
Total deferred revenue	\$ 10,412,062	\$ 10,757,443

14. WATER AND OPERATIONS BILLINGS REVENUE

	2022	2021
Water billing revenue	\$ 1,265,907	\$ 1,348,197
Service charges	371,376	363,717
Sustainability reserve income	29,943	30,687
Other	7,595	23,768
	\$ 1,674,821	\$ 1,766,369

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, 2022**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, 2022 the Utility's largest customer represented 6.14% (2021 – 6.32%) 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, 2022	December 31, 2021
Current	\$ 256,420	\$ 239,488
0 – 30 days past due	763	4,442
31- 60 days past due	-	-
Over 60 days past due	3,160	13,018
	\$ 260,343	\$ 256,948

The loss allowance provision as at December 31, 2022 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	\$256,420	\$763	\$0	\$3,160	\$260,343
Loss allowance provision	-	-	-	-	-

Loss rates are based on actual credit loss experience over the past 11 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.

	2022	2021
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, 2022**15. FINANCIAL INSTRUMENTS (continued)**

As at December 31, 2022, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2021 are shown in the table below:

Classification	December 31, 2022		December 31, 2021	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets				
Cash and equivalents	\$ 120,569	\$ 120,569	\$ 293,378	\$ 293,378
Accounts receivable (1)	208,057	208,057	217,207	217,207
Financial liabilities				
Accounts payable	473,918	473,918	584,397	584,397

(1) Excluding taxes receivable

The fair values of the Utility's financial instruments measured at December 31, 2022, 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, 2022, with comparative figures for December 31, 2021, are summarized as follows:

	December 31, 2022	December 31, 2021
Accounts payable with contractual maturities -		
Within 90 days or less	\$ 16,918	\$ 104,665
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, 2022**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:

	2022	2021
Transfer to the sustainability reserve per board motion	\$ -	\$ -
Sustainability reserve income	29,943	30,687
	\$ 29,943	\$ 30,687

DUNDURN RURAL WATER UTILITY
PO Box 442
410 - 2nd Street
Dundurn, Saskatchewan
S0K 1K0

March 22, 2023
Private & Confidential

Lingard + Dreger LLP
880 Broadway Ave #200
Saskatoon Saskatchewan S7N 3A7

Dear Sirs:

This representation letter is provided in connection with your audit of the financial statements of Dundurn Rural Water Utility for the year ended December 31, 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with International Financial Reporting Standards (IFRS).

In making the representations outlined below, I took the time necessary to appropriately inform myself on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

I confirm that (to the best of my knowledge and belief):

Financial Statements

I have fulfilled my responsibilities as set out in the terms of the audit engagement dated February 2, 2023 for:

- a. Preparing and fairly presenting the financial statements in accordance with IFRS;
- b. Providing you with:
 - i. Access to all information of which I am aware that is relevant to the preparation of the financial statements, such as:
 - A. Accounting records, supporting data and other relevant documentation,
 - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
 - C. Information on any other matters, of which I am aware, that is relevant to the preparation of the financial statements;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d. Designing and implementing such internal control as I determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. I have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

Fraud and Non Compliance

I have disclosed to you:

- a. All of my knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; or

(continued)

- iii. Others where the fraud could have a material effect on the financial statements;
- b. All of my knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of my risk assessments regarding possible fraud or error in the financial statements.

Related Parties

I have disclosed to you the identity of all of the Company's related-party relationships and transactions of which I am aware. All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IFRS.

Estimates

I acknowledge my responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with IFRS. Those estimates reflect my judgment based on my knowledge and experience of past and current events, and on my assumptions about conditions I expect to exist and courses of action I expect to take. I confirm that the methods, significant assumptions and the data used by us in making accounting estimates and related financial statement disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with IFRS.

Subsequent Events

All events subsequent to the date of the financial statements and for which IFRS requires adjustment or disclosure have been adjusted or disclosed.

Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

Adjustments

I have reviewed, approved and recorded all of your proposed adjustments to my accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

Misstatements

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

Accounting policies

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

Contractual compliance

I have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

Impairment of long-lived assets

I have evaluated long-lived assets for recoverability whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Management acknowledges that when the long-lived asset is not recoverable, an impairment loss is recognized in earnings at the amount by which the carrying amount exceeds its fair value.

Liabilities and contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

Acknowledged and agreed on behalf of Dundurn Rural Water Utility by:

DocuSigned by:
Lloyd Gratix
3E0163A8EADE4D8...

DocuSigned by:
Rosalind Arndt
8725A08CD2494E5...

March 22, 2023
Date signed

March 22, 2023
Date signed

Client Acceptance of Journal Entries

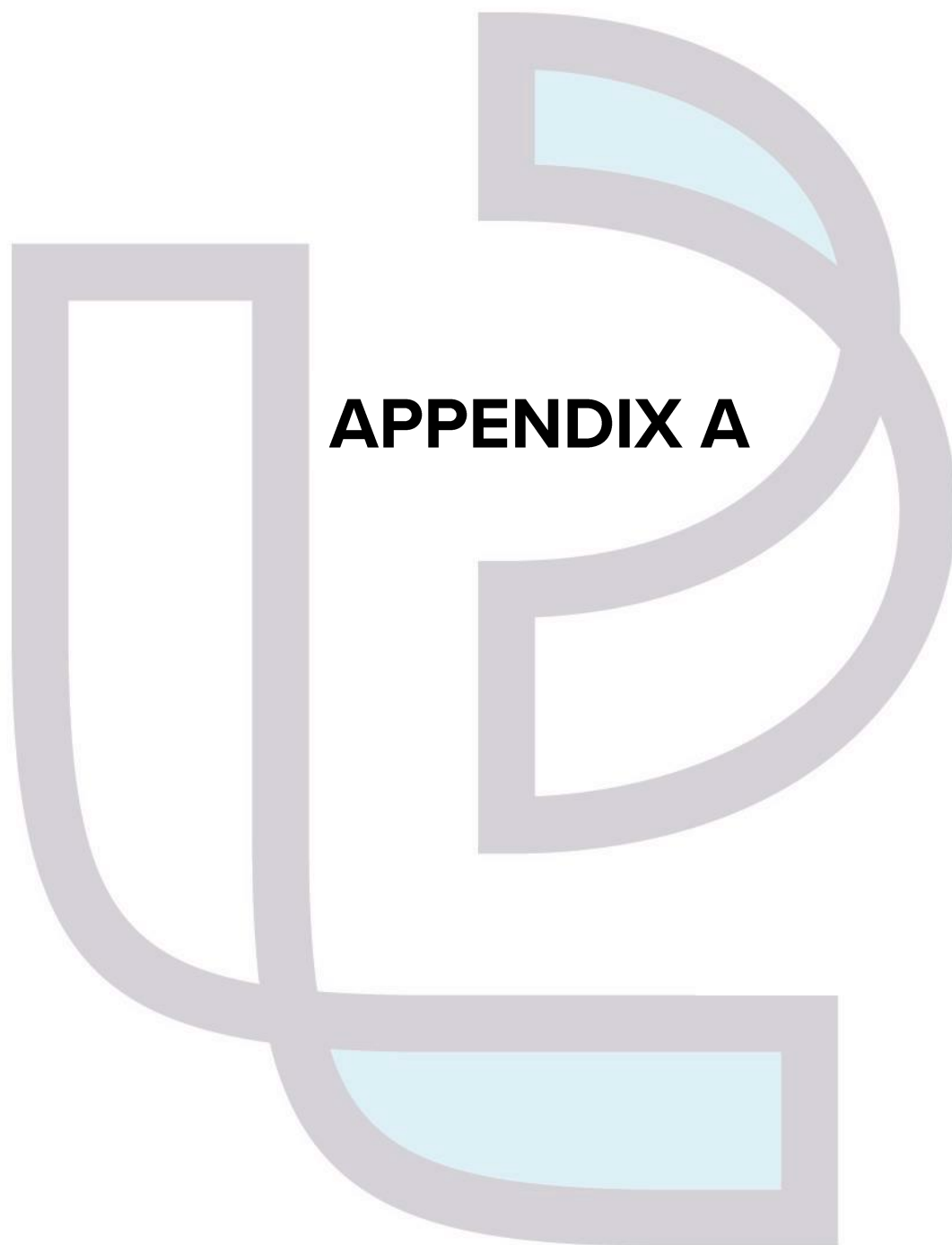
By signing below, I acknowledge the following:

- (1) Lingard + Dreger LLP have provided me with a copy of the proposed adjusting, and, if any, reclassifying journal entries which are attached in Appendix A.
- (2) I have had the opportunity to ask Lingard + Dreger LLP any questions that I might have regarding these journal entries. These questions, if any, have been resolved to my satisfaction.
- (3) Furthermore, my signature below indicates my explicit approval of the proposed adjusting, and if any, reclassifying journal entries which are attached in Appendix A

Rosalind Arndt, Administrator

Date: 3/24/2023

DocuSigned by:
Per: Rosalind Arndt
8725A08CD2494E5...



APPENDIX A

Dundurn Rural Water Utility

Year End: December 31, 2022

Adjusting journal entries

Date: 1/01/22 To 12/31/22

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	12/31/22	Prior Period Adjustment	300-100-101	TT/1	77,470.53			
1	12/31/22	Operating Fund - Surplus	300-100-200	TT/1		77,470.53		
		To reallocate 2021 prior period adjustment to opening retained earnings						
2	12/31/22	Prepaid water fill station balances	200-200-998	20/3		7,925.04		
2	12/31/22	Water Fill Station - Water Revenue	490-700-355	20/3	7,925.04			
		To set up prepaid water fill station balances						
3	12/31/22	RBC Dominion Security - Cash	110-110-115	N/2		4,066.27		
3	12/31/22	Short Term Investments	115-120-100	N/2	1,338,711.78			
3	12/31/22	Tangible Capital Asset Reserve	115-120-110	N/2	79,217.35			
3	12/31/22	Pre-Paid Manifold Reserve - NET	115-120-120	N/2	222,402.04			
3	12/31/22	Pre-Paid Manifold Reserve -Interest Only	115-120-121	N/2		9,113.03		
3	12/31/22	Tang. Cap. Asset Reserve - Interest Only	115-121-111	N/2		2,416.97		
3	12/31/22	Long-Term Investments	185-100-100	N/2		1,300,645.18		
3	12/31/22	Long-Term Investments (Restricted)	185-100-200	N/2		284,482.14		
3	12/31/22	Interest Income - Investments	460-100-200	N/2		39,607.58		
		To adjust investment balances to actual per confirmed investment statements.						
4	12/31/22	Less A/A - Tools & Equipment	160-200-300	U/5		481.63		
4	12/31/22	Less A/A - Furniture & Fixtures	160-400-200	U/5		653.92		
4	12/31/22	Less A/A - Automotive	160-500-200	U/5		6,426.20		
4	12/31/22	Less A/A - Equipment Phase 3	170-100-525	U/5	226.98			
4	12/31/22	Amortization Expense	500-800-100	U/5	481.63			
4	12/31/22	Amortization Expense	500-800-100	U/5	6,426.20			
4	12/31/22	Amortization Expense	500-800-100	U/5	653.92			
4	12/31/22	Amortization Expense	500-800-100	U/5		226.98		
		To correct ending amortization balances.						
5	12/31/22	Short Term Investments	115-120-100	N/2-1	2,374.43			
5	12/31/22	Tangible Capital Asset Reserve	115-120-110	N/2-1		199.46		
5	12/31/22	Pre-Paid Manifold Reserve - NET	115-120-120	N/2-1		2,392.89		
5	12/31/22	Long-Term Investments	185-100-100	N/2-1		14,913.31		
5	12/31/22	Long-Term Investments (Restricted)	185-100-200	N/2-1	165.22			
5	12/31/22	Interest Income - Investments	460-100-200	N/2-1	14,966.01			
		To adjust investments to amortized cost.						
6	12/31/22	Land Improvements - Gravel	170-100-850	U/2		7,018.76		
6	12/31/22	Pump Houses - Maintenance/Repairs/Suppli	500-500-200	U/2	7,018.76			
		To expense the land improvements "Gravel and Leveling"						
					1,758,039.89	1,758,039.89		
Net Income (Loss)			(240,082.90)					

PEM Audit Template - Update #36

Preparer	Manager	Partner	N/A
JV 3/08/23	ML 3/15/23	ML 3/15/23	

WP-3