

501 UTILITY AUTHORITY INC.
AUDITORS' REPORT AND FINANCIAL STATEMENTS
December 31, 2020

Pinnacle Business Solutions
Chartered Professional Accountants P.C. Ltd.

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INDEPENDENT AUDITOR'S REPORT

To the Members of 501 Utility Authority Inc.

Opinion

We have audited the financial statements of 501 Utility Authority Inc. (the organization), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in accumulated surplus, changes in net financial assets (debt) 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 organization as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with 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 PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Independent Auditor's Report to the Members of 501 Utility Authority Inc. *(continued)*

- 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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization 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.

Meadow Lake, Saskatchewan
April 19, 2021

Pinnacle Business Solutions
Chartered Professional Accountants

501 UTILITY AUTHORITY INC.
Statement of Financial Position
December 31, 2020

FINANCIAL ASSETS			
Cash	\$	26,728	\$ 35,199
Goods and services tax recoverable		6,892	1,322
		<u>33,620</u>	<u>36,521</u>
 LIABILITIES			
Accounts payable and accrued liabilities		49,185	3,450
Deferred income		15,000	15,000
		<u>64,185</u>	<u>18,450</u>
NET FINANCIAL ASSETS (DEBT)		<u>(30,565)</u>	<u>18,071</u>
 NON-FINANCIAL ASSETS			
Inventories		-	-
Prepaid expenses		-	-
Tangible capital assets (Note 4)		12,435,545	-
ACCUMULATED SURPLUS	\$	12,404,980	\$ 18,071

On behalf of the Board



Director



Director

501 UTILITY AUTHORITY INC.
Statement of Operations
for the Year ended December 31, 2020

	2020	2019
Revenues		
Usage fees	\$ 137,500	\$ 70,000
Other revenue	6,776	-
Interest income	20	-
	<u>144,296</u>	<u>70,000</u>
Expenses		
Advertising	2,414	-
Bank charges and interest	68	73
Building repairs and maintenance	75	-
Insurance	21,819	10,550
Licenses and memberships	460	70
Meeting fees	75	-
Office supplies	581	254
Professional fees	58,875	23,067
Repairs and maintenance	1,811	-
Security system and telephone	2,461	-
Small tools and supplies	1,643	-
Utilities	101,138	17,915
	<u>191,420</u>	<u>51,929</u>
Surplus (deficit) from operations	(47,124)	18,071
Contributed asset	12,434,033	-
Annual Surplus for the year	\$ 12,386,909	\$ 18,071

See notes to financial statements

501 UTILITY AUTHORITY INC.**Statement of Changes in Accumulated Surplus
for the Year ended December 31, 2020**

	2020	2019
Accumulated surplus - beginning of year	\$ 18,071	\$ -
Surplus for the year	<u>12,386,909</u>	<u>18,071</u>
Accumulated surplus - end of year	<u>\$ 12,404,980</u>	<u>\$ 18,071</u>

501 UTILITY AUTHORITY INC.**Statement of Changes in Net Financial Assets (Debt)
for the Year ended December 31, 2020**

	2020	2019
Surplus for the year	\$ 12,386,909	\$ 18,071
Purchase of tangible capital assets	<u>(12,435,545)</u>	-
Increase (decrease) in net financial assets	(48,636)	18,071
Net financial assets - beginning of year	18,071	-
Net financial assets (debt) - end of year	\$ (30,565)	\$ 18,071

501 UTILITY AUTHORITY INC.
Statement of Cash Flows
for the Year ended December 31, 2020

	2020	2019
Cash flows from operating activities		
Cash receipts from customers	\$ 144,276	\$ 85,000
Cash paid to suppliers and employees	(145,617)	(48,406)
Interest received	20	-
Interest paid	(68)	(73)
Goods and services tax	(5,570)	(1,322)
	<u>(6,959)</u>	<u>35,199</u>
Cash flows from investing activity		
Purchase of tangible capital assets	<u>(1,512)</u>	<u>-</u>
Net change in cash and cash equivalents during the year	(8,471)	35,199
Cash and cash equivalents - beginning of year	<u>35,199</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 26,728</u>	<u>\$ 35,199</u>
Cash and cash equivalents consist of:		
Cash	<u>\$ 26,728</u>	<u>\$ 35,199</u>

501 UTILITY AUTHORITY INC.**Notes to Financial Statements****December 31, 2020****1. First time adoption of public sector accounting standards**

During the year the organization adopted Canadian public sector accounting standards (PSAS). These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, resulting in no changes to beginning equity and no restatement of certain assets and liabilities as described below.

2. Purpose of the organization

501 Utility Authority Inc. (the "organization") is a not-for-profit organization incorporated under the Non-profit Corporations Act of Saskatchewan. As a registered not for profit organization, the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization's main objective is to serve the Town of St. Walburg, the Rural Municipality of Frenchman Butte No. 501 and the Village of Paradise Hill by managing the lagoon shared by the three municipalities.

3. Significant accounting policies

The financial statements were prepared in accordance with Canadian public sector accounting standards (GAAP) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are balances in the bank plus any outstanding deposits and less any outstanding cheques.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Equipment	10 years
Water infrastructure	75 years

The organization regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a income in the year received rather than a reduction of tangible capital assets cost.

Tangible capital assets acquired during the year are not amortized in the year of acquisition.

Income taxes

The organization is exempt from income taxes as it is a registered not for profit organization.

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501 UTILITY AUTHORITY INC.**Notes to Financial Statements****December 31, 2020****3. Significant accounting policies (continued)**Revenue recognition

The organization recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

Financial instruments

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. Tangible capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 1,512	\$ -	\$ 1,512	\$ -
Water infrastructure	12,434,033	-	12,434,033	-
	<u>\$ 12,435,545</u>	<u>\$ -</u>	<u>\$ 12,435,545</u>	<u>\$ -</u>

During the year, the water infrastructure asset was transferred to the organization from the Village of Paradise Hill, the Town of St. Walburg and the Rural Municipality of Frenchman Butte No. 501. The amount transferred was the cost incurred by each municipality in the construction of the asset.

5. Financial instruments

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2020.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.