

501 UTILITY AUTHORITY INC.
AUDITORS' REPORT AND FINANCIAL STATEMENTS
December 31, 2021

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, 2021, and the statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2021, 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:

- 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.

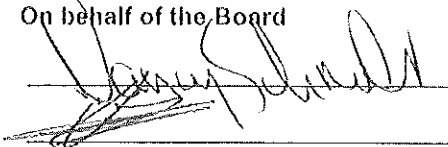
Meadow Lake, Saskatchewan
April 7, 2022

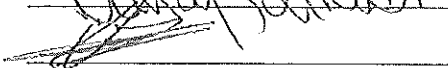
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501 UTILITY AUTHORITY INC.
Statement of Financial Position
December 31, 2021

<u>FINANCIAL ASSETS</u>			
Cash	\$	27,728	\$ 26,728
Goods and services tax recoverable		<u>12,818</u>	<u>6,892</u>
		<u>40,546</u>	<u>33,620</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities		3,002	49,185
Deferred income		<u>15,000</u>	<u>15,000</u>
		<u>18,002</u>	<u>64,185</u>
NET FINANCIAL ASSETS (DEBT)		<u>22,544</u>	<u>(30,565)</u>
<u>NON-FINANCIAL ASSETS</u>			
Inventories		-	-
Prepaid expenses		-	-
Tangible capital assets (Note 3)		<u>12,233,899</u>	<u>12,435,545</u>
ACCUMULATED SURPLUS	\$	<u>12,256,443</u>	\$ <u>12,404,980</u>

On behalf of the Board

 Director

 Director

501 UTILITY AUTHORITY INC.
Statement of Operations
For the Year Ended December 31, 2021

	2021	2020
Revenues		
Usage fees	\$ 145,000	\$ 137,500
Other revenue	-	6,776
Interest income	20	20
	<u>145,020</u>	<u>144,296</u>
Expenses		
Advertising	-	2,414
Amortization	201,647	-
Bank charges and interest	111	68
Building repairs and maintenance	63	75
Freight	276	-
Insurance	20,106	21,819
Licenses and memberships	460	460
Meeting fees	250	75
Miscellaneous	1,312	-
Office supplies	1,284	581
Professional fees	8,918	58,875
Repairs and maintenance	3,050	1,811
Security system and telephone	2,271	2,461
Small tools and supplies	-	1,643
Utilities	53,808	101,138
	<u>293,556</u>	<u>191,420</u>
Deficit from operations	(148,536)	(47,124)
Contributed asset	-	12,434,033
Annual Surplus (deficit) for the year	\$ (148,536)	\$ 12,386,909

See notes to financial statements

501 UTILITY AUTHORITY INC.**Statement of Changes in Accumulated Surplus
For the Year Ended December 31, 2021**

	2021	2020
Accumulated surplus - beginning of year	\$ 12,404,979	\$ 18,071
Surplus (deficit) for the year	<u>(148,536)</u>	<u>12,386,909</u>
Accumulated surplus - end of year	<u>\$ 12,256,443</u>	<u>\$ 12,404,980</u>

501 UTILITY AUTHORITY INC.
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2021

	2021	2020
Annual Surplus (deficit)	\$ (148,536)	\$ 12,386,909
Amortization of tangible capital assets	201,648	-
Purchase of tangible capital assets	-	(1,512)
	<u>201,648</u>	<u>(1,512)</u>
Increase in net financial assets	53,112	12,385,397
Net financial assets - beginning of year	<u>12,403,468</u>	18,071
Net financial assets - end of year	<u>\$ 12,456,580</u>	<u>\$ 12,403,468</u>

501 UTILITY AUTHORITY INC.
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021	2020
Cash flows from operating activities		
Cash receipts from customers	\$ 145,000	\$ 144,276
Cash paid to suppliers and employees	(137,984)	(145,617)
Interest received	20	20
Interest paid	(110)	(68)
Goods and services tax	(5,926)	(5,570)
	<u>1,000</u>	<u>(6,959)</u>
Cash flows from investing activity		
Purchase of tangible capital assets	-	(1,512)
Net change in cash and cash equivalents during the year	<u>1,000</u>	<u>(8,471)</u>
Cash - beginning of year	<u>26,728</u>	<u>35,199</u>
Cash - end of year	<u>\$ 27,728</u>	<u>\$ 26,728</u>
Cash consists of:		
Cash	<u>\$ 27,728</u>	<u>\$ 26,728</u>

501 UTILITY AUTHORITY INC.**Notes to Financial Statements****December 31, 2021****1. Purpose of the organization**

501 Utility Authority Inc. (the "organization") is a not-for-profit organization incorporated under the Non-Profit Act of Saskatchewan. As a registered not for profit the organization is exempt from the payment of income tax under Subsection 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.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian public sector accounting standards (PSAS) 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:

Buildings	45 years
Equipment	10 years
Lagoon	75 years
Sewer 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.

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.

(continues)

501 UTILITY AUTHORITY INC.**Notes to Financial Statements****December 31, 2021****2. Significant accounting policies (continued)**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.

3. Tangible capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Buildings	\$ 4,017,189	\$ 89,271	\$ 3,927,918	\$ -
Equipment	1,512	151	1,361	1,512
Lagoon	4,413,105	58,841	4,354,264	12,434,033
Sewer infrastructure	4,003,739	53,383	3,950,356	-
	<u>\$ 12,435,545</u>	<u>\$ 201,646</u>	<u>\$ 12,233,899</u>	<u>\$ 12,435,545</u>

4. 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, 2021.

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