

**Weyburn Utility Board**  
**Financial Statements**  
*December 31, 2022*

**Weyburn Utility Board**  
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*For the year ended December 31, 2022*

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To the Board of Weyburn Utility Board:

### Opinion

We have audited the financial statements of Weyburn Utility Board (the "Organization"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net 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, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian public sector accounting standards for government not-for-profit organizations. 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 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Weyburn, Saskatchewan

May 5, 2023

Chartered Professional Accountants

## **Management's Responsibility**

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To the Board of Weyburn Utility Board:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Board and management to discuss their audit findings.

May 5, 2023



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**Weyburn Utility Board**  
**Statement of Financial Position**  
*As at December 31, 2022*

	<b>2022</b>	2021
<b>Assets</b>		
<b>Current</b>		
Cash	653,613	619,514
Accounts receivable	236,415	99,215
Accrued interest	1,470	2,512
Government remittances receivable	17,781	11,839
Inventory (Note 4)	10,395	9,871
Prepaid expenses	349	349
Subscriber loans receivable (Note 5)	2,975	8,895
Current portion of long-term investments (Note 6)	93,408	235,500
	<b>1,016,406</b>	987,695
Long-term investments (Note 6)	692	92,268
Capital assets (Note 7)	5,153,922	4,939,166
	<b>6,171,020</b>	6,019,129
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	13,491	6,091
Customer deposits (Note 9)	44,750	44,750
Customer prepaid water	8,662	4,796
	<b>66,903</b>	55,637
<b>Net Assets</b>		
Invested in capital assets	5,153,922	4,939,166
Reserve for future expenditures	258,832	248,461
Unrestricted	691,363	775,865
	<b>6,104,117</b>	5,963,492
	<b>6,171,020</b>	6,019,129

Approved on behalf of the Board:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

**Weyburn Utility Board**  
**Statement of Operations**  
*For the year ended December 31, 2022*

	<b>2022</b>	<b>2021</b>
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<b>Revenue</b>		
Water sales	326,796	327,967
Water installation fee	122,728	143,714
General levy	85,690	84,300
Service charge	77,894	70,999
Meter rent	20,731	20,466
Interest	11,853	6,610
Subscriber loan interest	536	803
Penalties	26	-
Other	-	35,671
	<hr/>	<hr/>
	<b>646,254</b>	<b>690,530</b>
<hr/>		
<b>Expenses</b>		
Water consumption	227,160	221,107
Per meter service charge	78,575	70,292
Contracts	58,434	71,041
Repairs and maintenance	45,262	53,634
Amortization	41,889	40,825
Pumphouse power	14,368	12,581
Professional fees	14,063	20,327
Directors' expense	8,773	11,887
Water testing	7,302	17,898
Insurance	3,461	3,170
Postage	2,481	2,949
Program education	1,118	150
Telephone	1,067	1,147
Travel	687	1,248
Office supplies	424	1,226
Miscellaneous	315	452
Advertising	150	108
Licences and fees	100	425
Bad debts	-	8,617
	<hr/>	<hr/>
	<b>505,629</b>	<b>539,084</b>
<hr/>		
<b>Excess of revenue over expenses</b>	<b>140,625</b>	<b>151,446</b>
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*The accompanying notes are an integral part of these financial statements*

**Weyburn Utility Board**  
**Statement of Changes in Net Assets**  
*For the year ended December 31, 2022*

	<i>Invested in capital assets</i>	<i>Reserve for future expenditures</i>	<i>Unrestricted</i>	<b>2022</b>	2021
<b>Net assets, beginning of year</b>	<b>4,939,166</b>	<b>248,461</b>	<b>775,865</b>	<b>5,963,492</b>	5,812,046
<b>Excess of revenue over expenses</b>	-	-	<b>140,625</b>	<b>140,625</b>	151,446
<b>Capital asset purchases</b>	<b>256,645</b>	-	<b>(256,645)</b>	-	-
<b>Amortization</b>	<b>(41,889)</b>	-	<b>41,889</b>	-	-
<b>Transfer to reserve for future expenditures (Note 11)</b>	-	<b>10,371</b>	<b>(10,371)</b>	-	-
<b>Net assets, end of year</b>	<b>5,153,922</b>	<b>258,832</b>	<b>691,363</b>	<b>6,104,117</b>	5,963,492

*The accompanying notes are an integral part of these financial statements*



## Weyburn Utility Board Statement of Cash Flows

*For the year ended December 31, 2022*

	2022	2021
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	140,625	151,446
Amortization	41,889	40,825
	182,514	192,271
Changes in working capital accounts		
Accounts receivable	(137,200)	(4,161)
Accrued interest	1,042	1,435
Government remittances receivable	(5,942)	(4,258)
Inventory	(524)	4,439
Prepaid expenses	-	(299)
Accounts payable	7,400	(4,109)
Customer deposits	-	1,250
Customer prepaid water	3,866	1,267
	51,156	187,835
<b>Investing</b>		
Repayments of subscriber loans receivable	5,920	9,467
Increase in value of term deposit	(1,832)	(7,095)
Maturity of term deposit	235,500	272,301
Purchase of capital assets	(256,645)	(89,031)
	(17,057)	185,642
<b>Increase in cash resources</b>	<b>34,099</b>	<b>373,477</b>
<b>Cash resources, beginning of year</b>	<b>619,514</b>	<b>246,037</b>
<b>Cash resources, end of year</b>	<b>653,613</b>	<b>619,514</b>

*The accompanying notes are an integral part of these financial statements*

**1. Incorporation and nature of the Organization**

Weyburn Utility Board (the "Organization") was created under the authority of the Saskatchewan Municipalities Act as a not-for-profit organization. The Organization's purpose is to provide water connection services to rural customers in five rural municipalities.

**2. Significant accounting policies**

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations and include the following significant accounting policies:

***Cash and cash equivalents***

Cash and cash equivalents include balances with the bank. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Inventory***

Inventory consists of various supplies needed by the Organization to perform pipeline and meter repairs when required. Inventory is valued at the lower of cost and replacement cost. Cost is determined by the first-in, first-out method. Replacement cost is the estimated amount required to replace the supplies.

***Subscriber loans receivable***

Loans are initially recorded at fair value and subsequently measured at their amortized cost less impairment. Amortized cost is calculated as the loans' principal amount plus unamortized loan administration fees, less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. Loan administration fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. No impairment has been recognized on subscriber loans during the year (2021 - \$nil).

***Capital assets***

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Capital assets are amortized annually using the straight-line method at rates intended to amortize the cost of assets less salvage value over their estimated useful lives:

	<b><i>Method</i></b>	<b><i>Years</i></b>
Buildings	straight-line	20 years
Office equipment	straight-line	5 years
Waterworks system	straight-line	75 years

***Contributed materials and services***

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

***Investments***

Investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at amortized cost less impairment. Changes in fair value are recorded immediately in the statement of operations. The Organization's investments consist of term deposits, which are measured at amortized cost.

***Long-lived assets***

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

**2. Significant accounting policies** *(Continued from previous page)*

***Revenue recognition***

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Water sales, general levy, service charge and meter rental are recognized upon output or delivery, primarily on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the reporting period, and includes an estimate of services provided but not yet billed.

Water installation fees are recognized upon approval of contract for service.

Other income is recognized as the related services are performed or goods are provided.

***Measurement uncertainty***

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable and subscriber loans receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Water sales revenue is recorded based on estimates of customer usage when the actual readings are not obtained. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the period which they become known.

***Financial instruments***

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. The Organization's financial instruments consist of cash, accounts receivable, subscriber loans receivable, investments, accounts payable and customer deposits, which are all subsequently measured at amortized cost.

At initial recognition, the Organization may elect at initial recognition to subsequently measure those items at fair value. The Organization has not made such an election during the year.

Transaction costs are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

All financial assets are tested annually for impairment. Management considers recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses. There was no impairment of financial assets recognized during the year.

**3. Economic dependence**

The Organization's primary source of revenue is derived from water sales. The Organization is dependent on the City of Weyburn for the supply of water.

**Weyburn Utility Board**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2022*

**4. Inventory**

	<b>2022</b>	2021
Supplies	<b>10,395</b>	9,871

The cost of inventories recognized as an expense and included in repairs and maintenance amounted to \$45,262 (2021 - \$52,084).

**5. Subscriber loans receivable**

Subscribers pay the Organization a subscriber fee for their portion of costs to construct a waterworks system on their property. Annual principal payments vary between subscribers from \$933 to \$1,500 (2021 - \$933 to \$1,500) plus interest. Individual loans mature over the next year (2021 - one year), and interest is set annually by the Board of Directors, sitting at 8.45% in the current year (2021 - 4.5%).

Subscriber loans receivable consist of the following:

	<b>2022</b>	2021
Subscriber loans receivable	<b>2,975</b>	8,895
Less: current portion of subscriber loans receivable	<b>(2,975)</b>	(8,895)

The Organization registers an interest against property to which loans relate. If a sale occurred, they would be notified and loan would be paid in full. If annual payment is not made the invoice is forwarded to the appropriate RM and collected with the annual tax roll.

**6. Long-term investments**

	<b>2022</b>	2021
Measured at cost:		
WCU term deposit, bearing interest at 1.1% (2021 - 1.1%). Matured during the year.	-	235,500
WCU term deposit, bearing interest at 2.0% (2021 - 2.0%). Matures March 19, 2023.	<b>93,408</b>	91,576
Weyburn Credit Union equity	<b>692</b>	692
	<b>94,100</b>	327,768
Less: current portion	<b>93,408</b>	235,500
	<b>692</b>	92,268

**7. Capital assets**

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Buildings	66,126	39,418	26,708	30,014
Office equipment	1,988	398	1,590	-
Waterworks system	5,882,420	756,796	5,125,624	4,909,152
	<b>5,950,534</b>	<b>796,612</b>	<b>5,153,922</b>	<b>4,939,166</b>

**Weyburn Utility Board**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2022*

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**8. Bank indebtedness**

At December 31, 2022, the Organization has a revolving line of credit totaling \$20,000, none of which was drawn (2021 - \$nil) with Weyburn Credit Union bearing interest at prime rate; unauthorized overdraft interest is 25% (2021 - 24%). The line of credit is secured by a general security agreement.

**9. Customer deposits**

Customer deposits consist of payments from subscribers for new water service connections that will be provided in the future. Recognition of these amounts as revenue is deferred to when land is developed and water lines are put into use. Changes in the customer deposits balance are as follows:

	<b>2022</b>	2021
Balance, beginning of year	<b>44,750</b>	43,500
Add: Amount received during the year	<b>2,500</b>	3,750
Less: Amount recognized as revenue during the year	<b>(2,500)</b>	(2,500)
Balance, end of year	<b>44,750</b>	44,750

**10. Income taxes**

The Organization is not subject to federal income tax or provincial income and capital taxes, as it was created under the Saskatchewan Municipalities Act.

**11. Interfund transactions**

During the year, the Organization transferred \$10,371 (2021 - \$6,647) from unrestricted net assets to the Organization's reserve for future expenditures and \$214,756 from unrestricted net assets to net assets invested in capital relating to capital asset purchases (2021 - \$48,206 from net assets invested in capital to unrestricted net assets).

**12. Related party transactions**

Included in water sales for the current year is \$5,647 (2021 - \$7,014) for transactions with the Board of Directors of which \$1,290 (2021 - \$1,483) is included in accounts receivable. Included in directors' expense for the current year is \$8,773 (2021 - \$10,326) paid to the Board of Directors. The transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Organization receives chlorine testing services from two Board members (2021 - three) in exchange for forgiveness of meter rent (\$60/year) and general levy (\$240/year) charges. No amount has been recorded in the Organization's financial statements reflecting this transaction as the amount is not significant.

**13. Financial instruments**

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Risk Management Policy***

The Organization, as part of operations, has established risk management objectives to avoid undue concentrations of risk. In seeking to meet these objectives, the Organization follows a risk management policy approved by the Board of Directors.

**13. Financial instruments** *(Continued from previous page)*

***Credit Risk***

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Organization's financial instruments best represents the maximum exposure to credit risk.

The Organization manages its credit risk by reviewing subscriber loans and accounts receivable regularly. If payments are not made in a timely fashion or as outlined by terms with the customer, the Organization will contact the customer's rural municipality and have balances owing added to the customer's tax roll.

A credit concentration exists relating to trade accounts receivable. As at December 31, 2022, one customer accounted for 22% of the accounts receivable (December 31, 2021 – no credit concentration). The Organization believes that there is minimal risk associated with the collection of this amount.

***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.

In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through review of market interest rate levels and comparison to rates they apply on outstanding loans receivable, adjusting as needed to maintain rate at or near standard bank prime plus 2%.

The Organization is exposed to interest rate risk with respect to subscriber loans receivable with a fixed rate of 8.45% (2021 - 4.5%), maturing over the next year (2021 - one year). The Organization is not exposed to significant interest rate risk on its portfolio investments.

A 1% change in interest rates relating to subscriber loans receivable could increase interest income by approximately \$30. The interest rate sensitivity information was prepared based on management's assumption that interest rate will remain at 8.45% for the upcoming year.

***Liquidity risk***

Liquidity risk is the risk that the Organization will encounter difficulty in meeting financial obligations as they fall due. This risk is managed by forecasting cash flows from operations and maintaining cash reserves that are sufficient to meet future obligations for water line construction.