

**FINANCIAL
STATEMENTS**

Canora Rural Public Utility Board

Year Ended December 31, 2010

Canora Rural Public Utility Board

Canora, Saskatchewan

December 31, 2010

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PARKERQUINE LLP
Chartered Accountants Business Advisors

Independent Auditors' Report

To the Board of Directors
Canora Rural Public Utility Board

Report on the Financial Statements

We have audited the accompanying financial statements of Canora Rural Public Utility Board, which comprise the Statements of Financial Position as at December 31, 2010, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canora Rural Public Utility Board as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PARKERQUINE LLP

Per: 

Yorkton, SK
February 24, 2011

Canora Rural Public Utility Board

Canora, Saskatchewan

Statement of Financial Position as at December 31, 2010

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	122,747	200
Accounts receivable - note 4	120,304	33,281
Subscriber loans receivable - current portion	98,491	153,533
Accrued interest on subscriber loans receivable	4,446	4,837
Inventories	17,902	17,606
	<u>363,890</u>	<u>209,457</u>
Subscriber Loans Receivable - note 5	<u>243,968</u>	<u>297,245</u>
Current Assets and Subscriber Loans Receivable	<u>607,858</u>	<u>506,702</u>
Capital Assets - note 6	3,527,737	3,413,787
Other Assets - note 7	<u>40,717</u>	<u>41,698</u>
Capital and Other Assets	<u>3,568,454</u>	<u>3,455,485</u>
	<u>\$ 4,176,312</u>	<u>\$ 3,962,187</u>
Liabilities and Net Assets		
Current Liabilities		
Bank overdraft		271,084
Accounts payable and accrued liabilities	6,950	4,670
Current Liabilities	<u>6,950</u>	<u>275,754</u>
Long-Term Liabilities		
Deferred subscriber contributions	2,338,277	2,020,449
Deferred grants	1,755,492	1,637,362
Deferred Revenues	<u>4,093,769</u>	<u>3,657,811</u>
	<u>4,100,719</u>	<u>3,933,565</u>
Net Assets		
Capital fund	(53,010)	288,101
Operating fund	128,603	(259,479)
Accumulated Surplus (Deficit)	<u>75,593</u>	<u>28,622</u>
	<u>\$ 4,176,312</u>	<u>\$ 3,962,187</u>

Approved on behalf of the board:

*The notes to financial statements are an integral
part of these financial statements.*

Canora Rural Public Utility Board

Canora, Saskatchewan

Statement of Financial Position by Fund as at December 31, 2010

	Operating Fund	Capital Fund	2010 Total	2009 Total
Assets				
Current Assets				
Cash and cash equivalents	122,747		122,747	200
Accounts receivable - note 4	11,156	109,148	120,304	33,281
Subscriber loans receivable - current portion		98,491	98,491	153,533
Accrued interest on subscriber loans receivable		4,446	4,446	4,837
Inventories		17,902	17,902	17,606
	<u>133,903</u>	<u>229,987</u>	<u>363,890</u>	<u>209,457</u>
Subscriber Loans Receivable - note 5	<u>0</u>	<u>243,968</u>	<u>243,968</u>	<u>297,245</u>
Current Assets and Subscriber Loans Receivable	<u>133,903</u>	<u>473,955</u>	<u>607,858</u>	<u>506,702</u>
Capital Assets - note 6		3,527,737	3,527,737	3,413,787
Other Assets - note 7		40,717	40,717	41,698
Capital and Other Assets	<u>0</u>	<u>3,568,454</u>	<u>3,568,454</u>	<u>3,455,485</u>
	<u>\$ 133,903</u>	<u>\$ 4,042,409</u>	<u>\$ 4,176,312</u>	<u>\$ 3,962,187</u>
Liabilities and Net Assets				
Current Liabilities				
Bank overdraft				271,084
Accounts payable and accrued liabilities	5,300	1,650	6,950	4,670
Current Liabilities	<u>5,300</u>	<u>1,650</u>	<u>6,950</u>	<u>275,754</u>
Long-Term Liabilities				
Deferred subscriber contributions		2,338,277	2,338,277	2,020,449
Deferred grants		1,755,492	1,755,492	1,637,362
Deferred Revenue	<u>0</u>	<u>4,093,769</u>	<u>4,093,769</u>	<u>3,657,811</u>
	<u>5,300</u>	<u>4,095,419</u>	<u>4,100,719</u>	<u>3,933,565</u>
Net Assets				
Invested in capital assets		(53,010)	(53,010)	288,101
Unrestricted net assets	128,603		128,603	(259,479)
Accumulated Surplus (Deficit)	<u>128,603</u>	<u>(53,010)</u>	<u>75,593</u>	<u>28,622</u>
	<u>\$ 133,903</u>	<u>\$ 4,042,409</u>	<u>\$ 4,176,312</u>	<u>\$ 3,962,187</u>

*The notes to financial statements are an integral
part of these financial statements.*

Canora Rural Public Utility Board

Statement of Changes in Net Assets
For the year ended December 31, 2010

	Invested in Capital Assets	Unrestricted Net Assets	2010 Total	2009 Total
Balance (deficit), beginning of year	288,101	(259,479)	28,622	4,932
Excess of revenue over expenses for the year	16,539	30,432	46,971	23,690
Interfund transfers	<u>(357,650)</u>	<u>357,650</u>	<u> </u>	<u> </u>
Balance (deficit), end of year	<u>\$(53,010)</u>	<u>\$ 128,603</u>	<u>\$ 75,593</u>	<u>\$ 28,622</u>

*The notes to financial statements are an integral
part of these financial statements.*

Canora Rural Public Utility Board

Statement of Operations - Operating Fund

For the year ended December 31, 2010

	2010	2009
Revenue		
Water billings and service fees	162,593	141,733
Custom work and other revenue	2,091	2,111
Interest	7,291	8,638
	<u>171,975</u>	<u>152,482</u>
Expenses		
Board - meeting indemnities	7,401	6,980
Board - supervision and mileage	109	56
Conventions		448
Electricity - pumphouses	15,603	16,991
Insurance - building	3,930	3,780
Insurance - other	78	
Interest - short-term	54	161
Maintenance by contract	10,366	14,024
Office	7,053	6,331
Operations and maintenance	9,253	4,961
Professional fees	2,625	2,880
Travel and maintenance cell phone	1,283	1,653
Wages and benefits - administration and maintenance	34,835	35,206
Water	48,953	41,644
	<u>141,543</u>	<u>135,115</u>
Excess of Revenue over Expenses for the Year	<u>\$ 30,432</u>	<u>\$ 17,367</u>

The notes to financial statements are an integral part of these financial statements.

Canora Rural Public Utility Board

Statement of Operations - Capital Fund

For the year ended December 31, 2010

	2010	2009
Revenue		
Government grants	50,522	47,454
Subscriber payments	64,672	56,759
Interest	7,049	6,907
	<u>122,243</u>	<u>111,120</u>
Expenses		
Amortization	103,989	99,692
Interest - short-term	1,715	5,105
	<u>105,704</u>	<u>104,797</u>
Excess of Revenue over Expenses	<u>\$ 16,539</u>	<u>\$ 6,323</u>

The notes to financial statements are an integral part of these financial statements.

Canora Rural Public Utility Board

Statement of Cash Flows

For the year ended December 31, 2010

	2010	2009
Cash Provided By (Used In):		
Operations		
Excess of revenue over expenses for the year	46,971	23,690
Add items not requiring cash resources		
Amortization	103,989	99,692
Net change in working capital	<u>(84,648)</u>	<u>12,682</u>
	<u>66,312</u>	<u>136,064</u>
Investing activities		
Capital asset purchases	(216,965)	(163,695)
Subscriber loans advanced	(382,500)	(140,300)
Subscriber loans repaid	<u>490,826</u>	<u>165,253</u>
	<u>(108,639)</u>	<u>(138,742)</u>
Financing activities		
Deferred revenue received	551,152	163,068
Deferred revenue amortized	<u>(115,194)</u>	<u>(104,213)</u>
	<u>435,958</u>	<u>58,855</u>
Net Cash Increase for the Year	393,631	56,177
Cash position, beginning of year	<u>(270,884)</u>	<u>(327,061)</u>
Cash Position, End of Year	<u>\$ 122,747</u>	<u>\$(270,884)</u>
Represented By:		
Cash and cash equivalents	122,747	200
Bank overdraft	<u> </u>	<u>(271,084)</u>
	<u>\$ 122,747</u>	<u>\$(270,884)</u>

The notes to financial statements are an integral part of these financial statements.

Canora Rural Public Utility Board

Notes to Financial Statements
For the year ended December 31, 2010

1. Nature of Operations

The board was organized by bylaws passed jointly by the Rural Municipality of Buchanan No. 304, the Rural Municipality of Keys No. 303, the Rural Municipality of Good Lake No. 274, the Rural Municipality of Invermay No. 305 and the Rural Municipality of Sliding Hills No. 273 on February 3, 2000. The association was formed for the purpose of constructing and operating a water pipeline for ratepayers in the participating municipalities. The Canora Rural Public Utility Board is not subject to income tax.

2. Significant Accounting Policies

These financial statements are the responsibility of the association's management and have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies as summarized below:

(a) Fund accounting

The accounts of the association are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

(i) Operating fund

The operating fund reflects the primary operations of the association including revenues received from water billings to subscribers and the operating portion of interest income. Expenses consist primarily of the day-to-day operations of the utility.

(ii) Capital fund

The capital fund is a restricted fund that reflects the equity of the association in capital assets after taking into consideration any associated long-term debt. The capital fund includes revenues received from government grants, water connection fees and investment income related to water supply agreements. Expenses consist primarily of amortization of capital assets, amortization of start-up costs and interest related to capital financing.

Canora Rural Public Utility Board

Notes to Financial Statements
For the year ended December 31, 2010

2. Significant Accounting Policies - continued

(b) Capital assets

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. The assets are amortized on a straight-line basis over their estimated lives as follows:

Water meters	10 years
Furniture, fixtures and equipment	10 years
Pump stations	30 years
Storage shed	30 years
Pipelines	50 years

(c) Deferred start-up costs

Certain expenditures were deferred during the start-up phase. Since the project's completion, these start-up costs are being amortized over the life of the project.

(d) Deferred revenue

Government grants and contributions made by subscribers towards the construction of the pipeline were deferred until the pipeline was complete. These contributions are being recognized as income over the life of the pipeline.

(e) Revenue

Revenues for operating purposes are included in the year received or receivable.

Contributions received for capital purposes are deferred until the assets are acquired. Revenue is then recognized as the assets are amortized.

(f) Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the association to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they became known.

Canora Rural Public Utility Board

Notes to Financial Statements
For the year ended December 31, 2010

3. Financial Instruments

For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amount of these financial instruments approximate their fair value due to their short-term maturity or capacity of prompt liquidation.

(a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of cash flows.

(b) Credit risk

The association is exposed to credit risk on the accounts receivable from its subscribers. In order to reduce this risk, the association has agreements with the founding rural municipalities whereby they will add any delinquent accounts to the tax roll to enforce payment.

4. Accounts Receivable

Accounts receivable, operating, are comprised of the following items:

	2010	2009
Water accounts receivable	7,097	8,878
Goods and services tax receivable	2,353	2,109
Other accounts receivable	1,706	416
	<u>\$ 11,156</u>	<u>\$ 11,403</u>

Accounts receivable, capital, are comprised of the following items:

Grants receivable	75,652	
Rural municipalities - receivables added to tax roll	21,855	10,279
Goods and services tax receivable	10,365	7,053
Other	1,276	4,546
	<u>\$ 109,148</u>	<u>\$ 21,878</u>

Canora Rural Public Utility Board

Notes to Financial Statements

For the year ended December 31, 2010

5. Subscriber Loans Receivable

Canora Rural Public Utility Board has extended credit to subscribers for the contribution to capital expenditures. These loans may be amortized to a maximum of 10 years for resort subscribers and 15 years for rural and community subscribers. Interest is at a floating rate of prime plus 1% until August 30, 2011.

	2010	2009
Subscriber loans receivable	342,459	450,778
Less: Current portion	<u>98,491</u>	<u>153,533</u>
	<u>\$ 243,968</u>	<u>\$ 297,245</u>

6. Capital Assets

Cost

Land	26,399	26,399
Water meters	65,805	64,544
Furniture, fixtures and equipment	19,743	9,821
Pump stations	982,412	975,787
Storage shed	14,298	14,298
Pipelines	<u>3,194,583</u>	<u>2,995,433</u>
	<u>4,303,240</u>	<u>4,086,282</u>

Accumulated amortization

Water meters	49,549	43,032
Furniture, fixtures and equipment	6,306	4,828
Pump stations	275,615	242,979
Storage shed	3,577	3,100
Pipelines	<u>440,456</u>	<u>378,556</u>
	<u>775,503</u>	<u>672,495</u>

Net book value	<u>\$ 3,527,737</u>	<u>\$ 3,413,787</u>
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7. Other Assets

Deferred start-up costs - at cost	49,056	49,056
Less: Accumulated amortization	<u>8,339</u>	<u>7,358</u>
	<u>\$ 40,717</u>	<u>\$ 41,698</u>

Canora Rural Public Utility Board

Notes to Financial Statements
For the year ended December 31, 2010

8. Operating Loan

The association has a demand operating line-of-credit with the Canadian Imperial Bank of Commerce. Interest is payable monthly at the rate of prime less 0.5% per annum.

The operating loan is secured by a general security agreement over all the association's assets.

9. Commitments

On April 18, 2000, the board entered into an agreement with the Town of Canora to supply water to the board. The agreement is in effect for 25 years with the board having the option to renew for further consecutive terms of 25 years.

10. History of Excess (Deficiency) of Revenue over Expenses by Year

	Operating Fund	Capital Fund
2002	(28,537)	(2,469)
2003	(18,850)	2,978
2004	(11,053)	(4,326)
2005	(2,877)	2,150
2006	2,394	6,346
2007	25,018	7,915
2008	19,596	6,647
2009	17,367	6,323
2010	<u>30,432</u>	<u>16,539</u>
	<u>\$ 33,490</u>	<u>\$ 42,103</u>