SASK VALLEY RURAL WATER UTILITY

Auditor's Report

Financial Statements

December 31, 2025

MANAGEMENT'S RESPONSIBILITY

To the Subscribers of
Sask Valley Rural Water Utility:

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 and ensuring that all information in the annual report is consistent with the statements. 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 primarily of Directors who are neither management nor employees of the Association. 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 external auditors.

Jensen Stromberg Chartered Professional Accountants, an independent firm of Chartered Professional Accountants, 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 meet periodically and separately with, both the Board and management to discuss their audit findings.

Chair	Treasurer

Jensen Stromberg
CHARTERED PROFESSIONAL ACCOUNTANTS

Bill Jensen, CPA, CA*
Tyler Olafson, CPA, CA*
Jared Udchic, CPA*
Dylan Peace, CPA*
*denotes professional corporation

AUDITOR'S REPORT

To the Members of **Sask Valley Rural Water Utility**

Opinion

We have audited the accompanying financial statements of **Sask Valley Rural Water Utility**, which comprise the statement of financial position as at **December 31, 2025** and the statements of operations and accumulated surplus, changes in net financial assets, cash flows, and remeasurement gains and losses 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, 2025** and its financial performance and 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 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 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

The 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 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 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.

Jensen Stromberg

Saskatoon, Saskatchewan
May 26, 2026

Chartered Professional Accountants

Jensen Stromberg
CHARTERED PROFESSIONAL ACCOUNTANTS

SASK VALLEY RURAL WATER UTILITY

STATEMENT OF FINANCIAL POSITION

December 31, 2025
with comparative figures for 2024

		2025	2024
FINANCIAL ASSETS:			
Cash	$	1,092,164	799,556
Investments (Note 3)		245,361	234,290
Goods and service tax receivable		13,763	15,262
Subscriber loans receivable (Note 4)		6,753	39,186
Water fees receivable		26,968	70,233
Prepaid expenses		3,647	4,238
Total financial assets		1,388,656	1,162,765
LIABILITIES:			
Accounts payable and accrued liabilities	$	44,314	47,037
Current portion of long-term debt (Note 5)		-	20,649
Total liabilities		44,314	67,686
NET FINANCIAL ASSETS		1,344,342	1,095,079
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 6)		2,537,304	2,592,108
ACCUMULATED SURPLUS	$	3,881,646	3,687,187

Total accumulated surplus is comprised of:

	2025	2024
Accumulated surplus excluding remeasurement gains (losses)	3,881,646	3,687,187
Accumulated remeasurement gains (losses)	-	-

APPROVED ON BEHALF OF THE BOARD:

____________________ Treasurer

____________________ Treasurer

See accompanying notes to the financial statements.

Jensen Stromberg
CHARTERED PROFESSIONAL ACCOUNTANTS

SASK VALLEY RURAL WATER UTILITY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended December 31, 2025
with comparative figures for 2024

	2025 Budget	2025 Actual	2024 Actual
Revenue:			
Connection fees	$ 1,600	27,200	14,099
Interest	15,000	36,740	63,899
Miscellaneous	-	-	86
Penalties	-	1,063	1,022
Service fees	101,770	102,771	101,652
Water sales	597,920	614,688	580,189
	716,290	782,462	760,947
Expenses:			
Amortization	-	54,804	55,725
Insurance	2,700	2,709	2,652
Interest and bank charges	2,200	1,831	2,171
Interest on long-term debt	3,380	331	3,380
Laboratory testing	5,000	1,871	4,539
Legal fees	500	3,034	519
Memberships and licences	600	450	600
Miscellaneous	-	-	74
Office	27,930	27,605	28,294
Professional fees	5,190	5,194	5,194
Repairs and maintenance	-	11,766	5,320
Sub-contract fees	5,000	5,546	1,577
Supplies	59,740	29,057	57,230
Travel	1,400	-	700
Utilities	5,450	4,363	3,834
Wages and salaries	39,010	38,805	31,360
Water purchased	495,340	400,637	450,330
	653,440	588,003	653,499
Gain on disposal of capital assets	-	-	2,500
Annual surplus (deficit)	62,850	194,459	109,948
Accumulated surplus - beginning of year	3,687,187	3,687,187	3,577,239
Accumulated surplus - end of year	$ 3,750,037	3,881,646	3,687,187

See accompanying notes to the financial statements.

SASK VALLEY RURAL WATER UTILITY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

Year ended December 31, 2025
with comparative figures for 2024

	2025 Budget	2025 Actual	2024 Actual
Annual surplus (deficit)	62,850	194,459	109,948
Amortization of tangible capital assets	-	54,804	55,725
Disposal of tangible capital assets	-	-	50,440
Increase (decrease) in net financial assets	62,850	249,263	216,113
Net financial assets - beginning of year	1,095,079	1,095,079	878,966
Net financial assets - end of year	$ 1,157,929	1,344,342	1,095,079

See accompanying notes to the financial statements.

SASK VALLEY RURAL WATER UTILITY

STATEMENT OF CASH FLOWS

Year ended December 31, 2025
with comparative figures for 2024

	2025	2024
Operating activities:		
Net earnings	$ 194,459	109,948
Item not involving an outlay of cash:		
Amortization	54,804	55,725
	249,263	165,673
Changes in non-cash working capital:		
Goods and service tax receivable	1,499	2,118
Subscriber loans receivable	32,433	27,720
Water fees receivable	43,265	(47,759)
Accounts payable and accrued liabilities	(2,723)	1,927
Prepaid expenses	591	(4,238)
	324,328	145,441
Investing activities:		
Decrease (increase) in investments	(11,071)	(11,528)
Financing activities:		
Long-term debt	(20,649)	(40,223)
Increase in cash during the year	292,608	93,690
Cash position, beginning of year	799,556	705,866
Cash position, end of year	$ 1,092,164	799,556

See accompanying notes to the financial statements.

SASK VALLEY RURAL WATER UTILITY
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year ended December 31, 2025
with comparative figures for 2024

	2025 Actual	2024 Actual
Accumulated remeasurement gains (losses), beginning of year	$ -	-
Unrealized gains (losses)		
Derivatives	-	-
Equity investments measured at fair value	-	-
Foreign exchange	-	-
	-	-
Reclassified to the Statement of Financial Activities		
Derivatives	-	-
Equity investments measured at fair value	-	-
Foreign exchange	-	-
	-	-
Net remeasurement gains (losses)	-	-
Accumulated remeasurement gains (losses), end of year	$ -	-

See accompanying notes to the financial statements.

1. PURPOSE OF THE UTILITY

Sask Valley Rural Water Utility (the "Utility") was established under the authority of the Municipalities Act of the Province of Saskatchewan by a resolution of the Rural Municipality of Rosthern No. 403 in June 2003. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

The Utility operates to provide water services to subscribers via pipeline within the Rural Municipality of Rosthern No. 403.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies used in the preparation of these financial statements are summarized below:

(a) Revenue recognition

Revenues are accounted for in the period in which the transactions or events occur that give rise to the revenues.

The Utility derives a portion of its revenue from the sale of water to its subscribers. The revenue from the sale of this water is billed based upon consumption, and is recognized in the period in which the service is provided.

The Utility derives a portion of its revenues from installing water connections to new subscribers. The revenue from the new connections is recognized in the period in which the connection was completed.

Subscriber loan interest revenue is accrued monthly per the terms of the contract.

(b) Net financial assets

Net financial assets at the end of an accounting period are the net amount of financial assets less liabilities outstanding. Financial assets represent items such as cash and those other assets on hand which could provide resources to discharge exiting liabilities or finance future operations. These include realizable assets which are convertible to cash and not intended for consumption in the normal course of operations.

(c) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the government because they can be used to provide government services in future periods. The assets do not normally provide resources to discharge the liabilities of government unless they are sold.

(d) Expense recognition

The Utility uses the accrual method of accounting for expenses whereby the cost of goods and services acquired in the period, or a liability is incurred are recorded regardless of whether payment has been made or invoices received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with financial institutions.

(f) Capital Assets

Capital assets are recorded at cost less accumulated amortization over their estimated useful lives at the following rates and methods:

Tools and equipment	20%	- declining balance
Water meters	5 years	- straight line
Waterlines	60 years	- straight line

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

When conditions indicate that a tangible capital asset no longer contributes to the Utility's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value the cost of the tangible capital assets are accounted for as expenses in the statement of operations and such write-downs are not reversed.

(g) 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.

Example of significant estimates include:

- The estimated useful lives of assets; and
- The recoverability of tangible assets

3. INVESTMENTS

		2025	2024
3.40% ACU GIC, maturing November 2026	$	122,859	-
3.40% ACU GIC, maturing August 2027		122,502	-
5.10% ACU GIC, maturing August 2025		-	117,212
5.25% ACU GIC, maturing November 2025		-	117,078
	$	245,361	234,290

4. SUBSCRIBER LOANS RECEIVABLE

The amounts below represent the balances due from subscribers. The balances are repayable to the Utility at varying repayment rates over a period of 10 years. Interest is charged on these balances at Credit Union prime rate 0% to prime rate +1%. Subscriber loans receivable are secured by a mortgage and security interest in all property related to the subscribers' utility connection:

		2025	2024
Balance, beginning of year	$	39,186	66,906
Add: Interest charged		333	17,013
Less: Payment received		32,766	44,733
Balance, end of year	$	6,753	39,186

5. LONG-TERM DEBT

		2025	2024
Affinity Credit Union loan bearing interest at 6.45% (6.45% - 2024) per annum, repayable in monthly blended payments of $2,868. The loan matures on August 1, 2025 and is secured by a general security agreement over the subscriber loan receivable which has a carrying value of $6,753 ($39,186 - 2024)	$	-	20,649
Less: current portion		-	20,649
	$	-	-

6. TANGIBLE CAPITAL ASSETS

		2025		2024
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 57,061	-	57,061	57,061
Tools and equipment	38,027	23,279	14,748	18,435
Water meters	109,614	109,614	-	-
Waterlines	3,155,802	690,307	2,465,495	2,516,612
	$ 3,360,504	823,200	2,537,304	2,592,108

7. RISK MANAGEMENT

Through its financial assets and liabilities, the Utility is exposed to various risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge their responsibilities with respect to the financial instrument, and in doing so, cause a loss for the other party. The Utility is mainly exposed to credit risk with respect to its cash and accounts receivable. It is management's opinion that the Utility is not exposed to significant credit risk as its cash and investments are held by financial institutions with high credit ratings, and a significant portion of its accounts receivable is collectable from various levels of governments.

Liquidity Risk
Liquidity risk is the risk that the Utility will encounter difficulty in meeting financial obligations as they fall due. The Utility undertakes regular cash flow analyses to ensure that there are sufficient cash resources to meet all obligations. The Utility is mainly exposed to liquidity risk with respect to its accounts payable and accrued liabilities.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk.

- Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The financial instruments that potentially subject the Utility to interest rate risk consist of investments.

- Currency risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in currency fluctuations. The Utility is not subject to currency risk.

- Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the fair value of equity investments. The Utility is not subject to other price risk.