

**TWIGG & COMPANY**  
CHARTERED ACCOUNTANTS

J.S. TWIGG B. Comm., C.A.  
L.D. SAFINUK B. Comm., C.A.  
M. LINGARD B. Comm., MPAcc., C.A.

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DUNDURN RURAL WATER UTILITY

AUDITED FINANCIAL STATEMENTS

for the year ended December 31, 2016



# TWIGG & COMPANY

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## Independent Auditors' Report

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To the Subscribers of Dundurn Rural Water Utility,

We have audited the accompanying financial statements of Dundurn Rural Water Utility, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and comprehensive income, changes in equity, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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, these financial statements present fairly, in all material respects, the financial position of Dundurn Rural Water Utility as at December 31, 2016, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Saskatoon, Saskatchewan  
March 22, 2017

*Twigg & Company*  
Chartered Accountants



DUNDURN RURAL WATER UTILITY  
STATEMENT OF FINANCIAL POSITION  
as at December 31, 2016  
With comparative information for 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT:</b>		
Cash and equivalents	\$ 79,682	\$ 66,307
Short-term investments (Note 6)	1,289,416	710,295
Restricted short-term investments (Note 7)	174,688	582,168
Accounts receivable (Note 8)	230,173	782,953
Prepaid expenses	852	1,149
Inventory	78,994	-
Current portion of subscriber loans receivable (Note 9)	<u>5,305</u>	<u>9,206</u>
	1,859,110	2,152,078
 LONG-TERM INVESTMENTS (Note 6)	 3,261,099	 3,098,780
RESTRICTED LONG-TERM INVESTMENTS (Note 7)	431,584	101,533
SUBSCRIBER LOANS RECEIVABLE (Note 9)	10,831	14,914
PROPERTY AND EQUIPMENT (Note 10)	<u>22,655,402</u>	<u>22,849,584</u>
	<u>\$ 28,218,026</u>	<u>\$ 28,216,889</u>

LIABILITIES

<b>CURRENT:</b>		
Accounts payable (Note 11)	\$ <u>869,671</u>	\$ <u>696,271</u>
	869,671	696,271
DEFERRED CONTRIBUTIONS AND REVENUE (Note 12)	<u>25,823,316</u>	<u>26,333,417</u>
	<u>26,692,987</u>	<u>27,029,688</u>

EQUITY

RETAINED EARNINGS	310,371	174,286
SUSTAINABILTY RESERVE	<u>1,214,668</u>	<u>1,012,915</u>
	<u>1,525,039</u>	<u>1,187,201</u>
	<u>\$ 28,218,026</u>	<u>\$ 28,216,889</u>

APPROVED BY THE BOARD:



Director



Director

DUNDURN RURAL WATER UTILITY

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

for the year ended December 31, 2016

*With comparative information for 2015*

	<u>2016</u>	<u>2015</u>
<b>REVENUE:</b>		
Water and operations billings	\$ 1,283,381	\$ 1,099,038
New subscriber connection fee	8,400	9,000
Interest and investment income	57,838	83,652
Amortization of deferred revenue	750,266	729,955
Sustainability reserve income	27,467	27,151
Forfeited deposits	-	162,000
Other	<u>33,614</u>	<u>60,306</u>
	<u>2,160,966</u>	<u>2,171,102</u>
 <b>EXPENSES:</b>		
Advertising and promotion	171	523
Administration fees	88,995	80,292
Board expenses	23,979	18,520
Depreciation of property and equipment	540,364	531,844
Insurance	15,671	15,078
Interest and bank charges	19,907	13,787
Memberships and licenses	100	200
Office	25,647	26,790
Office building	19,673	17,316
Power – pump houses	45,840	45,173
Professional fees	14,009	28,565
Repairs and maintenance	29,066	65,567
Training	905	2,625
Telephone	9,082	8,583
Travel	3,090	2,843
Vehicle	21,024	14,108
Water	723,118	664,425
Water operations salaries and contracts	<u>242,487</u>	<u>235,426</u>
	<u>1,823,128</u>	<u>1,771,665</u>
 <b>NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR</b>	 <u>\$ 337,838</u>	 <u>\$ 399,437</u>

DUNDURN RURAL WATER UTILITY

STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2016

*With comparative information for 2015*

	Retained earnings	Sustainability reserve	2016	2015
Balance, beginning of year	\$ 174,286	\$ 1,012,915	\$ 1,187,201	\$ 787,764
Net income and comprehensive income for the year	337,838	-	337,838	399,437
Transfers to sustainability reserve (Note 17)	( 201,753)	201,753	-	-
Balance, end of year	\$ 310,371	\$ 1,214,668	\$ 1,525,039	\$ 1,187,201

DUNDURN RURAL WATER UTILITY

STATEMENT OF CASH FLOWS  
for the year ended December 31, 2016  
*With comparative information for 2015*

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Net income and comprehensive income for the year	\$ 337,838	\$ 399,437
Items not involving cash:		
Amortization of deferred revenue	( 750,266)	( 729,955)
Depreciation of property and equipment	540,364	531,844
Gain on the sale of assets	( 1,698)	-
	<u>126,238</u>	<u>201,326</u>
Change in non-cash working capital balances related to operations -		
Accounts receivable	552,780	( 504,496)
Prepaid expenses	297	( 494)
Inventory	( 78,994)	-
Accounts payable	173,400	( 328,565)
Deferred revenue	<u>240,165</u>	<u>761,153</u>
Total from operating activities	<u>1,013,886</u>	<u>128,924</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment, net	( 344,484)	( 1,114,466)
Disposal (purchase) of investments, net	( 664,011)	956,093
Subscriber loans receivable	<u>7,984</u>	<u>37,517</u>
Total from investing activities	<u>( 1,000,511)</u>	<u>( 120,856)</u>
<b>INCREASE IN CASH POSITION DURING YEAR</b>	13,375	8,068
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>66,307</u>	<u>58,239</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 79,682</u>	<u>\$ 66,307</u>
<b>CASH AND EQUIVALENTS CONSISTS OF</b>		
Cash	79,482	66,107
Petty cash	<u>200</u>	<u>200</u>
	<u>\$ 79,682</u>	<u>\$ 66,307</u>

**DUNDURN RURAL WATER UTILITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2016**

**1. THE UTILITY**

The Dundurn Rural Water Utility ("the Utility") is a Public Utility Board incorporated under Section 23 of *The Municipalities Act, 2006*, of the Province of Saskatchewan, by joint agreement of:

R.M. of Dundurn, #314	Resort Village of Shields
R.M. of Rosedale, #283	Resort Village of Thode
R.M. of Blucher, #343	Town of Dundurn
Town of Hanley	

**2. BASIS OF PRESENTATION**

**a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors on March 22, 2017.

**b) Basis of presentation**

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in *Note 5*.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

**a) Measurement basis**

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policy set out in *Note 13*. The Company's presentation and functional currency is Canadian dollars.

**b) Revenue recognition and deferred revenue**

The Utility records water and operations billings revenue and sustainability reserve income in the period in which the related service has been provided to the extent that it is probable that the economic benefits will flow to the Utility and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes.

Deferred revenue consists of funds received from subscribers used to finance the construction of the water pipeline system as well as government funding received to offset the costs of construction. The deferred revenue is recognized in income over the average estimated useful life of the system (40 years) on a straight-line basis.

New subscriber connection fee revenue is recorded in the period in which the subscriber has been connected to the water pipeline.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) **Impairment of non-financial assets**

The Utility reviews the recoverability of non-financial assets subject to amortization whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The asset's recoverable amount is the higher of its fair value less cost to sell and its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units. The Utility evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

d) **Cash and equivalents**

Cash and cash equivalents consist of cash or highly liquid investments which are readily convertible into cash and subject to an insignificant risk of change in value. Interest from cash is recorded on an accrual basis. The Utility has designated cash as fair value through profit and loss. All gains are recognized in income in the period in which they arise.

e) **Property and equipment**

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using the straight-line method over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the asset. Major components of property and equipment are depreciated separately over their respective useful lives. Land is not depreciated. Depreciation has been calculated as follows:

Buildings	Straight-line over 40 years
Water pipeline equipment	Straight-line over 30 years
Water pipeline system infrastructure	Straight-line over 50 years
Furniture, tools and equipment	Straight-line over 5 years
Vehicles	Straight-line over 5 years
Computer equipment	Straight-line over 2 years

f) **Government assistance**

The Utility became eligible for grants under the Building Canada Fund by constructing a water pipeline system. The grant funding is accounted for in accordance with *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*. As such grant funding is recognized in income on a systematic basis as amortization of deferred revenue over the estimated useful life of the asset (40 years).

g) **Income tax**

The Utility is exempt from Canadian federal and provincial taxes under the provisions of *The Income Tax Act*.



DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Utility has not incurred any decommissioning costs related to its constructed water pipeline accordingly no provision has been recorded for such site reclamation or abandonment.

i) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

4. NEW ACCOUNTING STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments

IFRS 9 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Management has not yet determined the potential impact that the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 15, Revenue Recognition

IFRS 15, Revenue Recognition: provides for a single, comprehensive revenue recognition model for all contracts with customers. It contains a single principles based five step approach that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 15.

IFRS 16, Leases

In January of 2016 the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Utility makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effects of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk to cause material adjustment to the carrying amounts of assets and liabilities recognized in these financial statements within the next financial year are discussed below:

**Useful lives of property and equipment**

Management reviews the useful lives of depreciable assets at the end of every reporting period. As at December 31, 2016, management has considered that the useful lives reflect the estimated remaining period that the property and equipment are expected to be used by the Utility. The carrying value of the property and equipment is presented in *Note 10*.

**Government grants and deferred revenue**

Management reviews the government grants and deferred revenue at fiscal year-end. As at December 31, 2016, management has determined that a portion of the government assistance and deferred revenue received has been earned and can be recognized in income as amortization of deferred revenue. The carrying value of the deferred revenue is presented in *Note 12*.

6. INVESTMENTS

Investments are recorded at fair value and consist of the following:

		2016		2015	
	Years to maturity	Market value	Yield to maturity	Market value	Market value
<i>Short-term</i>					
RBC investment savings account mutual fund	-	\$ 32,067	-	\$ 406,316	
Guaranteed Investment certificates	1	1,257,349	1.81% - 2.50%	303,979	
		\$ 1,289,416		\$ 710,295	
<i>Long-term</i>					
Guaranteed Investment certificates	1-5	\$ 1,673,100	1.86% - 2.70%	\$ 2,126,977	
Bonds	2-21	1,587,999	1.74% - 6.50%	971,803	
		\$ 3,261,099		\$ 3,098,780	

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

7. RESTRICTED INVESTMENTS

The restricted investments are recorded at fair value and consist of the following:

	2016		2015	
	Years to maturity	Market value	Yield to maturity	Market value
<i>Short-term</i>				
RBC investment savings account mutual fund	-	\$ 73,160	-	\$ 379,476
Guaranteed Investment certificates	1	101,528	2.05%	202,692
		\$ 174,688		\$ 582,168
<i>Long-term</i>				
Guaranteed Investment certificates	3-5	\$ 431,584	2.01 – 2.81%	\$ 101,533
		\$ 431,584		\$ 101,533

The board has internally restricted these investments to fund the manifold deposits.

8. ACCOUNTS RECEIVABLE

	2016	2015
Water and operations billings	\$ 184,921	\$ 151,652
Other trade receivables	976	425
GST receivable	33,108	58,596
Capital grant receivable	11,168	572,280
	\$ 230,173	\$ 782,953

9. SUBSCRIBER LOANS RECEIVABLE

These amounts represent the unpaid amount of subscriber costs to connect to water supply pipelines which are financed by the Utility. Any balances of principal and interest owing for the calendar year and remaining unpaid 30 days after the payment is due can be applied to the relevant property taxes under the provisions of the *Municipalities Act*. The amounts added to the property taxes are collected by the Utility from the relevant Rural Municipality.

	2016	2015
Phase I & II loans financed over 15 years plus interest at 6.34%	\$ 16,136	\$ 23,161
Phase III loans financed over 5 years plus interest at 6%	-	959
	16,136	24,120
Less: Current portion	( 5,305)	( 9,206)
	\$ 10,831	\$ 14,914

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

10. PROPERTY AND EQUIPMENT

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 41,000	\$ -	\$ 41,000	\$ 41,000
Water pipeline system	22,121,834	2,284,188	19,837,646	20,045,931
Pumphouse	2,327,783	214,413	2,113,370	2,121,485
Pumphouse equipment	698,800	84,869	613,931	598,802
Furniture, tools, and equipment	11,891	7,624	4,267	2,005
Computer equipment	2,528	1,897	631	632
Vehicles	63,986	19,429	44,557	39,729
	<b>\$ 25,267,822</b>	<b>\$ 2,612,420</b>	<b>\$ 22,655,402</b>	<b>\$ 22,849,584</b>

11. ACCOUNTS PAYABLE

	2016	2015
Trade payables	\$ 118,394	\$ 58,271
Developer deposits	20,000	20,000
New subscriber deposits	171,277	10,000
Manifold deposits	560,000	608,000
	<b>\$ 869,671</b>	<b>\$ 696,271</b>

12. DEFERRED CONTRIBUTIONS AND REVENUE

	2016	2015
Charges to individual subscribers and developers	\$ 11,602,143	\$ 11,496,970
Charges to large users	3,992,264	3,992,264
Government contributions	13,815,235	13,680,243
	29,409,642	29,169,477
Less: amounts amortized to income	( 3,586,326)	( 2,836,060)
<b>Total deferred revenue</b>	<b>\$ 25,823,316</b>	<b>\$ 26,333,417</b>

13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

13. FINANCIAL INSTRUMENTS (continued)

Financial instruments recognized at fair value on the statements of financial position must classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy levels are as follows:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on inputs that are other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

As at December 31, 2016, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2015 are shown in the table below:

Classification	December 31, 2016		December 31, 2015	
	Fair value	Carrying value	Fair value	Carrying value
<i>Financial assets</i>				
Cash and equivalents	\$ 79,682	\$ 79,682	\$ 66,307	\$ 66,307
Accounts receivable (1)	197,065	197,065	724,357	724,357
<i>Financial liabilities</i>				
Accounts payable	869,671	869,671	696,271	696,271

(1) Excluding taxes receivable

The fair values of the Utility's financial instruments measured at December 31, 2016, constitute Level 1 measurements for its cash and equivalents within the fair value hierarchy.

**Credit risk**

Credit risk is the risk of financial loss to the Utility if a customer or counterparty to a financial instrument fails to meet its obligations. The Utility's maximum exposure to credit risk as at December 31, 2016 date under its financial instruments is summarized as follows:

	December 31, 2016	December 31, 2015
Accounts and other receivables -		
Currently due	\$ 196,342	\$ 724,242
Past due by 90 days or less, not impaired	50	-
Past due by greater than 90 days, not impaired	673	115
	197,065	724,357
Cash and equivalents	79,682	66,307
	\$ 276,747	\$ 790,664

All of the Utility's cash and cash equivalents are held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. The Utility considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. As at December 31, 2016, no material provision has been recorded in respect of impaired receivables. The Utility's maximum exposure to credit risk as at December 31, 2016, is the carrying value of its financial assets.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

13. FINANCIAL INSTRUMENTS (continued)

**Liquidity risk**

Liquidity risk is that the Utility will encounter difficulty in meeting obligations associated with financial liabilities. The Utility enters into transactions to purchase goods and services on credit and lease office equipment and office space from creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Utility's future net cash flows for the possibility of a negative net cash flow. The Utility manages liquidity risk resulting from accounts payable and accrued liabilities by investing in liquid assets such as cash and short-term investments which can be readily available to repay accounts payable and accrued liabilities.

The Utility's financial liabilities are comprised of its accounts payable and accrued liabilities and amounts due to related parties, the contractual maturities of which at December 31, 2016, are summarized as follows:

	December 31, 2016	December 31, 2015
Accounts payable with contractual maturities -		
Within 90 days or less	\$ 869,671	\$ 696,271
In later than 90 days, not later than one year	-	-
Due to related parties with contractual maturities -		
Within 90 days or less	-	-
In later than 90 days, not later than a year	-	-

**Market risk**

The significant market risks to which the Utility is exposed include interest rate risk and currency risk.

• 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. The Utility is exposed to significant interest rate risk on its short-term investments.

• Currency risk

The Utility has no significant exposure at December 31, 2016 to currency risk as all cash and cash equivalents are held in Canadian funds.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

14. RELATED PARTY TRANSACTIONS

Key management personnel include the board of directors and the administrator. Key management personnel compensation comprised:

**Key management compensation**

	Year ended December 31,	
	2016	2015
Retainers, wages and benefits	\$ 88,995	\$ 80,292
Honorariums and travel	19,979	14,540

During the year the Utility incurred charges from directors or companies sharing common directors as follows:

Services and reimbursement of expenses	Year ended December 31,	
	2016	2015
Company controlled by the Administrator (a)	\$ 88,995	\$ 80,292
Honorariums and travel	19,979	14,540

(a) Key management personnel compensation.

15. LEASE COMMITMENTS

(a) **Building lease:**

The Utility is committed under a lease agreement for its premises at 410-2<sup>nd</sup> Street, Dundurn, Saskatchewan. The agreement expires on July 31, 2017 and requires minimum annual lease payments as follows:

Year ending December 31:	
2017	\$ 9,079

(b) **Operating leases:**

The Utility has operating lease commitments for photocopier and office equipment requiring quarterly minimum charges plus charges for additional services. The annual minimum charges are as follows:

Year ending December 31:	
2017	\$ 4,764
2018	4,411
2019	4,158
2020	3,119
Thereafter	-

(c) **Contractual commitments:**

The Utility has entered into an agreement with the Saskatchewan Water Corporation for the supply of potable water. The agreement specifies certain minimum water purchase requirements. The agreement automatically renews each year.

DUNDURN RURAL WATER UTILITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

16. CAPITAL MANAGEMENT

The Utility has no formal capital management policy however the Board of Directors conducts an annual budgeting and strategic planning meeting. The Utility has no externally imposed capital requirements.

17. TRANSFERS TO THE SUSTAINABILITY RESERVE

During the current year the Utility made the following transfers to the sustainability reserve:

	2016	2015
Transfer to Sustainability reserve per board motion	\$ 174,286	\$ 761,718
Forfeited developer deposits transferred to Sustainability reserve	-	162,000
Other income transferred to the Sustainability reserve	-	36,000
Sustainability reserve income	27,467	27,151
	<u>\$ 201,753</u>	<u>\$ 986,869</u>