

**Canora Rural Public Utility Board**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2016**

# Canora Rural Public Utility Board

Canora, Saskatchewan

December 31, 2016

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## 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 Statement of Financial Position as at December 31, 2016, and the Statements of Operations, Changes in Net Financial Assets and Cash Flow 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, 2016, and its financial performance and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

**Collins Barrow PQ LLP**

*Collins Barrow PQ LLP*

Yorkton, SK  
February 17, 2017

**Canora Rural Public Utility Board**  
 Canora, Saskatchewan  
 Statement of Financial Position as at December 31, 2016

	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	676,278	614,792
Accounts receivable - note 4	24,769	38,091
Subscriber loans receivable - current portion - note 5	15,147	24,521
Accrued interest on subscriber loans receivable	1,209	1,348
Inventories	28,434	16,431
Prepaid expenses	34	
	<u>745,871</u>	<u>695,183</u>
<b>Subscriber Loans Receivable</b>	<u>62,822</u>	<u>94,130</u>
<b>Current Assets and Subscriber Loans Receivable</b>	<u>808,693</u>	<u>789,313</u>
<b>Capital Assets - note 6</b>	3,640,309	3,685,283
<b>Other Assets - note 7</b>	<u>34,831</u>	<u>35,812</u>
<b>Capital and Other Assets</b>	<u>3,675,140</u>	<u>3,721,095</u>
	<u>\$ 4,483,833</u>	<u>\$ 4,510,408</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>3,410</u>	<u>870</u>
<b>Long-Term Liabilities</b>		
Deferred subscriber contributions	2,686,531	2,698,249
Deferred grants	<u>1,459,256</u>	<u>1,507,739</u>
<b>Long-Term Liabilities</b>	<u>4,145,787</u>	<u>4,205,988</u>
	<u>4,149,197</u>	<u>4,206,858</u>
<b>Net Assets</b>		
Capital fund	154,175	174,297
Operating fund	<u>180,461</u>	<u>129,253</u>
<b>Accumulated Surplus</b>	<u>334,636</u>	<u>303,550</u>
	<u>\$ 4,483,833</u>	<u>\$ 4,510,408</u>

Approved on behalf of the board:

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## Canora Rural Public Utility Board

Canora, Saskatchewan

Statement of Financial Position by Fund as at December 31, 2016

	Operating Fund	Capital Fund	2016 Total	2015 Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	163,900	512,378	676,278	614,792
Accounts receivable - note 4	19,337	5,432	24,769	38,091
Subscriber loans receivable - current portion - note 5		15,147	15,147	24,521
Accrued interest on subscriber loans receivable		1,209	1,209	1,348
Inventories		28,434	28,434	16,431
Prepaid expenses	34		34	
	<u>183,271</u>	<u>562,600</u>	<u>745,871</u>	<u>695,183</u>
<b>Subscriber Loans Receivable</b>	<u>0</u>	<u>62,822</u>	<u>62,822</u>	<u>94,130</u>
<b>Current Assets and Subscriber Loans Receivable</b>	<u>183,271</u>	<u>625,422</u>	<u>808,693</u>	<u>789,313</u>
<b>Capital Assets - note 6</b>		3,640,309	3,640,309	3,685,283
<b>Other Assets - note 7</b>		34,831	34,831	35,812
<b>Capital and Other Assets</b>	<u>0</u>	<u>3,675,140</u>	<u>3,675,140</u>	<u>3,721,095</u>
	<u>\$ 183,271</u>	<u>\$ 4,300,562</u>	<u>\$ 4,483,833</u>	<u>\$ 4,510,408</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	2,810	600	3,410	870
<b>Long-Term Liabilities</b>				
Deferred subscriber contributions		2,686,531	2,686,531	2,698,249
Deferred grants		1,459,256	1,459,256	1,507,739
<b>Deferred Revenue</b>	<u>0</u>	<u>4,145,787</u>	<u>4,145,787</u>	<u>4,205,988</u>
	<u>2,810</u>	<u>4,146,387</u>	<u>4,149,197</u>	<u>4,206,858</u>
<b>Net Assets</b>				
Invested in capital assets		154,175	154,175	174,297
Unrestricted net assets	180,461		180,461	129,253
<b>Accumulated Surplus</b>	<u>180,461</u>	<u>154,175</u>	<u>334,636</u>	<u>303,550</u>
	<u>\$ 183,271</u>	<u>\$ 4,300,562</u>	<u>\$ 4,483,833</u>	<u>\$ 4,510,408</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, 2016

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	<b>Invested in Capital Assets</b>	<b>Unrestricted Net Assets</b>	<b>2016 Total</b>	<b>2015 Total</b>
Balance, beginning of year	174,297	129,253	303,550	247,270
Excess of revenue over expenses for the year	23,420	7,666	31,086	56,280
Interfund transfers	<u>( 43,542)</u>	<u>43,542</u>	<u>          </u>	<u>          </u>
Balance, end of year	<u>\$ 154,175</u>	<u>\$ 180,461</u>	<u>\$ 334,636</u>	<u>\$ 303,550</u>

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part of these financial statements.*

## Canora Rural Public Utility Board

Statement of Operations - Operating Fund  
For the year ended December 31, 2016

	2016	2015
<b>Revenue</b>		
Water billings and service fees	236,723	244,419
Custom work and other revenue	15,166	7,703
Interest	2,525	3,370
	<u>254,414</u>	<u>255,492</u>
<b>Expenses</b>		
Board - meeting indemnities	6,238	6,663
Conventions	495	490
Electricity - pumphouses	19,207	18,520
Insurance - building	5,997	5,451
Insurance - other	599	599
Maintenance by contract	32,328	19,957
Office	11,199	8,645
Operations and maintenance	10,259	9,511
Professional fees	3,255	3,108
Travel and maintenance cell phone	1,308	1,201
Wages and benefits - administration and maintenance	52,980	52,349
Water	102,883	93,758
	<u>246,748</u>	<u>220,252</u>
<b>Excess of Revenue over Expenses for the Year</b>	<u>\$ 7,666</u>	<u>\$ 35,240</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, 2016

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	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Government grants	48,483	47,165
Subscriber payments	79,968	76,298
Interest	<u>11,432</u>	<u>9,007</u>
	139,883	132,470
<b>Expenses</b>		
Amortization	<u>116,463</u>	<u>111,430</u>
<b>Excess of Revenue over Expenses for the Year</b>	<u>\$ 23,420</u>	<u>\$ 21,040</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, 2016

	2016	2015
<b>Cash Provided By (Used In):</b>		
Operations		
Excess of revenue over expenses for the year	31,086	56,280
Add items not requiring cash resources		
Amortization	116,463	111,430
Net change in working capital	<u>3,963</u>	<u>( 21,065)</u>
	<u>151,512</u>	<u>146,645</u>
Investing activities		
Capital asset purchases	( 70,507)	( 392,643)
Subscriber loans advanced		( 64,781)
Subscriber loans repaid	<u>40,682</u>	<u>41,000</u>
	<u>( 29,825)</u>	<u>( 416,424)</u>
Financing activities		
Deferred revenue received	68,250	178,841
Deferred revenue amortized	<u>( 128,451)</u>	<u>( 123,463)</u>
	<u>( 60,201)</u>	<u>55,378</u>
<b>Net Cash Increase (Decrease) for the Year</b>	61,486	( 214,401)
Cash position, beginning of year	<u>614,792</u>	<u>829,193</u>
<b>Cash Position, End of Year</b>	<u>\$ 676,278</u>	<u>\$ 614,792</u>
<b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 676,278</u>	<u>\$ 614,792</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, 2016

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## 1. Nature of Operations

The association was formed on February 3, 2000 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. The Canora Rural Public Utility Board was formed to construct and operate a water pipeline for ratepayers in the participating municipalities. The association is not subject to income tax.

## 2. Significant Accounting Policies

These financial statements are the responsibility of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) 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 for water billings to subscribers and the operating portion of interest income. Expenses consist primarily of the day-to-day operations of the water pipeline.

#### (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.

### (b) Cash and cash equivalents

Cash and cash equivalents represents cash on hand and cash held in banks.

### (c) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.

## Canora Rural Public Utility Board

Notes to Financial Statements  
For the year ended December 31, 2016

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### 2. Significant Accounting Policies - continued

#### (d) Capital assets

Capital assets are recorded at cost less accumulated amortization.

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

#### (e) Deferred start-up costs

Certain expenditures relating to starting the pipeline project were deferred until the project's completion. These are now being amortized over the life of the project.

#### (f) 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.

#### (g) Revenue

Proceeds generated from operations are recorded as revenue as earned.

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

#### (h) Financial instruments

The association initially measures its financial assets and liabilities at fair value. 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.

#### (i) Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management 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 the statement of operations in the period in which they became known.

# Canora Rural Public Utility Board

Notes to Financial Statements  
For the year ended December 31, 2016

### 3. Risks Arising from Financial Instruments

The association is exposed to various risks through its financial instruments. The following analysis presents the organization's risk exposure and concentrations at the reporting date.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The association is exposed to credit risk from the potential non-payment of 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.

	2016	2015
<b>4. Accounts Receivable</b>		
Accounts receivable are comprised of the following item:		
<i>Operating Fund</i>		
Water accounts receivable	14,208	5,226
Other accounts receivable	1,012	6,438
Taxes receivable	4,117	9,118
	<u>19,337</u>	<u>20,782</u>
	<u>\$ 19,337</u>	<u>\$ 20,782</u>
<i>Capital Fund</i>		
Rural municipalities - receivables added to tax roll	4,601	2,661
Goods and services tax payable	437	11,231
Other	394	3,417
	<u>5,432</u>	<u>17,309</u>
	<u>\$ 5,432</u>	<u>\$ 17,309</u>

### 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%.

	2016	2015
Subscriber loans receivable	77,969	118,651
Less: Current portion	15,147	24,521
	<u>62,822</u>	<u>94,130</u>
	<u>\$ 62,822</u>	<u>\$ 94,130</u>

## Canora Rural Public Utility Board

Notes to Financial Statements  
For the year ended December 31, 2016

	2016	2015
<b>6. Capital Assets</b>		
Cost		
Land	36,624	36,624
Water meters	76,134	74,122
Furniture, fixtures and equipment	24,328	24,328
Pump stations	1,064,232	1,010,340
Storage shed	14,298	14,298
Pipelines	<u>3,853,292</u>	<u>3,838,688</u>
	<u>5,068,908</u>	<u>4,998,400</u>
Accumulated amortization		
Water meters	69,543	67,851
Furniture, fixtures and equipment	17,357	15,540
Pump stations	476,575	441,999
Storage shed	6,439	5,962
Pipelines	<u>858,685</u>	<u>781,765</u>
	<u>1,428,599</u>	<u>1,313,117</u>
Net book value	<u>\$ 3,640,309</u>	<u>\$ 3,685,283</u>
<b>7. Other Assets</b>		
Deferred start-up costs - at cost	49,056	49,056
Accumulated amortization - deferred start-up costs	<u>14,225</u>	<u>13,244</u>
	<u>\$ 34,831</u>	<u>\$ 35,812</u>

### 8. Operating Loan

The association has a demand operating line-of-credit available to a maximum of \$100,000 with the CIBC. Interest is payable monthly at the CIBC prime rate of 2.7% per annum.

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

### 9. Commitments

On November 18, 2014, the board entered into an agreement with the Town of Canora for the supply of water. The agreement is in effect for 5 years with the board having the option to renew for further consecutive terms of 5 years.

**Canora Rural Public Utility Board**

Notes to Financial Statements  
For the year ended December 31, 2016

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**10. Employee Benefit Plans**

The association participates in contributory defined benefit pension plan for all of its employees. For defined benefit plans considered to be multi-employer plans, contributions are expensed when they are due and payable. The association currently participates in the Municipal Employees Pension Plan.

The contributions by the participating employers are not segregated in separate accounts or restricted to provide benefits to the employees of a particular employer. The portion of the annual benefit costs and of the asset surpluses (deficits) that are attributable to the association cannot be easily determined.

Accordingly, the multi-employer plans are accounted for on the defined contribution basis. No portion of the asset (deficit) surplus of the plan is recognized in these financial statements. The benefit expense reflected in the financial statements is equal to the association's contributions for the year.

All contributions by employees are matched equally by the employer. Employee contribution rates in effect for the year are as follows:

	<b>2016</b>	<b>2015</b>
General members	8.15%	8.15%
Designated members	11.35%	11.35%

Contributions to the plan during the year were as follows:

Benefit expense	\$ 1,467	\$ 1,540
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As per the most recently audited financial statements dated December 31, 2015, the plan surplus is \$316,933,000.

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

	<b>Operating Fund</b>	<b>Capital Fund</b>
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	30,432	16,539
2011	21,045	24,675
2012	19,254	26,067
2013	15,984	27,857
2014	8,122	28,672
2015	41,007	15,273
	<u>\$ 138,902</u>	<u>\$ 164,647</u>