Chestermere Utilities Incorporated

Financial Statements
December 31, 2017 and 2016
(expressed in Canadian dollars)

March 28, 2018

Independent Auditor's Report

To the Shareholder of
Chestermere Utilities Incorporated

We have audited the accompanying financial statements of Chestermere Utilities Incorporated which comprise the statement of financial position as at December 31, 2017 and December 31, 2016 and the statements of operations and comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes, which comprise 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 misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 in our audits 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 Chestermere Utilities Incorporated as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Chestermere Utilities Incorporated

Statements of Financial Position

As at December 31, 2017 and 2016

(expressed in Canadian dollars)

	2017 $	2016 $
Assets		
Current assets		
Cash and cash equivalents (note 7)	4,470,826	2,936,674
Restricted cash (note 7)	1,896,249	-
Investments (note 5)	-	1,409,135
Due from related party (note 16)	656,516	-
Accounts receivable (note 8)	1,447,662	1,367,479
Inventory (note 9)	34,507	56,667
Goods and services tax receivable	504,728	51,074
Prepaid expenses	35,125	38,834
	9,045,613	5,859,863
Derivative financial instruments (note 5)	75,819	-
Property and equipment (note 10)	98,159,661	79,934,799
Intangible assets (note 11)	4,194,622	4,427,656
	111,475,715	90,222,318
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	9,580,418	1,306,973
Current portion of long-term debt (note 14)	1,121,722	472,101
Current portion of deferred revenue	103,073	-
Due to related party (note 16)	-	36,914
	10,805,213	1,815,988
Deferred revenue (note 13)	1,080,023	954,756
Long-term debt (note 14)	25,637,408	17,339,420
	37,522,644	20,110,164
Shareholder's Equity		
Share capital (note 17)	49,271,751	49,271,751
Contributed surplus (note 17)	13,252,479	13,252,479
Retained earnings	11,353,022	7,521,709
Accumulated other comprehensive income	75,819	66,215
	73,953,071	70,112,154
	111,475,715	90,222,318

Commitments (note 19)

Approved by the Board of Directors

______________________________ Director ______________________________ Director

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

Chestermere Utilities Incorporated

Statements of Operations and Comprehensive Income

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

	2017 $	2016 $
Revenue		
Sale of goods and services (note 16)	13,217,855	11,311,711
Development and offsite levies (note 16)	4,069,405	5,768,517
Penalties and interest income	292,237	228,331
	17,579,497	17,308,559
Expenses		
Water supply and waste management charges	4,071,372	3,863,444
Contracted services	3,200,830	2,654,243
Amortization (notes 10 and 11)	2,272,313	2,403,446
Salaries, wages and benefits (note 16)	1,819,592	1,803,811
Finance costs (note 15)	257,141	3,767,396
Materials, goods and supplies	1,097,994	835,456
General and administrative expenses (note 16)	623,071	553,665
Other	405,871	87,952
	13,748,184	15,969,413
Net income for the year	3,831,313	1,339,146
Items that may be reclassified to profit or loss		
Unrealized profit on investments	-	66,341
Available-for-sale investments reclassified to net income	(66,215)	-
Cash flow hedges – interest rate swap	233,844	-
Cash flow hedges – interest rate swap reclassified from net income	(158,025)	-
Total comprehensive income	3,840,917	1,405,487

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

Chestermere Utilities Incorporated

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total equity $
Balance – January 1, 2016	100	13,252,479	6,182,563	(126)	19,435,016
Net income for the year	-	-	1,339,146	-	1,339,146
Other comprehensive loss	-	-	-	66,341	66,341
Equity portion of redeemable preferred shares (note 17)	49,271,651	-	-	-	49,271,651
Balance – December 31, 2016	49,271,751	13,252,479	7,521,709	66,215	70,112,154
Net income for the year	-	-	3,831,313	-	3,831,313
Other comprehensive income	-	-	-	9,604	9,604
Balance – December 31, 2017	49,271,751	13,252,479	11,353,022	75,819	73,953,071

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

Chestermere Utilities Incorporated

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Net income for the year	3,831,313	1,339,146
Items not affecting cash		
Amortization (notes 10 and 11)	2,272,313	2,403,446
Finance costs (note 15)	415,167	3,767,396
Contributed assets	(3,726,418)	(5,480,783)
Loss on disposal of property and equipment	50,122	-
	2,842,497	2,029,205
Change in non-cash working capital		
Accounts receivable	(80,183)	300,603
Due to/from related party	(693,430)	(204,636)
Inventory	22,160	15,688
Accounts payable and accrued liabilities	1,406,058	(804,588)
Prepaid expenses	3,709	(4,012)
Goods and services tax receivable	(453,654)	42,469
Deferred revenue	228,340	(752,428)
	433,000	(1,406,904)
	3,275,497	622,301
Investing activities		
Purchase of property and equipment (note 10)	(9,489,577)	(2,626,754)
Sale (purchase) of investments (note 5)	1,342,919	(43)
	(8,146,658)	(2,626,797)
Financing activities		
Interest paid (note 15)	(646,047)	(570,923)
Receipt of long-term debt (note 14)	9,483,061	14,956,547
Termination fee paid on debt settlement (notes 14 and 15)	-	(1,800,000)
Repayment of accrued debt (note 12)	-	(5,125,932)
Repayment of long-term debt (note 14)	(535,452)	(5,754,310)
	8,301,562	1,705,382
Increase (decrease) in cash and cash equivalents	3,430,401	(299,114)
Cash and cash equivalents – Beginning of year	2,936,674	3,235,788
Cash and cash equivalents – End of year	6,367,075	2,936,674
Supplementary information		
Cash and cash equivalents	4,470,826	2,396,674
Restricted cash	1,896,249	-
Investments	-	1,409,135
	6,367,075	3,805,809

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

(expressed in Canadian dollars)

1 Statutes of incorporation and nature of operations

Chestermere Utilities Incorporated (the "Corporation") is a government business enterprise which was incorporated on May 27, 2010 under the Business Corporations Act (Alberta). On August 23, 2011, the Corporation issued 100 Class A Common voting shares to the City of Chestermere (the "City") making the Corporation wholly owned by the City of Chestermere. The Corporation provides water, wastewater, storm water, solid waste collection and recycling services to the City of Chestermere. The head office, principal address, and records office of the Corporation is located at #403, 320 West Creek Drive, Chestermere, Alberta, T1X 0P7.

2 Basis of presentation

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") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The financial statements of the Corporation for the year ended December 31, 2017 were approved and authorized for issuance by the Board of Directors on March 28, 2018.

Basis of measurement

These financial statements have been prepared under the historical cost convention except for available-for-sale investments and derivative financial instruments recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

Use of estimates and judgment

Management makes judgments, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities. Such estimates mainly relate to unsettled transactions and events at the date of the financial statements. Facts and circumstances may change and actual results could differ from those estimates. Management uses judgment and currently available information to make these estimates and these estimates are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following outlines the significant judgments and estimates made by the Corporation.

(expressed in Canadian dollars)

Revenue recognition

The estimate of usage not yet billed, which is included in revenues from the sale of water and other services is based on an assessment of unbilled services supplied to customers. This estimate is from the date of the last meter reading using historical consumption patterns. Management applies judgment to measure and value the estimated consumption.

The Corporation applies the percentage of completion accounting policy for revenue recognition. The estimation of percentage of completion of development projects in order to determine the amount of revenue to recognize is based on the attainment of critical milestones pre-set at the commencement of each project. Based on this, management applies judgment to determine the amount of revenue to recognize in relation to the stage of completion of each project at each reporting date.

Useful lives of long-lived assets

Property and equipment and limited life intangible assets are amortized over their estimated useful lives. Useful lives are determined based on current facts and past experience, and consider the anticipated physical life of the asset, existing long-term agreements and contracts, current and forecasted demand and the potential for technological obsolescence. Useful lives of intangible assets arising from contractual or other legal rights shall not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the Corporation expects to use the asset. Useful life estimates are reviewed on a regular basis; however, actual lives may differ from the estimates.

Impairment of long-lived assets

If indicators of impairment exist for an asset or cash generating unit ("CGU") to which an asset belongs, an estimate of the recoverable amount is made to determine whether an impairment loss is to be recognized. The calculations used to determine the recoverable amounts include assumptions, such as the price for which the asset could be obtained or the future cash flows that will be produced by the asset or group of assets, discounted using an appropriate rate. Subsequent changes to these estimates or assumptions may significantly impact the carrying value of the assets within the respective CGU.

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

(expressed in Canadian dollars)

3 Significant accounting policies

a) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i) Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. There are no instruments held by the Corporation classified in this category.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of net income in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

ii) Available-for-sale investments

Financial instruments classified as available-for-sale are measured at fair value using quoted prices in an active market.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of it within twelve months.

(expressed in Canadian dollars)

iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting periods, which are classified as non-current liabilities. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

iv) Financial liabilities

Financial liabilities at amortized cost include the Corporation's accounts payable and accrued liabilities, long-term debt. Transaction costs on financial liabilities other than those classified as fair value through profit or loss are treated as part of the carrying value of the liability. Transaction costs for liabilities at fair value through profit or loss are expensed as incurred.

v) Impairment of financial assets

The Corporation assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets at fair value through profit or loss.

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in the statement of net income.

The Corporation has not recognized any impairment of financial assets for the years ended December 31, 2017 (2016 – nil).

(expressed in Canadian dollars)

vi) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

vii) Derecognition of financial instruments

Financial assets are derecognized when the right to receive cash flows from the financial assets has expired or been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

viii) Settlement

The Corporation applies settlement date accounting to the purchases and sales of financial assets. Settlement date accounting means recognizing an asset on the day it is received by the Corporation and recognizing the disposal of an asset on the day it is delivered by the Corporation. Any gain or loss on disposal is also recognized on that day.

ix) Derivative financial instruments

Contracts settled net in cash or in another financial asset are classified as derivatives, unless they meet the Corporation's own use requirements.

All derivative financial instruments are measured at fair value. The gain or loss that results from changes in fair value of the derivative is recognized in earnings immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in earnings depends on the hedging relationship.

Where the Corporation elects to apply hedge accounting, the Corporation documents the relationship between the derivative and the hedged item at inception of the hedge, based on the Corporation's risk management policies. A qualitative assessment of the effectiveness of the hedging relationship is performed at each reporting period if both the critical terms of the hedging relationship and the economic relationship between the hedged item and hedging instrument continue to remain the same or similar. If the mismatch in terms is significant, a quantitative assessment may be required. Ineffectiveness, if any, is measured at the end of each reporting period.

(expressed in Canadian dollars)

If the risk management hedge ratio used to form the economic relationship of the hedged item and hedging instrument changes, rebalancing of the hedging relationship is required. Under this circumstance, an adjustment to the quantities of the hedged item or hedging instrument would be allowed to realign the hedging relationship in accordance with the appropriate risk management hedge ratio. The Corporation can only discontinue hedge accounting prospectively if there is no longer an economic relationship between the hedged item and hedging instrument, the risk management objective changes, the derivative no longer is designated as a hedging instrument, or the underlying hedged item is derecognized.

The Corporation enters into interest rate swaps to offset the risk of volatility in the variable cash flows arising from a recognized asset or liability. The effective portion of changes in fair value of the derivative is recognized in other comprehensive income (OCI), whereas the ineffective portion is recognized in earnings immediately. The cumulative gain or loss in accumulated other comprehensive income (AOCI) is transferred to earnings when the hedged item affects earnings. If the Corporation discontinues hedge accounting, the cumulative gain or loss in AOCI is transferred to earnings at the same time as the hedged item affects earnings. The amount in AOCI is immediately transferred to earnings if the hedged item is derecognized.

b) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand and short-term investments, such as money market deposits or similar type instruments, with an original maturity of three months or less.

Restricted cash is not readily accessible for use in operations and is reported separately from cash and cash equivalents on the statement of financial position.

c) Investments

Investments include available-for-sale investments and are recorded at fair market value using quoted prices in an active market. The change in fair market value is recorded in other comprehensive income (loss). During 2017 the investment account was closed and amounts in OCI have been recycled to profit and loss.

d) Inventories

Inventories consist of water meter and water meter parts inventories which are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of inventories comprises all costs of purchase, and other costs included in bringing the inventories to their present condition and location. Inventories are classified as current unless management does not expect the items to be utilized within twelve months.

(expressed in Canadian dollars)

e) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses and include capitalized interest incurred during construction on qualified assets. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset such as materials, labor, borrowing costs and contracted services. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. A gain or loss arising from the derecognition of an asset is recorded in earnings when the asset is derecognized.

Major overhaul costs are capitalized and depreciated on a straight-line basis to the next major overhaul. Other repair and maintenance costs are charged to earnings during the period in which they are incurred.

Interest on the funding attributable to qualifying assets is capitalized during construction and is depreciated as part of the total cost over the useful life of the asset. Capitalized interest is calculated using the effective interest rate method based on specified rates for specific borrowings and a weighted average rate for general borrowings. Interest capitalization commences when borrowing costs and expenditures are incurred at the onset of construction on assets of substantial duration. Interest capitalization ceases when construction of the asset is substantially complete.

Government grants are recorded net of the carrying amount of the asset once the property and equipment is acquired or constructed and ready for use. The grant is recognized in profit or loss on a systematic basis over the life of a depreciable asset as a reduced amortization expense.

The Corporation has received contributed property and equipment from the City which has been contributed as part of terms of development agreements. As the assets relate to delivery of utility services, the City has then transferred the assets to the Corporation. These assets are recorded by the Corporation at the exchange amount, which is the amount of consideration established and agreed by the related parties, as either revenue or deferred revenue.

Depreciation is provided on assets primarily on a straight-line basis over their estimated useful lives. No depreciation is provided on land and construction work-in-progress. Depreciation periods for the principal categories of property and equipment are shown in the table below:

	Years	**Method**
Land improvement	15 – 25	Straight-line method
Building	25 – 50	Straight-line method
Engineering structures	45 – 50	Straight-line method
Machinery and equipment	5 – 40	Straight-line method
Vehicles	3 - 12	Straight-line method

(expressed in Canadian dollars)

f) Intangible assets

The Corporation's identifiable intangible assets are considered to have a limited life and therefore are stated at cost less accumulated amortization and accumulated impairment losses.

Depreciation is provided on limited life intangible assets on a straight-line basis over their estimated useful lives. Intangible assets arising from contractual rights are depreciated over the period of the contractual rights. The depreciation period for the Corporation's intangible assets is set out in the table below:

	Years	Method
Intangible assets	20	Straight-line method

g) Impairment of non-financial assets

At the end of each reporting period, management assesses the carrying amounts of property and equipment and intangible assets for indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Where fair value less costs of disposal is not reliably available, value in use is used as the recoverable amount.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in earnings.

An impairment charge may be reversed only if there is objective evidence that a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized is warranted. Where an impairment charge is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the revised recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods. A reversal of an impairment charge is recognized immediately in earnings. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(expressed in Canadian dollars)

h) Impairment of financial assets

Available-for-sale investments

At the end of each reporting period, management assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Investments classified in the available-for-sale category are examined at the reporting date to determine whether there is any objective evidence that they are impaired. In measuring a decline in value, the Corporation takes into account many facts specific to each investment and all the factors that could indicate that there has been impairment. Factors considered include, but are not limited to, a significant or prolonged decline in fair value, significant financial difficulties of the issuer, a breach of contract, the increasing probability that the issuer will enter bankruptcy or a restructuring, and the disappearance of an active market for the financial asset in question. Management also uses its judgment to determine when to recognize an impairment loss.

For equity investments classified in the available-for-sale category, the objective evidence would also include a significant or prolonged decline in the fair value below cost. When evidence of impairment exists, the cumulative loss (the difference between acquisition cost and current fair value, less any impairment loss previously recognized) is transferred out of AOCI, in equity, and recognized in the statement of operations. Impairment losses on equity securities are not reversed through the statement of operations, and increases in fair value occurring subsequent to impairment are recorded directly in AOCI, in equity. Any impairment loss on securities previously impaired is directly recognized in the statement of operations.

i) Deferred revenue

Deferred revenue consists of levies and offsite levies collected from developers and customers to be utilized for future capital or other projects.

Certain assets may be acquired or constructed using contributions from developers or customers. Contributions received towards construction of an item of property and equipment which are used to provide ongoing service to customers are recorded as deferred revenue and recognized in net income when the risks and rewards of ownership have been transferred to the Corporation.

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net income on a systematic basis in the same periods in which the expenses are recognized.

j) 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 of the obligation can be made.

(expressed in Canadian dollars)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably. No such provisions existed at December 31, 2017 or 2016.

k) Income taxes

The Corporation is exempt from income taxation under Section 149 (1) (d.5) of the Income Tax Act.

l) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Corporation for the provision of goods or services and where the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or to be received.

Revenue from the sale of water is recognized upon delivery or provision of the services to the customer and collectability is reasonably assured. These revenues include an estimate of the value of water consumed by customers, to the end of each period but billed subsequent to the reporting period.

Revenues from the sale of other goods are recognized when the products have been delivered and collectability is reasonably assured.

Revenues from the provision of wastewater treatment and other services are recognized over the period in which the service is performed and collectability is reasonably assured.

Certain additions to property and equipment are made with the assistance of non-refundable cash contributions from developers and customers. Contributions received towards construction of an item of property and equipment are recorded as deferred revenue and recognized in revenue when the risks and rewards of ownership have been transferred to the Corporation.

The delivery or provision of services to the customer is completed when the Corporation no longer has effective control over the goods sold or services provided, when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the Corporation, and when costs incurred or to be incurred in respect of the transaction can be measured reliably and recovery is reasonably assured.

Penalties and interest income include revenue from penalties charged to customers for overdue accounts from the sale of goods and services and interest revenue earned on investments.

(expressed in Canadian dollars)

m) Related party transactions

Transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

4 Accounting standards and interpretations not yet applied

Certain new or amended standards or interpretations issued by the IASB or IFRIC do not have to be adopted in the current period. As a result, the Corporation has not early adopted these standards or interpretations. Those that may be relevant to the Corporation are set out below.

IFRS 9, *Financial Instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, with no recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. The Corporation is currently finalizing the impact of IFRS 9.

IFRS 15, *Revenue from Contracts with Customers*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, *Revenue* and IAS 11, *Construction Contracts* and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently finalizing the impact of IFRS 15.

IFRS 16, Leases, specifies that lessees are to recognize leases that were traditionally recorded as operating leases in a similar way to finance leases under existing IAS 17. The effective date for IFRS 16 is on or after January 1, 2019, with early adoption permitted if IFRS 15 *"Revenue from Contracts with Customers"* has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. A formal assessment of the transitional implication to the Corporation will be completed in the future.

There are no other standards or interpretations issued, but not yet effective, that the Corporation anticipates will have a material effect on the financial statements once adopted.

(expressed in Canadian dollars)

5 Financial instruments

Fair values

The Corporation has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

				2017
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Derivative financial instruments – interest rate swaps	-	75,819	-	75,819

				2016
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Available-for-sale investments	345,948	1,063,187	-	1,409,135

No transfers attributable to changes in the observability of market data were made between hierarchy levels for instruments recognized at fair value during the years ended December 31, 2017.

The fair value of the Corporation's long-term debt approximates its carrying value.

Long-term debt is recorded at amortized cost. Fair values are determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Corporation's current borrowing rate for similar borrowing arrangements. Fair value of long-term debt at initial recognition was classified in Level 2 of the fair value hierarchy.

The fair value of the Corporation's derivatives financial instruments, which comprise interest rate swaps, approximates their carrying value. Fair values approximate the amount that the Corporation would have either paid or received to settle the interest rate swap contracts.

(expressed in Canadian dollars)

Derivative financial instruments measured at fair value

At December 31, 2017, the Corporation had two interest rate swaps outstanding for the purpose of limiting interest rate risk exposure on the variable future cash flows of long-term debt with its lender, Toronto Dominion bank.

The Corporation manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Corporation agrees with the counterparty, Toronto Dominion bank, to exchange at monthly intervals, the difference between fixed contract rates, ranging from 3.555% and 3.671%, and floating rate interest amounts calculated by reference to the agreed notional principal amounts, which approximate $14.5 million (amortized) for both contracts as at December 31, 2017. The interest rate swaps have a contractual term of 20 years, maturing in 2037. The balance sheet classification and fair value of the Corporation's interest rate swaps are as follows:

	Interest rate swaps subject to hedge accounting $	Total fair value of derivatives $
Recurring fair value measurement – December 31, 2017		
Derivative financial instruments	75,819	75,819

6 Capital management

The objective of managing the Corporation's capital is to ensure the Corporation effectively achieves its goals and objectives for which it has been established, while remaining a going concern. In order to ensure the Corporation achieves its goals and objectives, management has in place a planning and budgeting process that is reviewed on an ongoing basis. The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets.

The Corporation defines capital as the aggregate total of cash and cash equivalents, restricted cash, investments and shareholder’s equity less long-term debt:

	2017 $	2016 $
Cash and cash equivalents	4,470,826	2,936,674
Restricted cash	1,896,249	-
Investments	-	1,409,135
Shareholder’s equity	73,953,071	70,112,154
Long-term debt	(26,759,130)	(17,811,521)
	53,561,016	56,646,442

(expressed in Canadian dollars)

The Corporation is in compliance with all of the financial covenants as established in its long-term debt agreements (note 14).

7 Cash and cash equivalents and restricted cash

	2017 $	2016 $
Short-term investments	-	250,638
Cash at bank	4,470,826	2,686,036
Restricted cash at bank	1,896,249	-
	6,367,075	2,936,674

8 Accounts receivable

	2017 $	2016 $
Utilities accounts receivable	1,522,093	1,276,684
Other receivables	125,872	134,928
Allowance for doubtful accounts	(200,303)	(44,133)
	1,447,662	1,367,479

All amounts are due in the short-term. The carrying amounts are a reasonable approximation of their fair value.

The carrying amount of the Corporation's past due receivables is $465,877 (2016 – $179,439). Of these past due receivables, management has determined an allowance for doubtful accounts of $200,303 (2016 – $44,133). The aging of these receivables is detailed in the following table:

	2017 $	2016 $
61 to 90 days	107,349	105,555
91 to 120 days	63,752	39,718
Over 121 days	294,776	34,166
	465,877	179,439

The Corporation does not hold any collateral in respect of these receivables.

(expressed in Canadian dollars)

9 Inventory

	2017 $	2016 $
Water meters	34,507	56,667

The total amount of inventory recognized as expense during the years was $169,169 (2016 – $166,859). No inventory write-downs were recognized in the year ended December 31, 2017 . No reversals of previous write-downs were recorded in the year ended December 31, 2017.

(expressed in Canadian dollars)

10 Property and equipment

	Land $	Land improvements $	Buildings $	Engineered structures $	Machinery and equipment $	Vehicles $	Construction in-progress $	Total $
Cost								
Balance – January 1, 2017	4,918,722	74,323	1,954,004	67,127,990	850,860	539,280	11,268,560	86,733,739
Additions	127,480	172,242	784,723	6,497,209	1,082,719	65,331	16,237,256	24,966,960
Transfers	-	-	-	-	-	-	(4,652,697)	(4,652,697)
Disposals	-	-	-	(72,905)	-	-	-	(72,905)
	5,046,202	246,565	2,738,727	73,552,294	1,933,579	604,611	22,853,119	106,975,097
Accumulated amortization								
Balance – January 1, 2017	-	9,538	464,290	5,852,577	333,226	139,309	-	6,798,940
Current period amortization	-	11,698	127,748	1,632,497	177,702	89,634	-	2,039,279
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	(22,783)	-	-	-	(22,783)
Balance – December 31, 2017	-	21,236	592,038	7,462,291	510,928	228,943	-	8,815,436
Net book value	5,046,202	225,329	2,146,689	66,090,003	1,422,651	375,668	22,853,119	98,159,661

	Land $	Land improvements $	Buildings $	Engineered structures $	Machinery and equipment $	Vehicles $	Construction in-progress $	Total $
Cost								
Balance – January 1, 2016	4,525,402	74,323	1,954,004	67,160,565	743,628	389,280	9,058,415	83,905,617
Additions	393,320	-	-	5,186,436	107,232	150,000	3,248,006	9,084,994
Transfers	-	-	-	(5,219,011)	-	-	(1,037,861)	(6,256,872)
Disposals	-	-	-	-	-	-	-	-
	4,918,722	74,323	1,954,004	67,127,990	850,860	539,280	11,268,560	86,733,739
Accumulated amortization								
Balance – January 1, 2016	-	6,511	367,716	4,671,344	248,286	68,786	-	5,362,643
Current period amortization	-	3,027	96,574	1,512,543	84,940	70,523	-	1,767,607
Transfers	-	-	-	(331,310)	-	-	-	(331,310)
Disposals	-	-	-	-	-	-	-	-
Balance – December 31, 2016	-	9,538	464,290	5,852,577	333,226	139,309	-	6,798,940
Net book value	4,918,722	64,785	1,489,714	61,275,413	517,634	399,971	11,268,560	79,934,799

During the year, the Corporation capitalized $230,882 of borrowing costs incurred on the construction of qualifying assets (2016 – $115,389).

(expressed in Canadian dollars)

11 Intangible assets

	2017 $	2016 $
Cost		
Balance – January 1	5,394,805	-
Additions	-	175,794
Transfers from property and equipment	-	5,219,011
Balance – December 31	5,394,805	5,394,805
Accumulated amortization		
Balance – January 1	967,149	-
Current period amortization	233,034	635,839
Transfers from property and equipment	-	331,310
Balance – December 31	1,200,183	967,149
Net book value	4,194,622	4,427,656

The Corporation has constructed property and equipment which was contributed to the City of Calgary ("Calgary") as part of the terms of a development agreement with Calgary. The Corporation has entered into a long-term servicing agreement with Calgary and the constructed assets are used by Calgary to deliver utility services to the City. When legal title to the assets transferred to Calgary, the Corporation reclassified related costs and recognized an intangible asset arising from its contractual right to use and benefit from the constructed asset over the term of its servicing agreement with Calgary. The intangible asset was recorded by the Corporation at cost less amounts contributed by Calgary under the terms of the development agreement. Cost includes expenditures that are directly attributable to the construction of the asset such as materials, labor, borrowing costs and contracted services.

12 Accounts payable and accrued liabilities

	2017 $	2016 $
Trade accounts payable	8,820,693	909,233
Accrued liabilities	599,597	255,737
Accrued wages and benefits payable	160,128	142,003
	9,580,418	1,306,973

(expressed in Canadian dollars)

13 Deferred revenue

	2017				2016		
	Water $	**Sewer $**	**Storm $**	**Total $**	**Water $**	**Sewer $**	**Total $**
Beginning of period – January 1	886,201	68,555	-	954,756	803,658	903,525	1,707,183
Amount collected during the year	169,691	44,862	13,787	228,340	82,543	138,750	221,293
Revenue recognized	-	-	-	-	-	(973,720)	(973,720)
End of year – December 31	1,055,892	113,417	13,787	1,183,096	886,201	68,555	954,756

14 Long-term debt

	2017 $	**2016 $**
Alberta Capital Finance Authority loan assigned from the City	2,193,237	2,300,547
Loan from shareholder	554,427	554,427
Toronto Dominion bank loans	24,011,466	14,956,547
	26,759,130	17,811,521
Amounts payable within one year	(1,121,722)	(472,101)
	25,637,408	17,339,420

Principal repayment terms are as follows:

	$
2018	1,338,345
2019	1,061,671
2020	1,082,766
2021	1,104,619
Thereafter	21,636,278

(expressed in Canadian dollars)

EPCOR amortization fund

	2017 $	2016 $
Balance – January 1	-	5,650,407
Current period interest expense	-	483,716
Repayments	-	(6,134,123)
Balance – December 31	-	-

The EPCOR amortization fund related to a long-term financing arrangement between the City of Chestermere and EPCOR for the water reservoir and water line tie-in projects. The term of this financing was over 20 years with payments to include principal and interest. The loan agreement with EPCOR was held in the City of Chestermere's name; however, the balance of this debt was assigned from the City of Chestermere to the Corporation as per the transfer agreement effective January 1, 2012.

During 2016, the Corporation capitalized $110,279 of borrowing costs incurred on the EPCOR financing obtained for the purposes of constructing a qualifying asset (note 10).

During 2016, the Corporation made a lump sum payment of $14,956,547 to EPCOR as full and final settlement of all amounts owing under this agreement. This payment included a termination fee of $1,800,000 (note 15).

Alberta Capital Finance Authority loan

	2017 $	2016 $
Balance – January 1	2,300,547	2,404,450
Current period interest expense	74,033	77,249
Repayments	(181,343)	(181,152)
Balance – December 31	2,193,237	2,300,547

The Alberta Capital Finance Authority (ACFA) loan is a 20 year, unsecured loan arrangement between the City of Chestermere and ACFA with payments to include principal and interest. The loan agreement with ACFA is held in the City of Chestermere's name but was assigned from the City of Chestermere to the Corporation to enable the Corporation to meet various capital needs. The loan carries a fixed interest rate of 3.253% per annum. There are no covenants specified in the loan agreement and the loan matures on June 17, 2033.

(expressed in Canadian dollars)

Shareholder loan

	2017 $	2016 $
Balance – January 1 and December 31	554,427	554,427

The loan from shareholder is a five year, unsecured, non-interest bearing promissory note payable which was payable on demand as at December 31, 2017. However, on April 15, 2013, the Corporation received a waiver from the City of Chestermere, waiving the right to retract the loan until December 31, 2018.

Toronto Dominion bank loans

	2017 $	2016 $
Balance – January 1	14,956,547	-
Additions	9,483,061	14,956,547
Current period interest expense	413,990	9,957
Repayments	(842,132)	(9,957)
Balance – December 31	24,011,466	14,956,547

The credit facilities from the Toronto Dominion bank, which consist of a $1 million operating loan and $46.0 million committed reducing term facility, were obtained in order to refinance the Corporation's term debt and termination costs with EPCOR, as well as to finance water and sanitary infrastructure projects and for other general corporate purposes. The operating loan is due on demand and has no contractual term, whereas the term facility has a contractual term of 20 years and will be amortized over 20 and 25 years, with payments to include principal and interest. The fixed rate interest for the loans range from 3.555% to 3.671% over the life of the arrangement. Floating interest rates have been partially or completely hedged with interest rate swaps (note 5). At December 31, 2017 the Corporation had $- drawn on the operating loan ($1 million available to be drawn) and $24.4 million drawn on the term facility due 2027 ($21.6 million available to be drawn).

The remaining loans available to be drawn are floating rate term loans obtained in order to finance water and sanitary infrastructure projects. The loans have a contractual term of ten years, with monthly payments of principal and interest to be provided over this period. Interest on the loans are based on a floating bank prime rate. The credit facility is secured by a first charge on all of the Corporation’s present and after acquired property and all other property, assets and undertakings.

During the year, the Corporation capitalized $230,882 of borrowing costs incurred on Toronto Dominion bank loans obtained for the purposes of constructing qualifying assets (2016 – $5,109) (note 10).

The Toronto Dominion bank has collateral of property, plant and equipment and cash and cash equivalents as security for liabilities at December 31, 2017.

(expressed in Canadian dollars)

15 Finance costs

	2017 $	2016 $
EPCOR amortization fund assigned from the City	-	373,437
Alberta Capital Finance Authority loan assigned from the City	74,033	77,249
Toronto Dominion bank loans	183,108	4,848
Termination fee on EPCOR debt settlement	-	1,800,000
Accretion of the liability portion of redeemable preferred shares	-	1,511,862
	257,141	3,767,396

16 Related party transactions

The Corporation is a wholly owned subsidiary of the City of Chestermere. Related party balances with the City at the end of the years are as follows:

	2017 $	2016 $
Due from (to) related party	656,516	(36,914)
Long-term debt – Alberta Capital Finance Authority loan assigned from the City (note 14)	(2,193,237)	(2,300,547)

Amounts due from (to) related party include an amount receivable (payable) of $656,516 (2016 –$(36,914)) for the Alberta Community Resilience Program Grant regarding Westmere Pond Upgrade and bulk water (infrastructure services performed and employee benefits).

Transactions and balances with the City are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

The following transactions occurred between related parties:

	2017 $	2016 $
Compensation of key management personnel		
Short-term employee benefits	488,009	427,236
Other long-term benefits	-	25,000
	488,009	452,236

(expressed in Canadian dollars)

	2017 $	2016 $
City of Chestermere		
Sales of goods and services	146,122	32,196
General and administrative expenses	(34,535)	(14,558)
Office space rental	(48,000)	(48,000)

During the year, the net amount collected by the City of Chestermere on behalf of the Corporation is $3,883,229 (2016 – $4,365,856), which primarily relates to contributed assets resulting from development and offsite levies received.

17 Share capital

a) Authorized

Unlimited number of Class "A" common voting shares

b) Issued

The carrying value of common shares issued is as follows:

	2017		2016	
	Number	Total $	Number	Total $
Class "A" common voting shares				
Balance – January 1	56,050,123	49,271,751	100	100
Exchange of Class "G" preferred shares as Class "A" common shares	-	-	56,050,023	49,271,651
Balance – December 31	56,050,123	49,271,751	56,050,123	49,271,751

Common shares issued all have the same rights in respect to the distribution of dividends and the repayment of capital. Each share entitles the holder to vote at all of the meetings of the shareholders of the Corporation except meetings at which only holders of a specified class of shares are, by the provisions of the Business Corporations Act, entitled to vote.

On January 1, 2012, redeemable preferred shares of 56,050,023 were issued to the City as consideration for assets transferred to the Corporation. The preferred shares were redeemable and retractable on demand. The City initially waived its right to retract the shares until December 31, 2020.

(expressed in Canadian dollars)

For financial reporting purposes, the preferred shares were considered to have both a debt and equity component. The equity component was calculated as the issue price of the preferred shares less the fair value of the liability component. As a result, an equity component of $6,736,608 was recorded initially in contributed surplus and in 2015 an additional $6,515,871 was recorded in contributed surplus.

On December 21, 2016, the Class "G" preferred shares were exchanged for Class "A" common shares. The accreted book value of the preferred shares on the date of exchange was transferred to Class "A" voting shares, which is the deemed value of the preferred shares on the date of exchange.

18 Employee benefits

The Corporation matches contributions made by employees ranging from 3% to 7% of employee earnings for defined contribution pension plans. The total current service contribution by the Corporation in 2017 was $66,974 (2016 – $60,787). Contributions for current service are recorded as expenditures in the year in which they become due.

19 Commitments

At December 31, 2017, the Corporation had the following commitments:

	$
No later than one year	4,331,600
Later than one year and no later than five years	8,382,370
Later than five years	9,412,659
	22,126,629

20 Financial risks

The Corporation has exposure to the following risks from its use of financial instruments: liquidity risk, market risk, credit risk, and interest rate risk. This note presents information about the Corporation's exposure to each of these risks and the Corporation's objectives, policies and processes for managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and monitors risk management activities. The Corporation identifies and analyzes the risks faced by the Corporation and may utilize financial instruments to mitigate these risks.

(expressed in Canadian dollars)

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets at hand at the statement of financial position date. The Corporation is subject to credit risk with respect to cash and cash equivalents, restricted cash, investments, accounts receivable, due from related party, goods and services tax receivable and derivative financial instruments. The large number and diversity of customers minimizes the credit risk of any one individual customer. In the first half of 2016, the Corporation was able to mitigate credit risk through its ability to transfer past due utilities receivable balances to the City, which could then be collected from customers through payment of property taxes. The Corporation discontinued this practice in the second half of 2016 and established an internal collections process. Cash and restricted cash is deposited with a Canadian chartered bank. The Corporation considers the credit risk associated with the due from related party to be insignificant. The Corporation's interest rate swap counterparty is a Canadian chartered bank, which the Corporation considers to be credit-worthy.

Liquidity risk

The Corporation's funding is provided in the form of long-term borrowings and short term credit facilities, which provide adequate resources to meet its financial obligations as they come due. The Corporation has $1,000,000 available by way of an overdraft facility and a further $21,566,676 under its term facilities, which are not fully drawn at December 31, 2017. As at December 31, 2017, the Corporation's available cash totaled $4,470,826 (2016 – $2,936,674). The Corporation's financial debt, net of cash and cash equivalents and restricted cash is $20,392,055 (2016 – $14,874,847). The following table shows the undiscounted maturities of financial liability-related cash flows (principal and interest).

				2017
	2018 $	2019 – 2021 $	2022 and thereafter $	Total $
Accounts payable and accrued liabilities	9,580,418	-	-	9,580,418
Long-term debt – principal	1,338,345	3,249,056	21,636,278	26,223,679
Long-term debt – interest	904,989	2,500,466	6,796,050	10,201,505
	11,823,752	5,749,522	28,432,328	46,005,602

(expressed in Canadian dollars)

				2016
	2017 $	**2018 – 2020** $	**2021 and thereafter** $	**Total** $
Accounts payable and accrued liabilities	1,306,973	-	-	1,306,973
Long-term debt – principal	472,101	2,317,715	15,021,705	17,811,521
Long-term debt – interest	476,930	1,702,861	6,034,107	8,213,898
	2,256,004	4,020,576	21,055,812	27,332,392

Market risk

The Corporation is exposed to risks from changes in interest rates and market prices that affect its financial liabilities and financial assets.

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. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is not currently exposed to interest rate risk as it has fixed interest rate long-term financing with the Alberta Capital Finance Authority. In addition, the Corporation has entered into interest rate swap arrangements with Toronto Dominion bank to hedge its interest rate risk exposure (note 5). Except for cash and cash equivalents and restricted cash, all other assets and liabilities of the Corporation are not interest rate sensitive.

Currency risk

Currency risk is the risk that variation in exchange rates between the Canadian dollar and foreign currencies will affect the Corporation's operations and financial results. The Corporation is not exposed to foreign currency risk because all assets and liabilities and the associated revenue and expenses are denominated in Canadian dollars.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Corporation attempts to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

(expressed in Canadian dollars)

21 Supplemental information

The following table provides a reconciliation of cash flows arising from financing activities:

	Current portion of long-term debt $	Long-term debt $
As at December 31, 2016	472,101	17,339,420
Changes from financing cash flows		
Issuance of long-term debt	1,185,073	8,297,988
Interest payable	620,792	
Accrued interest payable	25,255	-
Repayment of long-term debt	(535,452)	-
Interest paid	(646,047)	-
As at December 31, 2017	1,121,722	25,637,408