

**North Red Deer Regional Wastewater
Services Commission
The Financial Statements
For the year ended December 31, 2025**

North Red Deer Regional Wastewater Services Commission
The Financial Statements
For the year ended December 31, 2025

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Independent Auditor's Report

To the Members of the Board of the
North Red Deer Regional Wastewater Services Commission

Opinion

We have audited the financial statements of the North Red Deer Regional Wastewater Services Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2025, and the statement of operations, statement of changes in net debt, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP


Chartered Professional Accountants


Red Deer, Alberta
April 27, 2026

North Red Deer Regional Wastewater Services Commission
The Statement of Financial Position

December 31, 2025	2025	2024
Financial assets		
Cash and cash equivalents (Note 1)	\$ 1,820,115	\$ 1,901,538
Accounts receivable (Note 8)	1,201,768	1,010,719
	3,021,883	2,912,257
Liabilities		
Accounts payable and accrued liabilities (Note 8)	478,888	454,558
Current portion of long-term debt (Note 3)	195,199	188,452
	674,087	643,010
Long-term Debt, Net of Current Portion (Note 3)	5,232,581	5,427,780
	5,906,668	6,070,790
Net debt	(2,884,785)	(3,158,533)
Non-financial assets		
Tangible capital assets (Note 5)	63,718,897	64,819,656
Prepaid expenses	59,069	61,692
Inventory	18,154	18,186
	63,796,120	64,899,534
Accumulated surplus (Note 7)	\$ 60,911,335	\$ 61,741,001

Approved by:

 _____ Chair

 _____ Board Member

North Red Deer Regional Wastewater Services Commission
The Statement of Operations

For the year ended December 31, 2025	Budget 2025	2025	2024
Revenue			
Wastewater sales to			
Commission members (Note 8)	\$ 4,427,985	\$ 4,200,949	\$ 3,755,822
Interest income	39,000	65,974	105,401
Other revenue	500	15,074	61,210
Service fees to Commission members (Note 8)	602,736	602,736	578,064
Total revenue	5,070,221	4,884,733	4,500,497
Expenses			
Accounting and audit fees	20,000	32,036	35,861
Board travel & subsistence	2,785	-	-
General material and supplies	389,776	397,888	434,304
Insurance	88,361	84,761	72,790
Interest on long-term debt	211,307	209,347	215,925
Contract fees	53,680	73,521	103,032
Legal fees	1,040	2,813	-
Operator costs (Note 8)	419,420	410,655	398,701
Other expenses	-	9,374	12,258
Repairs and maintenance	158,470	158,427	197,266
Treatment charges	3,019,493	2,833,872	2,544,373
Utilities	368,164	341,593	311,378
Amortization of capital assets	1,164,173	1,160,112	1,157,145
Total expenses	5,896,669	5,714,399	5,483,033
Excess of revenue over expenses	(826,448)	(829,666)	(982,536)
Accumulated surplus, beginning of year	61,741,001	61,741,001	62,723,537
Accumulated surplus, end of year	\$ 60,914,553	\$ 60,911,335	\$ 61,741,001

North Red Deer Regional Wastewater Services Commission
The Statement of Change in Net Debt

For the year ended December 31, 2025	Budget 2025	2025	2024
Excess of revenue over expenses	\$ (826,448)	\$ (829,666)	\$ (982,536)
Acquisition of tangible capital assets	-	(59,353)	-
Amortization of tangible capital assets	1,164,173	1,160,112	1,157,145
	<u>337,725</u>	<u>271,093</u>	<u>174,609</u>
Decrease (increase) in Inventory of Supplies	-	32	(18,186)
Decrease (increase) in Prepaid Expenses	-	2,623	(826)
Net change in net debt	337,725	273,748	155,597
Net debt, beginning of year	<u>(3,158,533)</u>	<u>(3,158,533)</u>	<u>(3,314,130)</u>
Net debt, end of year	<u>\$ (2,820,808)</u>	<u>\$ (2,884,785)</u>	<u>\$ (3,158,533)</u>

North Red Deer Regional Wastewater Services Commission
The Statement of Cash Flows

For the year ended December 31, 2025	2025	2024
Operating transactions		
Excess of revenue over expenses	\$ (829,666)	\$ (982,536)
Items not involving cash		
Amortization	1,160,112	1,157,145
Changes in non-cash operating balances		
Accounts receivable	(191,049)	(89,028)
Inventory of supplies	32	(18,186)
Prepaid expenses	2,623	(826)
Accounts payable and accrued liabilities	24,330	97,906
	<u>166,382</u>	<u>164,475</u>
Capital transactions		
Acquisition of tangible capital assets	(59,353)	-
Financing transactions		
Repayment of long-term debt	<u>(188,452)</u>	<u>(181,945)</u>
Net change in cash and cash equivalents	(81,423)	(17,470)
Cash and cash equivalents, beginning of year	<u>1,901,538</u>	<u>1,919,008</u>
Cash and cash equivalents, end of year	<u>\$ 1,820,115</u>	<u>\$ 1,901,538</u>

North Red Deer Regional Wastewater Services Commission

Summary of Significant Accounting Policies

December 31, 2025

**Management's
Responsibility for the
Financial Statements**

The financial statements of the Commission are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The North Red Deer Regional Wastewater Services Commission (the "Commission") was established for the purposes of constructing, maintaining, controlling, and managing a regional Wastewater system. The Commission is made up of member municipalities and requisitions funds from its members. The members of the Commission are City of Lacombe, Lacombe County, Town of Blackfalds.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed or goods have yet to be provided.

Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided, or the tangible capital assets are acquired.

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Engineered Structures - Wastewater System	45 to 75 years
Equipment	5 to 45 years

Long-term Debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

Revenue Recognition Revenue from transactions with no performance obligation is recognized at realizable value when the Commission has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered.

Where funds are received in advance of services or with specific restrictions, they are recorded as deferred revenue and recognized in the period when the performance obligation is satisfied.

Financial Instruments Accounts receivable and accounts payable are measured at cost. Investments and long-term debt is measured at amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest expense. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost.

Liability for Contaminated Sites A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries. There is no known contaminated site effective year December 31, 2025.

Asset Retirement Obligation A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Commission to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. At each financial reporting date, the Commission reviews the carrying amount of the liability. The Commission recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Commission continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Areas of the financial statements that contain estimates are as located in amortization and interest expenses.

Public Private Partnerships

The Commission accounts for public private partnerships in accordance with PS 3160. Infrastructure procured through a P3 arrangement is recognized as a tangible capital asset when the Commission controls the asset. A liability is recognized for any amounts owing to the private sector partner under the agreement. As at year-end, the Commission had not entered into any public private partnership arrangements..

PS 3160 Public Private Partnerships, the Commission has adopted Public Sector Accounting Standard (PS) 3160 - Public Private Partnerships as part of its accounting policies. At the reporting date, the Commission does not have any Public-Private Partnership arrangements, and therefore, this standard does not impact the financial statements for the current period. If the Commission enters into a P3 arrangement in the future, it will be accounted for in accordance with PS 3160.

Future Accounting Standard Pronouncements

The Conceptual Frameworks for Financial Reporting - The conceptual framework is the foundation for principles-based standards. It is a coherent set of interrelated objectives and fundamentals leading to consistent standards or application of consistent concepts in the absence of specific standards. The Commission is expected to adopt this standard beginning December 31, 2027.

PS 1202 Financial Statement Presentation - PS 1202 will replace PS 1201 and sets out the general and specific requirements of the presentation of financial information and is based on the concepts in the conceptual framework. The Commission is expected to adopt this standard beginning December 31, 2027.

North Red Deer Regional Wastewater Services Commission
Notes to the Financial Statements

December 31, 2025

1. Cash and Cash Equivalents

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	<u>\$ 1,820,115</u>	<u>\$ 1,901,538</u>

The Commission has an unused overdraft protection agreement with a maximum overdraft of \$2,000,000 (2024 - \$2,000,000) and interest charged at lender prime. Collateral is comprised of a general security agreement specifically pledging all grant proceeds and debenture products. As at year end December 31, 2025 the prime rate was 4.45% (2024 - 5.45%).

2. Financial Instruments

The Commission is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Commission's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements. There have been no changes to these risks from prior year.

Credit risk:

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 Commission is exposed to credit risk through its cash and cash equivalents and accounts receivable.

The Commission manages its credit risk by credit approval process and holding cash at federally regulated chartered banks and cash accounts insured up to \$100,000. The Commission measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and cash equivalents and accounts receivable. Accounts receivable arise primarily as a result of sales receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission is exposed to liquidity risk through its accounts payable and long-term debt.

The Commission manages this risk by planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Commission measures its exposure to liquidity risk based on extensive budgeting.

North Red Deer Regional Wastewater Services Commission
Notes to the Financial Statements

December 31, 2025

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is exposed to interest rate risk through its long-term debt.

The Commission manages interest rate risk on its long-term debt by holding all debt through MFA at a fixed rate, with refinancing typically being completed at the ten or fifteen year mark. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt. See Note 3 for interest rates and maturity dates for long term debt.

3. Long-term Debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2025	2024
3.30% (2024 - 3.30%) debenture, repayable \$147,701 (2024 - \$147,701), semi-annually, due March 15, 2043.	\$ 3,902,064	\$ 4,064,505
5.07% (2024 - 5.07%) debenture, repayable \$52,179 (2024 - \$52,179), semi-annually, due September 15, 2052.	\$ 1,525,716	\$ 1,551,727
	5,427,780	5,616,232
Current portion	195,199	188,452
Long term portion	5,232,581	5,427,780

Principal and interest repayments are as follows:

	Principal	Interest	Total
2026	\$ 195,199	\$ 204,561	\$ 399,760
2027	202,195	197,565	399,760
2028	209,449	190,311	399,760
2029	216,971	182,789	399,760
2030	224,772	174,988	399,760
Thereafter	4,379,194	1,609,200	5,988,394
	\$ 5,427,780	\$ 2,559,414	\$ 7,987,194

Debenture debt is issued on the credit of the Commission at large. The Commission has agreed to levy upon the member municipalities, a cubic meter Wastewater service fee based on actual use sufficient to provide for annual funds to pay principal and interest due each year on debentures and annual operating costs.

North Red Deer Regional Wastewater Services Commission
Notes to the Financial Statements

December 31, 2025

4. Debt Limits

Section 3 Alberta Regulation No. 76/2000 requires that debt and debt limits for the Commission to be disclosed. The debt limit and debt service limit otherwise determined are as follows:

	<u>2025</u>	<u>2024</u>
Total debt limit	\$ 9,769,466	\$ 9,000,994
Total debt	<u>5,427,780</u>	<u>5,616,232</u>
Total debt limit remaining	<u>4,341,686</u>	<u>3,384,762</u>
Debt servicing limit	1,709,657	1,575,174
Debt servicing	<u>399,760</u>	<u>399,760</u>
Total debt servicing limit remaining	<u>1,309,897</u>	<u>1,175,414</u>

The debt limit is calculated at two times the revenue of the Commission (as defined in Alberta Regulation No. 76/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify Commissions that could be at financial risk if further debt is acquired. The calculation alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

North Red Deer Regional Wastewater Services Commission
Notes to the Financial Statements

December 31, 2025

5. Tangible Capital Assets

	2025			
	Engineered Structures	Land	Equipment	Total
Cost, beginning of year	\$ 69,105,610	\$ 3,157,505	\$ 7,518	\$ 72,270,633
Additions	-	-	59,353	59,353
Cost, end of year	\$ 69,105,610	\$ 3,157,505	\$ 66,871	\$ 72,329,986
Accumulated amortization, beginning of year	\$ 7,443,459	-	\$ 7,518	\$ 7,450,977
Amortization	1,157,144	-	2,968	1,160,112
Accumulated amortization, end of year	\$ 8,600,603	-	\$ 10,486	\$ 8,611,089
Net carrying amount, end of year	\$ 60,505,007	\$ 3,157,505	\$ 56,385	\$ 63,718,897
	2024			
	Engineered Structures	Land	Equipment	Total
Cost, beginning of year	\$ 69,105,610	\$ 3,157,505	\$ 7,518	\$ 72,270,633
Additions	-	-	-	-
Cost, end of year	\$ 69,105,610	\$ 3,157,505	\$ 7,518	\$ 72,270,633
Accumulated amortization, beginning of year	\$ 6,286,314	-	\$ 7,518	\$ 6,293,832
Amortization	1,157,145	-	-	1,157,897
Accumulated amortization, end of year	\$ 7,443,459	-	\$ 7,518	\$ 7,450,977
Net carrying amount, end of year	\$ 61,662,151	\$ 3,157,505	-	\$ 64,819,656

North Red Deer Regional Wastewater Services Commission
Notes to The Financial Statements

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6. Equity in Tangible Capital Assets

	<u>2025</u>	<u>2024</u>
Tangible capital assets	\$ 72,329,986	\$ 72,270,633
Accumulated amortization	(8,611,089)	(7,450,977)
Total long-term debt	<u>(5,427,780)</u>	<u>(5,616,232)</u>
	<u>\$ 58,291,117</u>	<u>\$ 59,203,424</u>

7. Accumulated Surplus

Unrestricted Surplus	231,435	13,475
Operating Reserve	391,612	591,851
Capital Reserve	1,997,171	1,932,251
Equity in tangible capital assets	<u>\$ 58,291,117</u>	<u>\$ 59,203,424</u>
	<u>\$ 60,911,335</u>	<u>\$ 61,741,001</u>

North Red Deer Regional Wastewater Services Commission
Notes to The Financial Statements

December 31, 2025

8. Related Party Transactions

City of Lacombe, Town of Blackfalds, and Lacombe County are members of the Commission and, as such, have been identified as related parties.

Wastewater sales charged to Commission members are as follows:

	2025	2024
City of Lacombe	\$ 2,682,629	\$ 2,416,945
Town of Blackfalds	1,339,818	1,241,036
Lacombe County	159,640	86,634
Septic Rec Station	18,862	11,207
	\$ 4,200,949	\$ 3,755,822

During the year the Town of Blackfalds paid for the treatment of 60,715 m³ (2024 - 31,775 m³) of wastewater from Lacombe County to service the Aspelund Business Park. The cost of wastewater treatment attributed to the Town of Blackfalds, above, includes the wastewater treatment service it resold to Lacombe County.

During the year the City of Lacombe paid for the treatment of 1,287 m³ (2024 - 791 m³) of wastewater from Lacombe County to service the Wildrose Business Park. The cost of wastewater treatment attributed to the City of Lacombe, above, includes the wastewater treatment service it resold to Lacombe County.

Service fees are based on the actual net operating costs of the Commission and are allocated among various Commission members based on earlier agreement. Service fees charged to Commission members are as follows:

	2025	2024
City of Lacombe	234,831	226,607
Town of Blackfalds	234,248	226,024
County of Lacombe	133,657	125,433
	\$ 602,736	\$ 578,064

The Commission receives accounting, management and operations services by the City of Lacombe for a total cost of \$353,163 (2024 - \$342,883).

Included in accounts receivable are \$1,076,256 (2024 - \$905,050) due from various member municipalities.

Included in accounts payable is \$2,442 (2024 - \$1,306) due to various member municipalities.

North Red Deer Regional Wastewater Services Commission
Notes to The Financial Statements

December 31, 2025

9. Approval of Financial Statements

The Board and Management approved these financial statements.
