

North Red Deer Regional Wastewater
Services Commission
Financial Statements
For the year ended December 31, 2021

North Red Deer Regional Wastewater Services Commission
Financial Statements
For the year ended December 31, 2021

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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, 2021, 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, 2021 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

Independent Auditor's Report, continued

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.

Chartered Professional Accountants,
Red Deer, Alberta
April 4, 2022

North Red Deer Regional Wastewater Services Commission
Statement of Financial Position

December 31, 2021	2021	2020
Financial assets		
Cash	\$ 1,314,970	\$ 289,200
Accounts receivable	555,460	500,865
	<u>1,870,430</u>	<u>790,065</u>
Liabilities		
Accounts payable and accrued liabilities	297,039	598,033
Current Portion of Long-term Debt (Note 2)	187,231	142,485
	<u>484,270</u>	<u>740,518</u>
Long-term Debt, Net of Current Portion (Note 2)	<u>5,293,846</u>	<u>4,521,077</u>
	<u>5,778,116</u>	<u>5,261,595</u>
Net debt	<u>(3,907,686)</u>	<u>(4,471,530)</u>
Non-financial assets		
Tangible capital assets (Note 4)	68,018,813	69,022,191
Prepaid expenses	55,270	46,150
	<u>68,074,083</u>	<u>69,068,341</u>
Accumulated surplus (Note 6)	<u>\$64,166,397</u>	<u>\$ 64,596,811</u>

Approved on behalf of the Commission:

North Red Deer Regional Wastewater Services Commission
Statement of Operations

For the year ended December 31, 2021	Budget 2021	2021	2020
Revenue			
Wastewater sales to Commission members (Note 7)	\$ 4,126,598	\$ 3,660,104	\$ 4,005,559
Interest income	-	7,714	1,132
Other revenue	-	276,906	198
Service fees to Commission members (Note 7)	435,402	433,442	369,066
Total revenue	4,562,000	4,378,166	4,375,955
Expenses			
Accounting and audit fees	9,000	7,950	9,060
Board travel & subsistence	1,000	126	-
General material and supplies	269,156	285,776	312,797
Insurance	61,000	58,204	53,502
Interest on long-term debt	177,917	175,958	156,175
Management fees	20,000	42,771	28,419
Legal fees	5,000	86	315
Operator costs	374,324	372,798	366,984
Other expenses	14,900	11,703	11,790
Repairs and maintenance	20,800	105,003	50,985
Treatment charges	2,587,075	2,270,100	2,460,009
Utilities	330,630	324,097	312,203
Amortization of capital assets	1,154,008	1,154,008	1,149,158
Total expenses	5,024,810	4,808,580	4,911,397
Excess of revenue over expenses	(462,810)	(430,414)	(535,442)
Accumulated surplus, beginning of year	64,596,811	64,596,811	65,132,253
Accumulated surplus, end of year	\$ 64,134,001	\$64,166,397	\$ 64,596,811

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

For the year ended December 31, 2021	Budget 2021	2021	2020
Excess of revenue over expenses	\$ (462,810)	\$ (430,414)	\$ (535,442)
Acquisition of tangible capital assets	-	(150,630)	(357,074)
Amortization of tangible capital assets	1,154,008	1,154,008	1,149,158
	<u>691,198</u>	<u>572,964</u>	<u>256,642</u>
Increase in prepaid expenses	-	(9,120)	(1,878)
Net change in net debt	691,198	563,844	254,764
Net debt, beginning of year	<u>(4,471,530)</u>	<u>(4,471,530)</u>	<u>(4,726,294)</u>
Net debt, end of year	<u>\$ (3,780,332)</u>	<u>\$ (3,907,686)</u>	<u>\$ (4,471,530)</u>

North Red Deer Regional Wastewater Services Commission
Statement of Cash Flows

For the year ended December 31, 2021	2021	2020
Operating transactions		
Excess of revenue over expenses	\$ (430,414)	\$ (535,442)
Items not involving cash		
Amortization	1,154,008	1,149,158
Changes in non-cash operating balances		
Accounts receivable	(54,595)	(90,008)
Prepaid expenses	(9,120)	(1,878)
Accounts payable and accrued liabilities	(300,994)	45,599
	<u>358,885</u>	<u>567,429</u>
Capital transactions		
Acquisition of tangible capital assets	(150,630)	(357,074)
Increase in Asset Under Construction	-	-
	<u>(150,630)</u>	<u>(357,074)</u>
Financing transactions		
Proceeds from issuance of long-term debt	1,000,000	-
Repayment of long-term debt	(182,485)	(137,891)
	<u>817,515</u>	<u>(137,891)</u>
Net change in cash and bank indebtedness	1,025,770	72,464
Cash, beginning of year	<u>289,200</u>	<u>216,736</u>
Cash, end of year	<u>\$ 1,314,970</u>	<u>\$ 289,200</u>

North Red Deer Regional Wastewater Services Commission Summary of Significant Accounting Policies

December 31, 2021

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.

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

Revenue Recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

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.

North Red Deer Regional Wastewater Services Commission
Summary of Significant Accounting Policies

December 31, 2021

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.

1. Bank Overdraft

The Commission has an unused overdraft protection agreement with a maximum overdraft of \$2,000,000 (2020 - \$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, 2021 the prime rate was 2.45% (2020 - 2.45%).

2. Long-term Debt

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

	2021	2020
3.304% debenture, repayable \$147,701, semi-annually, due March 15, 2043.	\$ 4,521,077	\$ 4,663,562
2.80% Long term debt, repayable \$20,000 fixed principal semi-annually, interest compounded daily and payable monthly, due December 1, 2025.	\$ 960,000	\$ -
Current portion	187,231	142,485
Long term portion	5,293,846	4,521,077

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 187,231	\$ 174,955	\$ 362,186
2023	192,136	168,923	361,059
2024	197,204	162,795	359,999
2025	1,002,441	156,362	1,158,803
2026	167,853	127,549	295,402
Thereafter	3,734,212	1,139,916	4,874,128
	\$ 5,481,077	\$ 1,930,500	\$ 7,411,577

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 Financial Statements

December 31, 2021

3. 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>2021</u>	<u>2020</u>
Total debt limit	\$ 8,756,333	\$ 8,751,909
Total debt	<u>5,481,077</u>	<u>4,663,562</u>
Total debt limit	<u>3,275,256</u>	<u>4,088,347</u>
Debt servicing limit	1,532,358	1,531,584
Debt servicing	<u>362,186</u>	<u>295,402</u>
Total debt servicing limit	<u>1,170,172</u>	<u>1,236,182</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 Financial Statements

December 31, 2021

4. Tangible Capital Assets

	2021			
	Engineered Structures	Land	Equipment	Total
Cost, beginning of year	\$ 68,682,265	\$ 3,157,505	\$ 7,518	\$ 71,847,288
Additions & Transfers from WIP	150,630	-	-	150,630
Cost, end of year	\$ 68,832,895	\$ 3,157,505	\$ 7,518	\$ 71,997,918
Accumulated amortization, beginning of year	\$ 2,821,337	-	\$ 3,760	\$ 2,825,097
Amortization	1,152,504	-	1,504	1,154,008
Accumulated amortization, end of year	\$ 3,973,841	-	\$ 5,264	\$ 3,979,105
Net carrying amount, end of year	\$ 64,859,054	\$ 3,157,505	\$ 2,254	\$ 68,018,813

4. Tangible Capital Assets (continued)

	2020			
	Engineered Structures	Land	Equipment	Total
Cost, beginning of year	\$ 68,325,191	\$ 3,157,505	\$ 7,518	\$ 71,490,214
Additions & Transfers from WIP	357,074	-	-	357,074
Cost, end of year	\$ 68,682,265	\$ 3,157,505	\$ 7,518	\$ 71,847,288
Accumulated amortization, beginning of year	\$ 1,673,683	-	\$ 2,256	\$ 1,675,939
Amortization	1,147,654	-	1,504	1,149,158
Accumulated amortization, end of year	\$ 2,821,337	-	\$ 3,760	\$ 2,825,097
Net carrying amount, end of year	\$ 65,860,928	\$ 3,157,505	\$ 3,758	\$ 69,022,191

North Red Deer Regional Wastewater Services Commission
Notes to Financial Statements

December 31, 2021

5. Equity in Tangible Capital Assets

	<u>2021</u>	<u>2020</u>
Tangible capital assets	\$71,997,918	\$ 71,847,288
Accumulated amortization	(3,979,105)	(2,825,097)
Total Long-Term Debt	<u>(5,481,077)</u>	<u>(4,663,562)</u>
	<u>\$62,537,736</u>	<u>\$ 64,358,629</u>

6. Accumulated Surplus

Unrestricted Operating Surplus

Unrestricted Capital Surplus

Operating Reserve

Capital Reserve

Equity in tangible capital assets

123,080	(811,818)
65,101	-
400,000	400,000
1,040,480	650,000
<u>\$62,537,736</u>	<u>\$ 64,358,629</u>
<u>\$64,166,397</u>	<u>\$ 64,596,811</u>

North Red Deer Regional Wastewater Services Commission
Notes to Financial Statements

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7. 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:

	<u>2021</u>	<u>2020</u>
City of Lacombe	\$ 2,423,664	\$ 2,740,904
Town of Blackfalds	1,235,823	1,264,655
	<u>\$ 3,659,487</u>	<u>\$ 4,005,559</u>

During the year the Town of Blackfalds purchased 15,441 m³ (2020 - 14,054 m³) of wastewater from the Commission and resold the water to Lacombe County to service the Aspelund Business Park. The cost of water attributed to the Town of Blackfalds, above, includes the water 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:

	<u>2021</u>	<u>2020</u>
City of Lacombe	174,829	147,920
Town of Blackfalds	174,470	147,626
County of Lacombe	84,143	73,520
	<u>\$ 433,442</u>	<u>\$ 369,066</u>

The Commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$372,798 (2020 - \$366,984).

Included in accounts receivable are \$520,211 (2020 - \$454,982) due from various members municipalities.

Included in accounts payable is \$9,418 (2020 - \$44,981) due to various member Municipalities.

8. Approval of Financial Statements

The Board and Management approved these financial statements.
