

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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## Independent Auditor's Report

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

*Report on the Financial Statements*

We have audited the accompanying financial statements of North Red Deer Regional Wastewater Services Commission, which comprise the Statement of Financial Position as at December 31, 2016, and the Statements of Operations, Change in Net Debt and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 North Red Deer Regional Wastewater Services Commission as at December 31, 2016, and the results of its operations, change in net Debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*


Red Deer, Alberta  
April 10, 2017


CHARTERED PROFESSIONAL ACCOUNTANTS

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016 \$	2015 \$
<b>FINANCIAL ASSETS</b>		
Cash	149,279	462,125
Accounts receivable	178,715	25,659
	<u>327,994</u>	<u>487,784</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	1,090,170	62,726
Advance Payable (Note 2.)	1,000,000	1,000,000
	<u>2,090,170</u>	<u>1,062,726</u>
	<u>2,090,170</u>	<u>1,062,726</u>
<b>Net Debt</b>	<u>(1,762,176)</u>	<u>(574,942)</u>
<b>Non-financial assets</b>		
Assets Under Construction	3,883,567	575,535
<b>ACCUMULATED SURPLUS</b>	<u>2,121,391</u>	<u>593</u>

Approved on Behalf of the Commission

  
Chairman

  
Administrator

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

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
<b>REVENUE</b>			
Service Fees Charged to Commission Members	72,290	72,290	-
Interest Income	-	3,881	585
Provincial Grant	-	2,099,222	-
Total revenue	72,290	2,175,393	585
<b>OPERATING EXPENSES</b>			
Accounting fees	8,160	13,925	-
Management Fees	51,000	36,720	-
General Materials & Supplies	6,987	1,198	-
Other Expenses	1,400	1,366	-
Board Travel & Subsistence	4,743	1,386	-
<b>TOTAL OPERATING EXPENSES</b>	72,290	54,595	-
<b>EXCESS OF REVENUES OVER EXPENSES</b>	-	2,120,798	585
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	-	593	8
	-	-	-
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	-	2,121,391	593

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

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION  
STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	-	2,120,798	585
Asset Under Construction	-	(3,308,032)	(575,535)
	-	(1,187,234)	(574,950)
(DECREASE) INCREASE IN NET ASSETS	-	(1,187,234)	(574,950)
NET ASSET, BEGINNING OF YEAR	-	(574,942)	8
NET ASSETS, END OF YEAR	-	(1,762,176)	(574,942)

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

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	2,120,797	585
Non-cash items included in excess of revenues over expenses:		
Increase (Decrease) in Trade and Other Receivables	(153,056)	(25,188)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,027,445	62,251
Net changes in non-cash working capital balances:	<u>2,995,186</u>	<u>37,648</u>
Increase in Asset Under Construction	(3,308,032)	(575,535)
Increase in advance payable	-	1,000,000
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(312,846)</b>	<b>462,113</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>462,125</b>	<b>12</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>149,279</u></b>	<b><u>462,125</u></b>

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

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

**1. Significant Accounting Policies**

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

Management's Responsibility for the Financial Statements - The financial statements of the North Red Deer River Regional Wastewater Services Commission (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. The Commission is constituted under the Municipal Government Act and was approved by the Minister of Municipal Affairs on October 22, 2008, for the purpose of constructing, maintaining, controlling, and managing a regional Wastewater system. The members of the Commission are the City of Lacombe, Lacombe County, and Town of Blackfalds

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**b. Revenue Recognition**

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. Government transfers are received from third parties pursuant to agreement and may only be used for the completion of specific work or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, or the tangible capital assets are acquired.

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**c. Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenditure during the period. Actual results could differ from those estimates.

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**d. Inventories**

Inventories of materials and supplies for consumption are valued at the lower of cost or net replacement cost.

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**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

**1. Significant Accounting Policies continued**

**e. Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair value at the date of contribution and are also recorded as revenue.

All Tangible capital assets are considered Assets Under Construction and will be capitalized once project is completed.

The cost, less residual value, of the tangible capital asset are amortized on a straight line basis over the estimated useful life as follows:

<u>ASSET CLASS</u>	<u>2015</u>
Buildings	25-50
Engineered structures	
Wastewater systems	45-75
Machinery, equipment and furnishings	5-30
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**f. Liability for Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environment 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 attributed to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

**2. ADVANCE PAYABLE**

The Commission was advanced \$1,000,000 from Lacombe County (the "County") to begin designing and engineering for a new regional wastewater pipeline. The amounts forwarded are provided specifically for the purpose of the new pipeline and are to be used only for those reasons. The advance is interest bearing at prime less 1.5% per annum. If the project does proceed to construction within 5 years, then the County will be credited by its proportionate share against the overall cost of construction. If the project does not proceed to construction within 5 years, the City of Lacombe and Town of Blackfalds will repay their share of the note back to the County. The note is recorded at the fair market value of the consideration transferred.

**3. DEBT LIMITS**

Section 3 of Alberta Regulation No. 76/2000 and requires that debt and debt limits for the Commission to be disclosed. The Commission has received approval to borrow up to \$66 million under ministerial order MSL:006/17 to complete the project and as such, has not exceeded its debt limit at December 31, 2016. The debt limit and debt service limit otherwise determined are as follows:

	<b>2016</b>	<b>2015</b>
	\$	\$
Total debt limit	<u><b>152,342</b></u>	<u>1,172</u>
Debt servicing limit	<u><b>26,659</b></u>	<u>205</u>

The debt limit is calculated at 2 times the revenue of the Commission (as defined in Alberta Regulation 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 taken alone does not represent the financial stability of the Commission. Rather, the financial statements must be represented as a whole.

**NORTH RED DEER REGIONAL WASTEWATER SERVICES COMMISSION**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

**4. 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.

**a. SERVICE FEES:**

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:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
City of Lacombe	<b>24,098</b>	-
Town of Blackfalds	<b>24,096</b>	-
County of Lacombe	<b>24,096</b>	-
	<b>72,290</b>	-

**b. DUE FROM RELATED PARTIES**

Included in accounts receivable are \$36,144 ( 2015- \$-) due from various member municipalities.

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**5. APPROVAL OF FINANCIAL STATEMENTS**

Commission Board and Administration have approved these financial statements.

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