



North Red Deer Regional Wastewater Services Commission

Regular Meeting Agenda

Date:	April 3, 2023	Time:	10:00 am – 11:00 am
Location:	COUNCIL CHAMBERS, CITY OF LACOMBE, AB		
Invitees:	<p>Members: Mayor Grant Creasey, City of Lacombe – Chair Mayor Jamie Hoover, Town of Blackfalds – Vice Chair Councillor John Ireland, Lacombe County – Director</p> <p>NRDRWWSC CAO: Director Jordan Thompson, City of Lacombe</p> <p>Others: CAO Myron Thompson, Town of Blackfalds CAO Matthew Goudy, City of Lacombe County Manager Tim Timmons, Lacombe County Director Preston Weran, Town of Blackfalds Manager Michael Minchin, Lacombe County Senior Manager Tracey McKinnon, City of Lacombe Manager Amber Mitchell, City of Lacombe Manager Chris Huston, City of Lacombe</p> <p>Guests: Joel Sawatzky, Stantec Consulting Ltd. Todd Simenson, Stantec Consulting Ltd. Michael Levia, CPA, CA, BDO Canada LLP Alan Litster, CPA, CA, BDO Canada LLP Ryan Wachter, CPA, CA, BDO Canada LLP</p>		
Recorded by:	Iwalani Post - Administrative Assistant NRDRWWSC		
	1. Call to Order by Chair		
	2. Adoption of Agenda:		
	3. Adoption of Minutes		
	3.1 Regular Meeting Minutes – November 7, 2022		
	4. Presentations:		
	4.1 2022 Financial Statement - BDO Canada LLP		
	5. Reports		
	5.1 Administration		
	5.2 Chair		

6. New Business / Emergent Items:

6.1 2022 Financial Statement – Senior Manager McKinnon

7. Next Meeting Date:

June 19, 2023 at 10:00 am in Council Chambers, City of Lacombe

8. Adjournment

REGIONAL WASTEWATER MEETING MINUTES

November 07, 2022

COUNCIL CHAMBERS

LACOMBE AB

In Attendance:

Members: Mayor Grant Creasey, Mayor, City of Lacombe
Councillor John Ireland, Councillor, Lacombe County
Mayor Jamie Hoover, Mayor, Town of Blackfalds

Others: Jordan Thompson, NRDRWWSC CAO
Denise Bellabono, Administrative Assistant, NRDRWWSC
Matt Goudy, CAO, City of Lacombe
Preston Weran, Director of Infrastructure and Property Services, Town of Blackfalds
Councillor Mark Matejka, Deputy Reeve, Ponoka County
Tim Timmons, County Manager, Lacombe County
Tracey McKinnon, Sr. Manager of Finance, City of Lacombe
Amber Mitchell, Engineering Manager, City of Lacombe
Angela Smith, Regional Utilities Foreman, City of Lacombe
Iwalani Post, Administrative Assistant, City of Lacombe

Guests: Todd Simenson, Stantec Consulting Ltd.

Regrets: Myron Thompson, CAO, Town of Blackfalds
Michael Minchin, Director of Corporate Services, Lacombe County
Joel Sawatzky, Stantec Consulting Ltd.

1. Call to Order

Chair Creasey called the meeting to order at 11:27 am.

Following the Call to Order, CAO Jordan Thompson chaired the organizational section of the meeting.

2. Adoption of the Organizational Agenda

MOVED by Councillor Ireland that the Operational Agenda for November 7, 2022, be adopted as presented.

CARRIED UNANIMOUSLY

3. Organizational Agenda

3.1. Annual Elections

3.1.a Call for Nominations of Chair:

Councillor Ireland nominated Mayor Grant Creasey

MOVED by Mayor Hoover that the nomination of Chair cease.

CARRIED UNANIMOUSLY

3.1.b Election of Chair:

Mayor Grant Creasey is declared Chair by acclamation

MOVED by Councillor Ireland that Mayor Grant Creasey be declared Chair of the North Red Deer Regional Wastewater Services Commission for the term expiring November 6, 2023 in accordance with Bylaw 1.

CARRIED UNANIMOUSLY

3.1.c Call for Nominations of Vice-Chair:

Councillor Ireland nominated Mayor Jamie Hoover

MOVED by Mayor Creasey that the nomination of Vice-Chair cease.

CARRIED UNANIMOUSLY

3.1.d Election of Vice-Chair:

Mayor Jamie Hoover is declared Vice-Chair by acclamation

MOVED by Councillor Ireland that Mayor Jamie Hoover be declared Vice Chair of the North Red Deer Regional Wastewater Services Commission for the term expiring November 6, 2023 in accordance with Bylaw 1.

CARRIED UNANIMOUSLY

3.2. 2023 Scheduling of Meetings

MOVED by Vice-Chair Hoover that the Commission approves the Regular Commission Meeting dates for 2023 as presented.

CARRIED UNANIMOUSLY

Following the Annual Elections, the newly elected Chair, Grant Creasey, chaired the remainder of the meeting.

4. Adoption of Regular Meeting Agenda

MOVED by Vice-Chair Hoover that the Regular Meeting Agenda for November 7, 2022, be adopted as presented.

CARRIED UNANIMOUSLY

5. Adoption of Minutes

5.1 Regular Meeting Minutes of October 03, 2022

MOVED by Councillor Ireland that the minutes from October 03, 2022, be adopted as presented.

CARRIED UNANIMOUSLY

6. Reports:

6.1. Administration

CAO Thompson presented Administration's report to the Commission highlighting the option for a second orientation session, an update on revenues and expenses, and a small year-end deficit is projected of \$66,219. Operational updates highlighted the completion of the annual generator inspections, PLC issues, replacement of Harmonic Filters, upcoming planned maintenance, and the installation of the new HMI screens at all sites.

MOVED by Councillor Ireland that the Commission accept the November 7, 2022 Administration Report as presented.

CARRIED UNANIMOUSLY

7. Old Business

8. New Business / Emergent Items

8.1. 2023 Operating and Capital Budget

CAO Thompson presented the 2023 Operating Budget based on the 2022-2040 Financial Plan. Projections for 2023 were made for overall wastewater sales, annual expenses with increases highlighted and estimated revenues for 2023. The 2023 Budget does not include any capital expenditures for 2023.

MOVED by Vice-Chair Hoover that the Commission adopts the 2023 Operating Budget as presented.

CARRIED UNANIMOUSLY

9. Correspondence

10. In Camera

11. Next Meeting:

Monday, April 03, 2023 at 10:00 am, City of Lacombe Council Chambers.

12. Adjournment:

MOVED by Vice-Chair Hoover that the North Red Deer Regional Wastewater Services Commission meeting of November 7, 2022, be adjourned at 11:51 am.

CARRIED UNANIMOUSLY

Chair

Administrator

**North Red Deer Regional Wastewater
Services Commission
Financial Statements
For the year ended December 31, 2022**

DRAFT FOR DISCUSSION PURPOSES ONLY

North Red Deer Regional Wastewater Services Commission
Financial Statements
For the year ended December 31, 2022

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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, 2022, 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, 2022 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 3, 2023

North Red Deer Regional Wastewater Services Commission
Statement of Financial Position

December 31, 2022	2022	2021
Financial assets		
Cash	\$ 1,759,173	\$ 1,314,970
Accounts receivable	905,574	555,460
	<u>2,664,752</u>	<u>1,870,430</u>
Liabilities		
Accounts payable and accrued liabilities	423,873	297,039
Current portion of long-term debt (Note 2)	175,669	187,231
	<u>599,542</u>	<u>484,270</u>
Long-term Debt, Net of Current Portion (Note 2)	5,798,177	5,293,846
	<u>6,397,719</u>	<u>5,778,116</u>
Net debt	<u>(3,732,967)</u>	<u>(3,907,686)</u>
Non-financial assets		
Tangible capital assets (Note 4)	67,134,698	68,018,813
Prepaid expenses	57,670	55,270
	<u>67,192,368</u>	<u>68,074,083</u>
Accumulated surplus (Note 6)	<u>\$ 63,459,401</u>	<u>\$ 64,166,397</u>

North Red Deer Regional Wastewater Services Commission
Statement of Operations

For the year ended December 31, 2022	Budget 2022	2022	2021
Revenue			
Wastewater sales to			
Commission members (Note 7)	\$ 4,144,662	\$ 3,844,008	\$ 3,660,104
Interest income	20,000	36,936	7,714
Other revenue	-	1,150	276,906
Service fees to Commission members (Note 7)	521,444	440,960	433,442
Total revenue	4,686,106	4,323,094	4,378,166
Expenses			
Accounting and audit fees	9,180	9,040	7,950
Board travel & subsistence	2,500	2,627	126
General material and supplies	275,615	293,156	285,776
Insurance	64,000	66,764	58,204
Interest on long-term debt	188,157	198,729	175,958
Management fees	25,000	62,122	42,771
Legal fees	5,000	338	86
Operator costs	381,815	380,256	372,798
Other expenses	12,240	15,256	11,703
Repairs and maintenance	75,000	81,585	105,003
Treatment charges	2,646,158	2,429,983	2,270,100
Utilities	337,050	333,404	324,097
Amortization of capital assets	1,156,830	1,156,830	1,154,008
Total expenses	5,178,545	5,030,090	4,808,580
Excess of revenue over expenses	(492,439)	(706,996)	(430,414)
Accumulated surplus, beginning of year	64,166,397	64,166,397	64,596,811
Accumulated surplus, end of year	\$ 63,673,958	\$ 63,459,401	\$ 64,166,397

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

For the year ended December 31, 2022	Budget 2022	2022	2021
Excess of revenue over expenses	\$ (492,439)	\$ (706,996)	\$ (430,414)
Acquisition of tangible capital assets	-	(272,715)	(150,630)
Amortization of tangible capital assets	1,156,830	1,156,830	1,154,008
	<u>664,391</u>	<u>177,119</u>	<u>572,964</u>
Increase in prepaid expenses		(2,400)	(9,120)
Net change in net debt	664,391	174,719	563,844
Net debt, beginning of year	(3,907,686)	(3,907,686)	(4,471,530)
Net debt, end of year	<u>\$ (3,243,295)</u>	<u>\$ (3,732,967)</u>	<u>\$ (3,907,686)</u>

North Red Deer Regional Wastewater Services Commission
Statement of Cash Flows

For the year ended December 31, 2022	2022	2021
Operating transactions		
Excess of revenue over expenses	\$ (706,996)	\$ (430,414)
Items not involving cash		
Amortization	1,156,830	1,154,008
Changes in non-cash operating balances		
Accounts receivable	(350,114)	(54,595)
Prepaid expenses	(2,400)	(9,120)
Accounts payable and accrued liabilities	126,834	(300,994)
	<u>224,154</u>	<u>358,885</u>
Capital transactions		
Acquisition of tangible capital assets	(272,715)	(150,630)
	<u>(272,715)</u>	<u>(150,630)</u>
Financing transactions		
Proceeds from issuance of long-term debt	492,769	1,000,000
Repayment of long-term debt	-	(182,485)
	<u>492,769</u>	<u>817,515</u>
Net change in cash and bank indebtedness	444,208	1,025,770
Cash, beginning of year	<u>1,314,970</u>	<u>289,200</u>
Cash, end of year	<u>\$ 1,759,178</u>	<u>\$ 1,314,970</u>

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

December 31, 2022

**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, 2022

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 (2021 - \$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, 2022 the prime rate was 6.45% (2021 - 2.45%).

DRAFT FOR DISCUSSION PURPOSES ONLY

North Red Deer Regional Wastewater Services Commission
Notes to Financial Statements

December 31, 2022

2. Long-term Debt

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

	2022	2021
3.304% debenture, repayable \$147,701, semi-annually, due March 15, 2043.	\$ 4,373,846	\$ 4,521,077
5.07% debenture, repayable \$52,179, semi-annually, due September 15, 2052.	\$ 1,600,000	\$ -
Debt repaid during the year.	\$ -	\$ 960,000
	5,973,846	5,481,077
Current portion	175,669	187,231
Long term portion	5,798,177	5,293,846

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	\$ 175,669	\$ 224,091	\$ 399,760
2024	181,945	217,815	399,760
2025	188,452	211,307	399,759
2026	195,199	204,561	399,760
2027	202,195	197,565	399,760
Thereafter	5,030,386	2,157,288	7,187,674
	\$ 5,973,846	\$ 3,212,627	\$ 9,186,473

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, 2022

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:

	2022	2021
Total debt limit	\$ 8,646,187	\$ 8,756,333
Total debt	5,973,846	5,481,077
Total debt limit	<u>2,672,341</u>	<u>3,275,256</u>
Debt servicing limit	1,513,083	1,532,358
Debt servicing	399,760	362,186
Total debt servicing limit	<u>1,113,323</u>	<u>1,170,172</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, 2022

4. Tangible Capital Assets

	2022			
	Engineered Structures	Land	Equipment	Total
Cost, beginning of year	\$ 68,832,895	\$ 3,157,505	\$ 7,518	\$ 71,997,918
Additions	272,715	-	-	272,715
Cost, end of year	\$ 69,105,610	\$ 3,157,505	\$ 7,518	\$ 72,270,633
Accumulated amortization, beginning of year	\$ 3,973,841	-	\$ 5,264	\$ 3,979,105
Amortization	1,155,326	-	1,504	1,156,830
Accumulated amortization, end of year	\$ 5,129,167	\$ -	\$ 6,768	\$ 5,135,935
Net carrying amount, end of year	\$ 63,976,443	\$ 3,157,505	\$ 750	\$ 67,134,698

4. Tangible Capital Assets (continued)

	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

North Red Deer Regional Wastewater Services Commission
Notes to Financial Statements

December 31, 2022

5. Equity in Tangible Capital Assets

	2022	2021
Tangible capital assets	\$ 72,270,633	\$ 71,997,918
Accumulated amortization	(5,135,935)	(3,979,105)
Total long-term debt	(5,973,846)	(5,481,077)
	\$ 61,160,852	\$ 62,537,736

6. Accumulated Surplus

Unrestricted Operating Surplus	329,817	123,080
Unrestricted Capital Surplus	65,101	65,101
Operating Reserve	550,000	400,000
Capital Reserve	1,353,631	1,040,480
Equity in tangible capital assets	\$ 61,160,852	\$ 62,537,736
	\$ 63,459,401	\$ 64,166,397

DRAFT FOR DISCUSSION PURPOSES ONLY

North Red Deer Regional Wastewater Services Commission
Notes to Financial Statements

December 31, 2022

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>2022</u>	<u>2021</u>
City of Lacombe	\$ 2,548,943	\$ 2,423,664
Town of Blackfalds	<u>1,283,269</u>	<u>1,235,823</u>
	<u>\$ 3,832,217</u>	<u>\$ 3,659,487</u>

During the year the Town of Blackfalds paid for the treatment of 17,012 m3 (2021 - 15,441 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 875 m3 (2021 - nil) 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:

	<u>2022</u>	<u>2021</u>
City of Lacombe	177,972	174,829
Town of Blackfalds	177,605	174,470
County of Lacombe	<u>85,383</u>	<u>84,143</u>
	<u>\$ 440,960</u>	<u>\$ 433,442</u>

The Commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$253,504 (2021 - \$372,798).

Included in accounts receivable are \$859,095 (2021 - \$520,211) due from various members municipalities.

Included in accounts payable is \$1,239 (2021 - \$9,418) due to various member Municipalities.

8. Approval of Financial Statements

The Board and Management approved these financial statements.



ADMINISTRATION REPORTS

Administrative, Financial & Operational

Date: April 3, 2023

Created by: CAO, Sr. Finance Manager, Operations Supervisor

ADMINISTRATIVE

- Second orientation session will be scheduled for June 19th during the regular meeting.
- City of Red Deer (CRD) Council approved their 2023 Utility Bylaw which includes the North Red Deer Regional Wastewater Commission rate of \$1.24 per cubic meter effective March 1, 2023 (+4.2%).
 - The CRD 2022 rate was \$1.19/m³ and the 2023 NRDRWWSC operating budget assumed it would increase to \$1.22/m³ (+2.5%)
- Due to higher than predicted inflationary cost pressures (primarily the CRD rate) the NRDRWWSC sales rate to members will require modest increases starting in 2024.

FINANCIAL

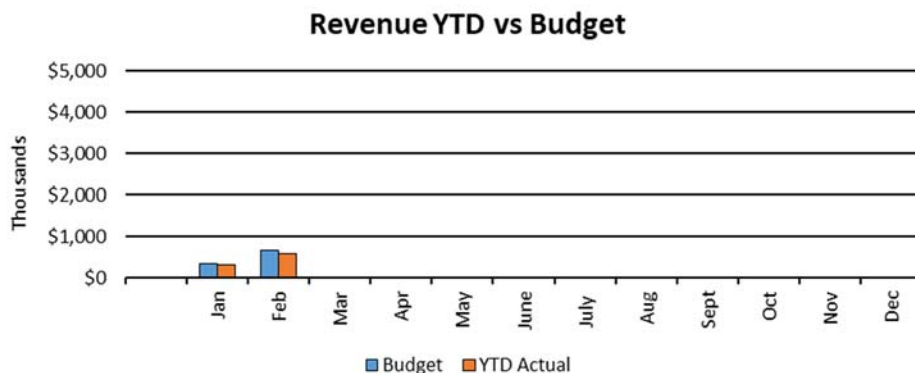
Table 1 - Wastewater volumes (in cubic meters) - January to February

Member	2022	2023
City of Lacombe	192,836	195,762
Town of Blackfalds	110,440	111,947
Lacombe County	3,305	4,931
Septic Receiving Station	0	70
Total	306,581	312,710

Wastewater volumes have increased over the prior year by 6,129 cubic meters or 2%.

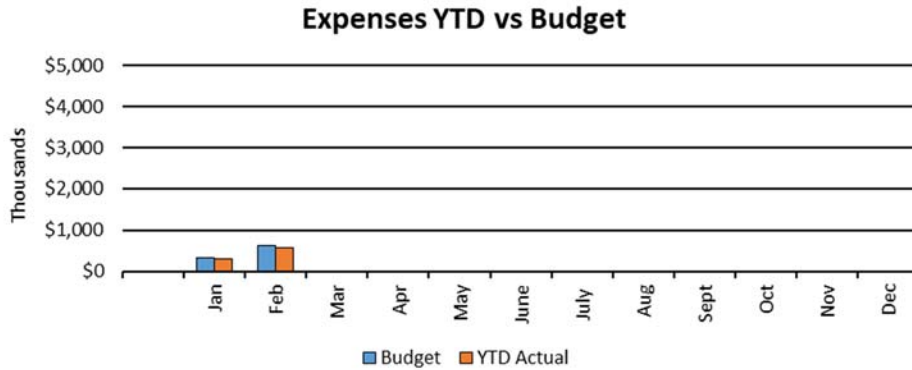
Revenue

As of February, YTD (year to date) actual revenues are lower than YTD budgeted revenues by \$79,578 or 12%. Water usage is typically lower in winter months and should stabilize over the hotter summer months.



Expenses

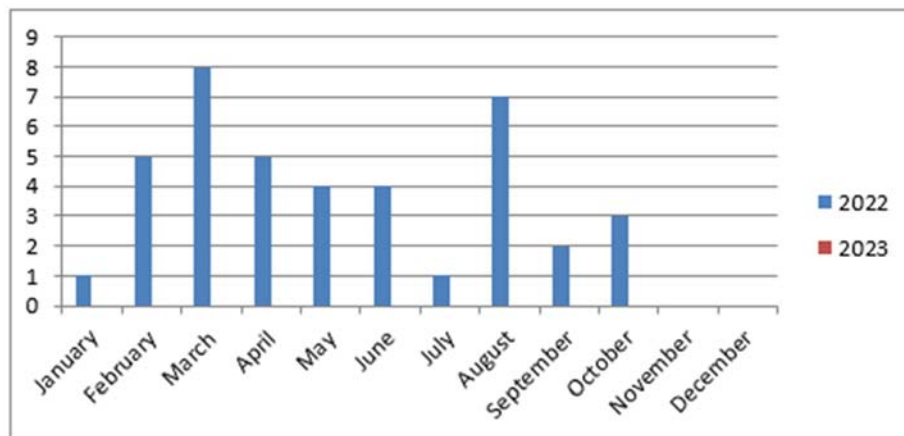
As of February 2023, the YTD actual expenses are lower than YTD budgeted expenses by \$66,474 or 10%. Expenses typically are higher in summer months as projects work is completed and supplies are received.



YTD Surplus/Deficit

As of February 2023, the YTD net deficit is approximately \$13K.

OPERATIONAL



2022 = 40 locates completed (2021 = 59)

2023 to date = 0 requests

Notable activities since last report

Lacombe:

- Continue to collect a wastewater sample from the facility and submit to the University of Calgary for COVID tracer analysis

Blackfalds:

- Operations responded to a faulting biofilter exhaust fan. It was discovered the fan wiring inside the building had arced within the Biorem PLC cabinet. Sterling Power repaired the wiring and installed a cooling fan for the cabinet.

OMF:

- In December, the water line froze in the building. Darcy's drilling came out to thaw the line and inspect the water well. Sterling Power repaired the heat trace system that stopped working. The site had no alarm or visual component to let an operator know that the heat trace faulted to the water well line.

Planned Spring maintenance activities:

- Exhaust Fan maintenance for the OMF and Blackfalds facilities.
- Divert flow and Inspect the OMF wet well's air diffusers.

ATTACHMENTS: N/A



REQUEST FOR DECISION

2022 Financial Audit

Date: April 3, 2023

Prepared by: Tracey McKinnon, Sr. Finance Manager

Presented by: Tracey McKinnon, Sr. Finance Manager

PURPOSE:

To present the 2022 audited financial statement for the North Red Deer Regional Wastewater Services Commission for the Board's approval.

ACTION/RECOMMENDATION:

1. THAT the Commission approve the North Red Deer Regional Wastewater Services Commission 2022 Audited Financial Statement as presented.

AND

2. THAT the Commission approve a transfer from the operating reserve in the amount of \$156,202 to eliminate the deficit.

ISSUE ANALYSIS:

The NRDRWWSC 2022 draft audited financial statement is now complete and ready for the Board's review and approval. Representatives from BDO LLP will present the 2022 audited Financial Statement at the Board meeting on April 3.

Audited Financial Statements must be completed, approved, and submitted to Alberta Municipal Affairs by May 1.

The 2022 audited statement presentation differs slightly from the annual operating budget in terms of how the operating surplus is presented. Chart 1 shows the reconciliation of the deficit reported on the audited statement to the operating budget deficit.

Chart 1 – Audit Statements to Operating Budget

2022 Audited Statement Deficit	-\$706,996
Less 2022 Debt Principal Payments	-\$167,231
Plus Amortization	\$1,156,830
Less Transfer to Reserves	-\$438,804
2022 Adjusted Deficit	-\$156,202

The 2022 budgeted surplus was \$50k compared to the adjusted deficit of \$156k. The revenue realized was under budget by \$363K and expenses were under budget by \$206k, resulting in a \$156K net deficit.

The actual revenue is under budget by \$363k for two reasons. The total treatment volume is 163 cubic meters less than was budgeted. Also, the member contributions are approximately \$80k lower than the budget due to the delay in long-run borrowing payments (borrowing occurred in September, and the budget assumed a full payment year).

The expenditures are under budget by \$206k. The treatment charges from the City of Red Deer were \$216k under budget due to lower-than-projected volumes. Other expenses were over budget by \$60k.

- There was a \$37k over expenditure in other professional services for heater rental.
- Other net expenses were over budget by \$23k for parts and repairs, general materials and supplies, insurance, and SCADA monitoring.

The difference in the sales rate to members (\$1.87/m³) and the treatment rate to the City of Red Deer (\$1.19/m³) is \$0.68. This means that for every 1m³ the year-end actual volume is under the budgeted annual volume, results in a net loss of \$0.68. This is because one less cubic meter has a greater impact on the revenue than the expenses. For this reason, in 2022, the lower total treatment volume contributed \$111,000 to the deficit.

A transfer from the operating reserve of \$156,202 is recommended to offset this deficit.

In 2022, the Commission has a remaining debt capacity of approximately \$2.6 million. This gives the Commission the ability to borrow.

LEGISLATIVE AUTHORITY:

Section 602.33 of the *Municipal Government Act*, RSA 2000, c M-26

ALTERNATIVES:

The Commission may choose to:

1. THAT the Commission approve the North Red Deer Regional Wastewater Services Commission 2022 Audited Financial Statement as presented.

AND

2. THAT the Commission approve a transfer from the operating reserve in the amount of \$156,202.

OR

3. THAT the Commission direct Administration how it wishes to proceed.

ATTACHMENTS:

Draft – 2022 Audited Financial Statement – North Red Deer Regional Wastewater Services Commission (included earlier in the agenda).