

**North Red Deer Regional Wastewater
Services Commission
Financial Statements
For the year ended December 31, 2017**

North Red Deer Regional Wastewater Services Commission
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

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, 2017, 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, 2017, 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.

Red Deer, Alberta
April 10, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

North Red Deer Regional Wastewater Services Commission
Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash	\$ -	\$ 149,279
Accounts receivable	15,748,254	178,715
Security Deposit	25,000	-
	15,773,254	327,994
Liabilities		
Bank indebtedness (Note 1)	15,402,557	-
Accounts payable and accrued liabilities	8,656,207	1,090,170
Advance payable	-	1,000,000
	24,058,764	2,090,170
	24,058,764	2,090,170
Net debt	(8,285,510)	(1,762,176)
Non-financial assets		
Assets Under Construction	60,622,680	3,883,567
	60,622,680	3,883,567
Accumulated surplus	\$ 52,337,170	\$ 2,121,391

Approved on behalf of the Commission:

North Red Deer Regional Wastewater Services Commission
Statement of Operations

For the year ended December 31	Budget 2017	2017	2016
Revenue			
Service Fees to Commission Members (Note 3)	\$ 70,890	\$ 70,890	\$ 72,290
Interest income	-	82,294	3,881
Provincial Grant	-	50,033,794	2,099,222
Other Revenue	-	85,036	-
Total revenue	70,890	50,272,014	2,175,393
Expenses			
Accounting and Audit Fees	18,825	6,150	13,925
Board Travel & Subsistence	-	564	274
General Material and Supplies	6,995	12,373	1,198
Management Fees	43,050	36,721	36,720
Legal Fees	510	-	526
Other Expenses	1,510	427	1,952
Total expenses	70,890	56,235	54,595
Excess of revenue over expenses	-	50,215,779	2,120,798
Accumulated surplus, beginning of year	2,121,391	2,121,391	593
Accumulated surplus, end of year	\$ 2,121,391	\$ 52,337,170	\$ 2,121,391

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

For the year ended December 31	Budget 2017	2017	2016
Excess of revenue over expenses	\$ -	\$ 50,215,779	\$ 2,120,798
Asset Under Construction	-	(56,739,113)	(3,308,032)
	-	(6,523,334)	(1,187,234)
Net change in net debt	-	(6,523,334)	(1,187,234)
Net debt, beginning of year	(1,762,176)	(1,762,176)	(574,942)
Net debt, end of year	\$ (1,762,176)	\$ (8,285,510)	\$ (1,762,176)

North Red Deer Regional Wastewater Services Commission
Statement of Cash Flows

For the year ended December 31	2017	2016
Operating transactions		
Excess of revenue over expenses	\$ 50,215,779	\$ 2,120,798
Items not involving cash		
Changes in non-cash operating balances		
Accounts receivable	(15,569,539)	(153,056)
Increase in Security Deposit	(25,000)	-
Accounts payable and accrued liabilities	7,566,037	1,027,445
Decrease in Advance Payable	(1,000,000)	-
	<u>41,187,277</u>	<u>2,995,187</u>
Capital transactions		
Increase in Asset Under Construction	<u>(56,739,113)</u>	<u>(3,308,033)</u>
	<u>(56,739,113)</u>	<u>(3,308,033)</u>
Net change in cash and bank indebtedness	(15,551,836)	(312,846)
Cash (bank indebtedness), beginning of year	<u>149,279</u>	<u>462,125</u>
Cash (bank indebtedness), end of year	<u>\$ (15,402,557)</u>	<u>\$ 149,279</u>

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

December 31, 2017

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

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, 2017

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 indebtedness

The Commission has an overdraft protection agreement with a maximum overdraft of \$20 million and interest charged at prime. Collateral is comprised of a general security agreement specifically pledging all grant proceeds and debenture products. As at year end December 31, 2017 the prime rate was 3.20%.

2. Debt Limits

Section 3 Alberta Regulation No. 76/2000 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 MSL006/17 in order to finance and complete the construction of the wastewater transmission line. The debt limit and debt service limit otherwise determined are as follows:

	2017	2016
Total debt limit	<u>\$ 476,440</u>	<u>\$ 152,342</u>
Debt servicing limit	<u>83,377</u>	<u>26,659</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, 2017

3. 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.

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>2017</u>	<u>2016</u>
City of Lacombe	23,630	24,098
Town of Blackfalds	23,630	24,098
County of Lacombe	23,630	24,098
	<u>\$ 70,890</u>	<u>\$ 72,294</u>

The Commission received grant revenue from the City of Lacombe in the amount of \$84,936 (2016 - \$0) during the fiscal year.

Included in accounts receivable are \$17,065 (2016- \$36,144) due from various members municipalities.

4. Approval of Financial Statements

The Board and Management approved these financial statements.
