



April 26, 2019

South Red Deer Regional Wastewater Commission
35566 Rge Rd 10
Red Deer County, AB T0M 0W0

Dear Mr. Wuetherick:

Re: **Fiscal Year-end December 31, 2018**

We have completed our audit of the financial statements of South Red Deer Regional Wastewater Commission ("the Organization") for the year ended December 31, 2018 and enclose the following:

FINANCIAL STATEMENTS

1. One digital copy of the December 31, 2018 audited financial statements.
2. One digital copy of the Commission Financial Information Return.

TAX RETURNS

Federal

1. One digital copy of the Organization's December 31, 2018 federal corporate income tax return with supporting schedules. Per your instructions, we have transmitted the federal tax return electronically to the Canada Revenue Agency using Corporate Efile. The enclosed "CLIENT COPY" is for your records.

As discussed with you, our work was based on information provided to us, but not verified or reviewed by us. It is suggested that a careful review be made of the returns to ensure that there are no significant omissions or misstatements prior to signing the tax returns.

Please note that there are no income taxes payable or refundable.

Upon receipt of the Notice of Assessment, please forward a copy to us, and notify us immediately if the Canada Revenue Agency's assessment differs from the return that we prepared.

OTHER ENCLOSURES

1. One digital copy of our signed Engagement Letter.
2. One digital copy of the signed Representation Letter.
3. One digital copy of our Management Letter. Please distribute the letter to the appropriate Company officials.
4. One digital copy of our Audit Findings report which includes our Independence Letter as previously provided to the Board of Directors.
5. One digital copy of the signed Summary of Differences.
6. One digital copy of the year-end journal entries and one copy of the closing trial balance for your records.
7. All records submitted to us for the preparation of the above, including some schedules we have prepared. Please be advised that we do not retain copies of this information in our files and may require it again next year. Accordingly, please retain these documents in safe keeping.
8. Our invoice for services rendered.

OTHER MATTERS FOR YOUR ATTENTION

Record Retention

1. All records and documents should be retained in safekeeping for a minimum of seven years in the event that the Canada Revenue Agency demands them for audit purposes. This seven-year period is by Statute and, even after this time, the Canada Revenue Agency's permission to destroy records should be obtained.

We thank you for appointing our Firm as your auditors. Please contact us at any time if you have questions on accounting, finance, tax or other general business concerns. We would also be pleased to discuss our suite of services with your friends and business associates. We appreciate your business and any referrals you may make to our Firm.

If you have any questions or comments, or if we can be of additional assistance, please feel free to contact me at (403) 356-1265.

Sincerely,



Julie Oliver, CPA, CA
Assurance Services

encls.

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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MANAGEMENT'S REPORT

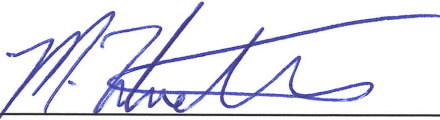
To the Members of South Red Deer Regional Wastewater Commission

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The elected board is composed entirely of neither management nor employees of the Commission. The board has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The board is responsible for recommending the appointment of the Commission's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the board and management to discuss their audit findings. The accompanying financial statements are the responsibility of the management of South Red Deer Regional Wastewater Commission.



Michael Wuetherick
Chief Administrative Officer

Independent Auditor's Report

To the Board of Directors of South Red Deer Regional Wastewater Commission:

Opinion

We have audited the financial statements of South Red Deer Regional Wastewater Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net debt, cash flows and the related schedules, 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian 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 the 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.

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.

Red Deer, Alberta

April 26, 2019

MNP LLP

Chartered Professional Accountants

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	2018	2017
FINANCIAL ASSETS	\$	\$
Cash and cash equivalents <i>(note 3)</i>	2,818,026	1,164,473
Accounts receivable <i>(note 7)</i>		
Federal government	102,945	30,540
Provincial government	619,142	1,399,388
Local governments	694,519	562,479
Other	2,457	171,132
Investments <i>(note 4)</i>	1,209,933	1,190,065
TOTAL FINANCIAL ASSETS	5,447,022	4,518,077
LIABILITIES		
Trade payables & accrued liabilities	2,453,595	1,879,636
Long-term debt <i>(note 9)</i>	13,526,836	13,990,219
TOTAL LIABILITIES	15,980,431	15,869,855
NET DEBT	(10,533,409)	(11,351,778)
NON-FINANCIAL ASSETS		
Inventory for consumption <i>(note 6)</i>	219,283	210,287
Prepaid expenses <i>(note 5)</i>	41,721	40,283
Tangible capital assets <i>(note 12)</i>	116,208,191	117,246,736
TOTAL NON-FINANCIAL ASSETS	116,469,195	117,497,306
ACCUMULATED SURPLUS <i>(note 15)</i>	105,935,786	106,145,528
COMMITMENTS <i>(note 17)</i>		
CONTINGENCIES <i>(note 20)</i>		

Approved by the Board of Directors

 Director

 Director

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget \$ (Note 19)	2018 \$	2017 \$
REVENUE			
Wastewater services revenue	7,483,955	7,022,390	7,026,554
Interest & other	27,384	71,740	32,153
	<u>7,511,339</u>	<u>7,094,130</u>	<u>7,058,707</u>
EXPENSES			
Waste water treatment	3,592,864	3,360,907	3,387,233
Utilities	517,313	401,743	467,483
Operations & maintenance contract	614,273	574,388	592,820
Odor management (chemicals)	539,832	588,663	425,655
Repairs & maintenance	372,316	149,037	126,097
Professional services	37,000	119,043	37,672
Amortization	2,694,981	2,762,979	2,722,772
Governance, administration & interest	632,017	688,579	612,840
	<u>9,000,596</u>	<u>8,645,339</u>	<u>8,372,572</u>
Deficiency of revenue over expenses, before other	(1,489,257)	(1,551,209)	(1,313,865)
OTHER			
Government transfers for capital & right of way	-	2,004,367	115,622
Right of way expense	-	(662,900)	(45,528)
Deficiency of revenue over expenses	(1,489,257)	(209,742)	(1,243,771)
Accumulated surplus, beginning of year	106,145,528	106,145,528	107,389,299
Accumulated surplus, end of year (Note 15)	<u>104,656,271</u>	<u>105,935,786</u>	<u>106,145,528</u>

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget	2018	2017
	\$	\$	\$
Deficiency of revenue over expenses	(1,489,257)	(209,742)	(1,243,771)
Amortization of tangible capital assets	2,694,981	2,762,979	2,722,772
Acquisition of tangible capital assets	(5,459,000)	(1,724,434)	(145,999)
Change in inventories and prepaid expenses	-	(10,434)	(31,938)
Decrease (increase) in Net Debt	(4,253,276)	818,369	1,301,064
Net Debt, Beginning of Year	<u>(11,351,778)</u>	<u>(11,351,778)</u>	<u>(12,652,842)</u>
Net Debt, End of Year	<u>(15,605,054)</u>	<u>(10,533,409)</u>	<u>(11,351,778)</u>

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
OPERATING ACTIVITIES	\$	\$
Deficiency of revenue over expenses	(209,742)	(1,243,771)
Items not affecting cash		
Amortization of tangible capital assets	2,762,979	2,722,772
Changes in non-cash working capital		
Accounts receivable	744,476	(288,083)
Accounts payable and accrued liabilities	573,960	(676,405)
Inventory	(8,996)	(34,677)
Prepays	(1,439)	2,738
	<u>3,861,238</u>	<u>482,574</u>
CAPITAL ACTIVITY		
Acquisition of tangible capital assets	<u>(1,724,434)</u>	<u>(145,998)</u>
INVESTING ACTIVITY		
Purchase of investments	<u>(19,868)</u>	<u>(11,859)</u>
FINANCING ACTIVITIES		
Repayment of long-term payable	<u>(463,383)</u>	<u>(450,294)</u>
Net increase (decrease) in cash	1,653,553	(125,577)
Cash and cash equivalents, beginning of year	<u>1,164,473</u>	<u>1,290,050</u>
Cash and cash equivalents, end of year	<u><u>2,818,026</u></u>	<u><u>1,164,473</u></u>

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
SCHEDULE 1**

	Land	Lift Stations and Equipment	Pipeline	Construction in Progress	Total 2018	Total 2017
	\$	\$	\$	\$	\$	\$
Original Cost:						
Balance, beginning of year	30,532	38,846,786	88,245,357	190,045	127,312,720	127,166,722
Acquisition of tangible capital assets	-	1,679,730	127,352	(82,648)	1,724,434	145,998
Balance, end of year	30,532	40,526,516	88,372,709	107,397	129,037,154	127,312,720
Accumulated Amortization:						
Balance, beginning of year	-	(5,223,512)	(4,842,472)	-	(10,065,984)	(7,343,212)
Annual amortization	-	(1,465,380)	(1,297,599)	-	(2,762,979)	(2,722,772)
Balance, end of year	-	(6,688,892)	(6,140,071)	-	(12,828,963)	(10,065,984)
Net Book Value of Tangible Capital Assets	30,532	33,837,624	82,232,638	107,397	116,208,191	117,246,736
2017 Net Book Value of Tangible Capital Assets	30,532	33,623,274	83,402,885	190,045		117,246,736

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018
SCHEDULE 2

	Budget	2018	2017
	\$	\$	\$
Board per diems	19,935	14,835	14,141
Contracted and purchased services	4,709,790	5,021,084	4,350,282
Materials, goods, supplies, and utilities	1,175,824	1,045,670	933,616
Long term debt interest	399,866	465,815	412,956
Amortization of tangible capital assets	2,694,981	2,762,979	2,722,772
Provision for allowances and bank charges	200	(2,144)	(15,667)
	<u>9,000,596</u>	<u>9,308,239</u>	<u>8,418,100</u>

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Incorporation and nature of the Commission

The South Red Deer Regional Wastewater Commission (the "Commission") is constituted under the Municipal Government Act and was approved by the Minister of Municipal Affairs in April 2008 for the purpose of constructing, maintaining, controlling, and managing a wastewater transmission system.

The members of the Commission are Town of Bowden, Town of Innisfail, Town of Olds, Town of Penhold, Mountain View County, and Red Deer County.

The Commission, being a government organization, is exempt from income taxation under Section 149 of the Income Tax Act (Canada).

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") and include the following significant accounting policies:

Cash and cash equivalents

Balances with original maturities of less than 3 months are included in cash and cash equivalents. Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

Revenue recognition

Service fees and sales of goods are recognized as revenue in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenue. Member contributions are recognized once amounts are approved by the board. Interest revenue is recognized as earned on a time-proportioned basis. Other revenue is recognized upon confirmation of benefit and when collection is reasonably assured.

Government transfers

Government transfers or grants are the transfer of monetary or tangible capital assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined. If eligibility requirements have not been met in the current period the transfer will be recorded as deferred revenue until the eligibility requirements are met.

Expenses

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

Non-financial assets

Non-financial assets are assets that are not available to discharge existing liabilities but held for use in Commission operations. Such assets have useful lives extending beyond the current year and are not intended for sale in the normal course of Commission operations.

Tangible capital assets

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded in the financial statements at fair market value at the time of contribution.

Amortization is provided using the straight-line method over the following periods:

	<u>Period</u>
Pipelines and Lift Stations (Original Waskasoo Line)	40 years
Pipelines (all others)	
Pipelines and Valve Vaults	70 years
Valves and Other	15 - 25 years
Lift Stations (all others)	
Site Civil Works	15 - 25 years
Buildings and Tankage	50 years
Process Equipment	5 - 25 years
Electrical and Other Systems	15 - 25 years

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Significant accounting policies *(continued from previous page)*

Inventory

Inventory of construction items for consumption is recorded in the financial statements at lower of the cost of the specific item or net realizable value.

Use of estimates

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date, and the reported amounts of revenue and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the provision for doubtful accounts in respect of receivables, the cost and net realizable value of inventories, the useful lives of long-lived assets and the potential impairment of assets. Actual results could differ from these estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenue over expenses in the periods in which they become known.

Investment

Investments are recorded at market value. Investment premiums and discounts are amortized proportionately over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

3. Cash

	2018 \$	2017 \$
Cash on deposit in excess of outstanding cheques		
General Account (Servus)	818,026	1,164,473
Servus GIC - Rate 2.030% which matures January 2, 2019	2,000,000	-
Total Cash	2,818,026	1,164,473

The Commission has a demand operating credit facility to a maximum of \$2,000,000, bearing interest at the bank's prime interest rate per annum. At December 31, 2018, Nil (December 31, 2017 - Nil) has been drawn down on this facility.

4. Investments

	2018 \$	2017 \$
GICs - rates between 2.20 - 2.36%, maturing May 22, 2019 (2017 - 1.5%-1.55%)	775,434	362,778
Mutual Funds	434,499	827,279
Cash Account	-	8
	1,209,933	1,190,065

5. Prepaid Expenses

	2018 \$	2017 \$
Prepaid insurance	41,721	40,283

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. Inventory for Consumption

	2018	2017
	\$	\$
Cement barricades	12,870	12,630
Pipe and related equipment	103,679	77,791
Chemicals	57,471	57,471
Other materials	45,263	62,395
	<u>219,283</u>	<u>210,287</u>

7. Accounts Receivable

	2018	2017
	\$	\$
Federal		
GST Receivable	102,945	30,540
Provincial		
Alberta Government - Accrued Grant Revenue	619,142	1,399,388
Local governments		
Member Municipalities (note 13)	694,519	562,479
Total government receivables	<u>1,416,606</u>	<u>1,992,407</u>
Other receivable		
Trade accounts receivable	7,060	177,877
Allowance for doubtful accounts	(4,603)	(6,746)
Total other receivables	<u>2,457</u>	<u>171,132</u>
Total receivables	<u><u>1,419,063</u></u>	<u><u>2,163,539</u></u>

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. Eligible Expenditure, Deferred Revenue and Funding Deficiency

	2018	2017
	\$	\$
Eligible expenditure		
Capital expenditures (Schedule 1)	129,037,154	127,312,720
Commissioning Start up Costs covered by Grant Funding (not capital)	99,540	99,540
Regional Alignment	2,822,794	2,822,794
Right of Way	10,717,432	10,054,532
Total expenditures	142,676,920	140,289,586
Less 2016 Lift Station #1 Upgrade (ineligible for grant funding)	(1,353,028)	(1,353,028)
Less Waskasoo Pipeline (ineligible for grant funding)	(1,281,474)	(1,121,215)
Less other ineligible expenditures	(246,135)	(246,135)
Total eligible expenditures	139,796,283	137,569,208
Deferred revenue		
Provincial grant revenue received to date (including capital interest)	125,197,513	122,412,900
90% of total eligible expenditure to date	(125,816,655)	(123,812,288)
A/R - Government of Alberta	619,142	1,399,388
Total deferred revenue	-	-
Funding deficiency		
Total expenditure	(142,676,920)	(140,289,586)
Debenture Debt Issued	15,300,000	15,300,000
Amount funded by the Government	125,816,655	123,812,288
Regional alignment	282,556	282,556
Government of Canada (Bowden Institution)	20,844	20,844
Operating deficit on internally funded tangible capital assets (note 15)	(1,256,865)	(873,898)

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

9. Long term debt

	Interest rate	Anniversary Date	Original Principal \$	2018 \$	2017 \$
Debentures					
Debenture 4001483	3.08%	December 2037	3,000,000	2,473,350	2,567,956
Debenture 4001838	2.78%	March 2040	8,000,000	7,183,792	7,425,102
Debenture 4001871	2.94%	June 2040	4,300,000	3,869,694	3,997,161
Total Principal			15,300,000	13,526,836	13,990,219

The purpose of the debentures is to finance the Commissions share of construction costs. The debenture is re-payable over 25 years to the Alberta Capital Finance Authority. The debenture has payments due twice a year.

Estimated principal and interest payments for the next five years are as follows:

	Principal	Interest	Payments
2019	476,854	386,395	863,249
2020	490,718	372,531	863,249
2021	504,985	358,264	863,249
2022	519,667	343,582	863,249
2023	534,777	328,462	863,239
Thereafter	10,999,835	2,811,616	13,811,451
	13,526,836	4,600,850	18,127,686

10. Debt limit

Section 3 of Alberta Regulations No. 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

	2018 \$	2017 \$
Debt Limit		
Total Annual Revenue	7,094,130	7,058,707
Total debt limit (maximum allowed at 2 times annual revenue)	14,188,260	14,117,415
Total debt (current)	13,526,836	13,990,219
Amount below (above) total debt limit	661,424	127,197
 Total Debt as a factor of Annual Revenue	 2	 2.0
 Service on debt limit (maximum allowed at 35% of annual revenue)	 2,482,946	 2,470,548
Service on debt (current)	863,249	863,249
Amount below limit on debt service	1,619,697	1,607,299
Actual Debt Servicing as % of Annual Revenue	12%	12%

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

10. Debt limit *(continued from previous page)*

The debt limit is calculated at two times 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 interpreted as a whole.

As at December 31, 2018, the Commission has \$13,526,836 (December 31, 2017 - \$13,990,219) of total debt outstanding, which is below the total debt limit threshold.

11. Reserves

	Beginning of year \$	Additions \$	Reductions \$	End of year \$
Reserves for operating and capital activities are as follows:				
OPERATING RESERVES: (note 15)				
Rate stabilization	177,675	50,000	-	227,675
Emergency	541,931	100,000	-	641,931
Total Operating Reserves	719,606	150,000	-	869,606
CAPITAL RESERVE: (note 15)				
General Capital Reserve	1,181,468	525,000	-	1,706,468
Septage Receiving Station Capital Reserve	103,000	34,000	-	137,000
Total Capital Reserves	1,284,468	559,000	-	1,843,468
TOTAL RESERVES:	2,004,074	709,000	-	2,713,074

The purposes of the reserves are as follows:

- 1) Rate Stabilization - to provide funds to lessen the impact of rate changes,
- 2) Emergency - to provide funds to respond to an emergency situation (e.g. a pipeline leak),
- 3) Capital - to provide funds for equipment replacement.

The purposes of the reserves are further detailed in reserve policies. The reserves were first established in 2012. These reserves are partially funded by funds held in investments (note 4).

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

12. Tangible capital assets

Total land holdings of the Commission are comprised of the land surrounding the 7 lift stations owned by the Commission.

Of the 7 lift stations owned by the Commission, 3 were part of the existing Waskasoo system that was purchased by the Commission and 4 have been constructed by the Commission, coming into service progressively during 2013 - 2015.

Pipelines consist of the Waskasoo system which runs from Springbrook to the wastewater treatment facility in the City of Red Deer and the Regional Line which include segments the Innisfail to Springbrook line and the Innisfail to Olds line. The Innisfail to Springbrook line came into service early in 2013 and the Innisfail to Olds line in late 2013.

Construction in Progress includes projects which have commenced but which were not completed as at December 31, 2018. No amortization of these assets has been recorded as the assets are still under development.

During the year, the Commission acquired tangible capital assets at an aggregate cost of \$1,724,434 (December 31, 2017 - \$145,999).

Refer to Schedule 1 for the Schedule of Tangible Capital Assets.

13. Related party transactions

Town of Bowden, Town of Innisfail, Town of Olds, Town of Penhold, Mountain View County and Red Deer County are members of the Commission and, as such, have been identified as related parties.

	2018	2017
	\$	\$
Accounts receivable		
Town of Penhold	93,276	743
Town of Bowden	22,232	54,145
Town of Olds	201,358	179,924
Town of Innisfail	152,919	135,567
Red Deer County	223,992	191,722
Mountain View County	742	378
	694,519	562,479
 Transmission Services		
Town of Penhold	577,244	538,879
Town of Bowden	386,748	325,422
Town of Olds	2,687,613	2,828,439
Town of Innisfail	1,831,614	1,890,233
Red Deer County	1,414,557	1,333,116
Mountain View County	8,470	7,691
	6,906,246	6,923,779
 Operating expenses		
Town of Penhold - Waskasoo System Operations	29,583	104,929
	29,583	104,929

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

13. Related party transactions *(continued from previous page)*

The Commission recovers governance and administration expense through rates. Members of the management team were paid \$114,423 (2017 - \$105,446) for services they provided.

Unless specifically indicated all transactions with related parties are at fair market value.

Transmission services revenue is based on actual service utilization during the year.

Operating expenses from the Town of Penhold are related to an operating contract for the Waskasoo System which ended in the year.

These transactions and others noted above were considered to be in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties.

14. Equity in tangible capital assets

	2018	2017
	\$	\$
Tangible capital assets (schedule 1)	129,037,154	127,312,720
Accumulated amortization (schedule 1)	(12,828,963)	(10,065,984)
Long term debt (note 9)	(13,526,836)	(13,992,219)
Total	<u>102,681,355</u>	<u>103,254,517</u>

15. Accumulated surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2018	2017
	\$	\$
Unappropriated operating equity	1,798,222	1,758,835
Operating reserves (note 11)	869,606	719,606
Capital reserves (note 11)	1,843,468	1,284,468
Operating deficit on internally funded tangible capital assets (note 8)	(1,256,865)	(873,898)
Equity in tangible capital assets (note 14)	102,681,355	103,256,517
	<u>105,935,786</u>	<u>106,145,528</u>

16. Financial instruments

All financial instruments are initially measured at fair value and subsequently measured at cost or amortized cost. No financial instruments are designated to be measured at fair value.

The Commissions' financial instruments consist of cash, accounts receivable, investments, trade payables & accrued liabilities, holdbacks payable, short term debt and long term debt.

It is management's opinion that the Commission is not exposed to significant price, credit, liquidity or cash flow risks arising from these financial instruments. The risk is detailed below.

The Commission is exposed to interest rate price risk as temporary investments and long-term debt bear interest at fixed interest rates. Interest rate price 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 also exposed to interest rate cash flow risk on floating rate term debt.

The Commission is exposed to credit risk as it grants credit to its customers in the normal course of business. This risk is largely mitigated since the majority of receivables are generated from other governments or government related parties.

Financial instruments that potentially subject the Commission to concentrations of credit risk are accounts receivable. The Commission believes that there is minimal risk associated with the collection of these amounts.

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

17. Commitments

The Commission has entered into several agreements for purposes of managing the operations of the Commission as well as for planning the construction of the wastewater transmission line. The following agreements are in effect:

Administrative Services

The Commission entered into an agreement with the Mountain View Regional Water Services Commission to provide financial services and an administrative center for the Commission. The term of the agreement is from August 1, 2016 to June 30, 2018. The fee is \$1,733 per month (\$20,800 per year) for financial services and \$250 per month (\$3,000 per year) for office rental. The contract was extended in the year and subsequent to year end, this contract was terminated.

The Commission has entered into a contract with Racin Management Consulting Inc. to provide management services and act as the Chief Administrative Officer of the Commission beginning July 1, 2018 to June 30, 2020. The contract initially provided for payment of service fees of \$120 per hour from the period July 1, 2018 - June 30, 2020, and \$125 per hour from the period July 1, 2020 to June 30, 2022. Per the contract, \$125 per hour for special projects and project management above and beyond the scope of administrative services which must be approved by the board. The contract may be terminated by either party on 8 weeks notice.

Operations

The Commission has an energy services agreement with Unified Energy (8760) Ltd. to provide electricity and natural gas for the Commission. The agreement was effective September 1, 2013, for an initial term of three years and can be extended beyond the initial term if the Commission continues to use the service. The fees for the services include monthly management fees of \$1.50 per megawatt hour of electricity and \$0.15 per gigajoule of natural gas, and additional expenses for the Commission's electricity consumption. Under this contract the Commission had a total electricity and natural gas cost in 2018 of \$398,366 (2017 - \$458,128). For expenditures under this contract, the Commission has budgeted \$537,000 for 2019.

The Commission has an operations and maintenance contract with Mountain View Regional Water Services Commission (MVRWSC) to provide operations and maintenance services to the Commission's wastewater system. The agreement is effective April 1, 2013 for an initial term of five years to March 31, 2018. The Commission has renewed the contract for the period April 1, 2018 to August 31, 2023. For the year ended December 31, 2018, a total of \$561,748 (2017 - \$586,611) was paid related to services rendered under this contract.

Capital Projects

Regional System Project

There remains one expropriation action in which the compensation for land taken has not been finalized.

Waskasoo System

With the Regional System nearing completion, the Commission will now move forward with upgrades to the Waskasoo System. The Commission had prepared in 2017 an Engineering Evaluation of the Waskasoo System. Based on the 10 year planning timeframe of the report of Stantec Consulting Ltd., the Commission has identified \$6.65 Million in present day dollars over the period 2018 - 2027 in its 2018 Financial Plan and Budget for Waskasoo System upgrading. As well, the Commission has budgeted for \$743,500 in 2019, \$567,500 in 2020, and \$1,105,000 in 2021 in capital projects for the Waskasoo system. Funding from capital reserves in the amount of \$325,000 was authorized for the Upgrading of Waskasoo System Lift Station No. 1. Work started in 2018, but it was not fully operational as at year end.

Equalization Storage

The development of equalization storage at the Olds, Bowden and Innisfail Lift Stations was initially planned as part of the original Regional System Project but was deferred for lack of funding approval. Equalization storage would provide a temporary storage area for wastewater volume where the capacity of the Regional System is unable to meet peak flows arising from storm events or where there is an interruption in the operation of the System. The estimated cost for fully developing the three storage areas is \$5.46 Million. Costs were incurred in preparing a grant application to the Government of Alberta for funding for the project. Grant approval has not yet been received.

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

18. Economic dependence

The Commission's primary source of funding is provincial government capital grants. The grant funding is under a cost sharing arrangement where the province pays 90% of the cost and the Commission 10%; however, the Commission will not be able to fund its portion until completion of the wastewater system. The Commission's ability to establish viable operations is dependent upon receiving additional provincial government grant funding to levels allowing for completion of the entire wastewater system. As at the date of these financial statements, the Commission believes that it will receive the necessary funding and be able to meet its cost-share requirements.

The Commission receives almost all of its operating income from six member municipalities (note 13). The Commission is dependent on the continued participation of its members.

19. Budget information

The disclosed budget information has been approved by the board, but expenditures have been reclassified in certain areas for comparability and reconciled to the same basis as financial reporting.

	2018
	\$
Total expenses per budget	7,511,339
Amortization per budget table E7	2,694,981
Budgeted debt repayments	(863,249)
Add: interest payments included in budgeted debt repayments	399,866
Less: reserve transfer	(725,341)
Less: capital projects	(17,000)
Reconciled budgeted expenditures	<u>9,000,596</u>

20. Contingencies

In the normal conduct of operations, there are pending claims by and against the Commission. Litigation is subject to many uncertainties. In the opinion of management, based on the advice and information provided by its legal counsel, it is not possible to predict the ultimate outcome of these claims or to estimate the gain or loss, if any, which may result.

As identified in note 17, there remains one expropriation action for which a settlement has not been achieved. The potential exposure to loss is not determinable at this time.

21. Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of a tangible long-lived asset that an entity is required to settle as a result of an existing or enacted law, statute, ordinance or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. The Commission has developed the Regional System with pipelines and lift Stations to transport wastewater from the Members to the City of Red Deer for treatment. As well, the Commission operates the Waskasoo System, an existing system with transmission pipelines and lift stations. This System had been in operation for over two decades and was acquired by the Commission shortly after formation. The Regional Line and the Waskasoo Line constitute tangible long-lived assets that are required to settle in reclamation.

In that the infrastructure of the Regional Line has just been constructed and has an expected asset life ranging from 25 to 70 years depending on the component, the level of reclamation required cannot be determined as at December 31, 2018.

22. Approval of financial statements

These financial statements were approved by the Board and management.

COMMISSION FINANCIAL INFORMATION RETURN

For the Year Ending December 31, 2018

Commission Name: South Red Deer Regional
Wastewater Commission

CERTIFICATION

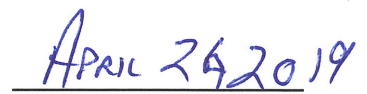
The information contained in this Financial Information Return is presented fairly
to the best of my knowledge.



Signature of Duly Authorized Signing Officer



Print Name



Date

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of South Red Deer Regional Wastewater Commission

Opinion

We have audited the Commission Information Return of South Red Deer Regional Wastewater Commission (the "Commission"), which comprise the schedule of financial position as at December 31, 2018, and the schedules of change in accumulated surplus, financial activities by type/object, and other related schedules 9F through 9AA for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Commission Information Return present fairly, in all material respects, the financial position of the Commission as at December 31, 2018, and the results of its operations for the year then ended in accordance with the required presentation and financial reporting provisions of the Municipal Financial Information Return Manual as provided by Alberta Municipal Affairs.

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

Emphasis of Matter

We draw attention to Note 1 to the financial information return, which describes the basis of accounting. The financial statements are prepared to comply with the financial reporting requirements of Alberta Municipal Affairs, to be used primarily for statistical purposes. As a result, the financial information return may not be suitable for any other purpose. Our report is not modified in respect of this matter. Our report is intended solely for the Commission and Alberta Municipal Affairs and should not be distributed to or used by parties other than the Commission or Alberta Municipal Affairs.

Other Matter

The Commission has prepared a set of financial statements for the year ended December 31, 2018 in accordance with Canadian public sector accounting standards on which we issued an audit report dated April 26, 2019 and reference should be made to those audited financial statements for complete information.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with financial reporting provisions of the Municipal Financial Information Return Manual as provided by Alberta Municipal Affairs, 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.

Red Deer, Alberta

April 26, 2019

MNP LLP

Chartered Professional Accountants

FINANCIAL POSITION

Schedule 9A

		Total 1
Assets	0010	
Cash and Temporary Investments	0020	2,818,026
Receivable From Commission Members	0070	694,519
Loans Receivable	0080	
Trade and Other Receivables	0090	2,457
Inventory for Consumption	0120	
Inventories Held for Resale	0130	
. Land	0140	
. Other	0150	
Long Term Investments	0170	
. Federal Government	0180	102,945
. Provincial Government	0190	619,142
. Local Governments	0200	
. Other	0210	
Other Current Assets	0230	1,209,933
Other Long Term Assets	0240	
	0250	
Total Financial Assets	0260	5,447,022
	0270	
Liabilities	0280	
Temporary Loans Payable	0290	
Payable To Other Governments	0300	2,453,595
Accounts Payable & Accrued Liabilities	0310	
Deposit Liabilities	0340	
Deferred Revenue	0350	13,526,836
Long Term Debt	0360	
Other Current Liabilities	0370	
Other Long Term Liabilities		
	0380	
Total Liabilities	0390	15,980,431
Net Financial Assets (Net Debt)	0395	-10,533,409
Non Financial Assets		
Tangible Capital Assets.....	0400	116,208,191
Inventory for Consumption.....	0410	219,283
Prepaid Expenses	0420	41,721
Other.....	0430	
Total Non-Financial Assets	0440	116,469,195
Accumulated Surplus	0450	105,935,786

CHANGE IN ACCUMULATED SURPLUS

Schedule 9B

		Unrestricted	Restricted	Equity in TCA	Total
		1	2	3	4
Accumulated Surplus - Beginning of Year	0500	1,758,835	1,130,176	103,256,517	106,145,528
Net Revenue (Expense)	0505	-209,742			-209,742
Funds Designated For Future Use.....	0511	-44,165	44,165		
Restricted Funds - Used for Operations.....	0512				
Restricted Funds - Used for TCA.....	0513				
Current Year Funds Used for TCA	0514	-1,724,434		1,724,434	
Donated and Contributed TCA.....	0516				
Disposals of TCA.....	0517				
Annual Amortization Expense.....	0518	2,762,979		-2,762,979	
Long Term Debt - Issued.....	0519				
Long Term Debt - Repaid.....	0521	-463,383		463,383	
Capital Debt - Used for TCA.....	0522				
	0523				
Other Adjustments.....	0524				
Accumulated Surplus - End of Year.....	0525	2,080,090	1,174,341	102,681,355	105,935,786

FINANCIAL ACTIVITIES BY TYPE / OBJECT
Schedule 9D

		Total
		1
Revenues	1700	
Service Fees Charged to Commission Members.....	1790	6,906,246
Other Fees and User Charges	1800	116,144
Licenses and Permits	1820	
Franchise and Concession Contracts	1840	
Returns on Investments	1850	67,775
Rentals	1860	
Insurance Proceeds	1870	
Net Gain on Sale of Tangible Capital Assets	1880	
Contributed and Donated Assets.....	1885	
Federal Government Unconditional Transfers	1890	
Federal Government Conditional Transfers	1900	
Provincial Government Unconditional Transfers	1910	
Provincial Government Conditional Transfers	1920	2,004,367
Local Government Transfers	1930	
Other Revenues	1970	3,965
..... Total Revenue	1980	9,098,497
Expenses	1990	
Salaries, Wages, and Benefits	2000	14,835
Contracted and General Services	2010	1,660,178
Purchases from Other Governments	2020	3,360,906
Materials, Goods, Supplies, and Utilities	2030	1,045,670
Provision for Allowances	2040	-2,144
Transfers to Governments	2050	
Bank Charges and Short Term Interest	2080	
Interest on Operating Long Term Debt	2090	
Interest on Capital Long Term Debt	2100	465,815
Amortization of Tangible Capital Assets	2110	2,762,979
Net Loss on Sale of Tangible Capital Assets.....	2125	
Write Down of Tangible Capital Assets.....	2127	
Other Expenditures	2130	
..... Total Expenses	2140	9,308,239
..... Net Revenue (Expense)	2150	-209,742

TANGIBLE CAPITAL ASSETS SUPPLEMENTARY DETAIL

Schedule 9F

		Capital Long Term Debt	
		Principal Additions	Principal Reductions
		1	2
General Government	2700		
Council and Other Legislative	2710		
General Administration	2720		
Other General Government.....	2730		
Protective Services	2740		
Police	2750		
Fire	2760		
Disaster and Emergency Measures	2770		
Ambulance and First Aid	2780		
Bylaws Enforcement	2790		
Other Protective Services.....	2800		
Transportation	2810		
Common and Equipment Pool	2820		
Roads, Streets, Walks, Lighting	2830		
Airport	2840		
Public Transit	2850		
Storm Sewers and Drainage	2860		
Other Transportation	2870		
Environmental Use and Protection	2880		
Water Supply and Distribution	2890		
Wastewater Treatment and Disposal	2900		463,383
Waste Management	2910		
Other Environmental Use and Protection	2920		
Public Health and Welfare	2930		
Family and Community Support	2940		
Day Care	2950		
Cemeteries and Crematoriums	2960		
Other Public Health and Welfare	2970		
Planning and Development	2980		
Land Use Planning, Zoning and Development	2990		
Economic/Agricultural Development	3000		
Subdivision Land and Development	3010		
Public Housing Operations	3020		
Land, Housing and Building Rentals	3030		
Other Planning and Development.....	3040		
Recreation and Culture	3050		
Recreation Boards	3060		
Parks and Recreation	3070		
Culture: Libraries, Museums, Halls	3080		
Convention Centres	3090		
Other Recreation and Culture.....	3100		
Other Utilities	3105		
Gas	3106		
Electric	3107		
Other	3110		
Total	3120		463,383

CHANGE IN TANGIBLE CAPITAL ASSETS

Schedule 9G

		Balance at Beginning of Year 1	Additions 2	Reductions 3	Balance at End of Year 4
Tangible Capital Assets - Cost					
Engineered Structures	3210	127,092,143	1,807,082		128,899,225
Construction In Progress.....	3219	190,045		82,648	107,397
Buildings	3220				
Machinery and Equipment	3230				
Land	3240	30,532			30,532
Land Improvements.....	3245				
Vehicles	3250				
Total Capital Property Cost					
	3260	127,312,720	1,807,082	82,648	129,037,154
Accumulated Amortization					
Engineered Structures	3280	10,065,984	2,762,979		12,828,963
Buildings	3290				
Machinery and Equipment	3300				
Land	3310				
Land Improvements.....	3315				
Vehicles	3320				
Total Accumulated Amortization					
	3330	10,065,984	2,762,979		12,828,963
Net Book Value of Capital Property					
	3340	117,246,736			116,208,191
Capital Long Term Debt (Net)					
	3350	13,990,219			13,526,836
Equity in Tangible Capital Assets					
	3400	103,256,517			102,681,355

LONG TERM DEBT SUPPORT

Schedule 9H

		Operating Purposes 1	Capital Purposes 2	Total 3
Long Term Debt Support	3405			
Supported by Utility Rates	3430			
Other	3440		13,526,836	13,526,836
Total Long Term Debt Principal Balance	3450		13,526,836	13,526,836

LONG TERM DEBT SOURCES

Schedule 9I

		Operating Purposes 1	Capital Purposes 2	Total 3
Alberta Capital Finance Authority.....	3500		13,526,836	13,526,836
Other	3610			
Total Long Term Debt Principal Balance	3620		13,526,836	13,526,836

FUTURE LONG TERM DEBT REPAYMENTS

Schedule 9J

		Operating Purposes 1	Capital Purposes 2	Total 3
Principal Repayments by Year	3700			
Current + 1	3710		476,854	476,854
Current + 2	3720		490,718	490,718
Current + 3	3730		504,985	504,985
Current + 4	3740		519,667	519,667
Current + 5	3750		534,777	534,777
Thereafter	3760		10,999,835	10,999,835
Total Principal	3770		13,526,836	13,526,836
Interest by Year	3780			
Current + 1	3790		386,395	386,395
Current + 2	3800		372,531	372,531
Current + 3	3810		358,264	358,264
Current + 4	3820		343,582	343,582
Current + 5	3830		328,462	328,462
Thereafter	3840		2,811,616	2,811,616
Total Interest	3850		4,600,850	4,600,850

DEBT LIMIT**Schedule 9AA**

		1
Debt Limit	5700	14,188,260
Total Debt	5710	13,526,836
Debt Service Limit	5720	2,482,946
Total Debt Service Costs	5730	863,249

Enter prior year Line 3450 Column 2 balance here:

13,990,219

South Red Deer Regional Wastewater Commission
Notes to the Commission Financial Information Return
December 31, 2018

Note 1:

This financial information return has been prepared using the required presentation and financial reporting provisions of the Commission Financial Information Return Manual as provided by Alberta Municipal Affairs, which do not require all of the same disclosure and presentation that would be required under Canadian public sector accounting standards. The amounts presented in this financial information return are based on the financial statements dated April 26, 2019 which have been prepared in accordance with Canadian public sector accounting standards and reference should be made to those audited financial statements for complete information .

Canada Revenue
AgencyAgence du revenu
du Canada**T2 Corporation Income Tax Return****200**

Code 1801

Protected B

when completed

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act* and *Income Tax Regulations*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see canada.ca/taxes or Guide T4012, *T2 Corporation – Income Tax Guide*.

055**Do not use this area****Identification****Business Number (BN)** **001** 838372894 RC0001**Corporation's name****002** South Red Deer Regional Wastewater Commission**Address of head office**

Has this address changed since the last time we were notified? **010** 1 Yes ☐ 2 No ☒

If **yes**, complete lines 011 to 018.

011 1408 - Twp Rd 320**012** Postal Bag 100

City Province, territory, or state

015 Didsbury**016** AB

Country (other than Canada)

Postal or ZIP code

017 **018** TOM OWO**Mailing address** (if different from head office address)

Has this address changed since the last time we were notified? **020** 1 Yes ☐ 2 No ☒

If **yes**, complete lines 021 to 028.

021 c/o**022** 1408 - Twp Rd 320**023** Postal Bag 100

City Province, territory, or state

025 Didsbury**026** AB

Country (other than Canada)

Postal or ZIP code

027 **028** TOM OWO**Location of books and records** (if different from head office address)

Has this address changed since the last time we were notified? **030** 1 Yes ☐ 2 No ☒

If **yes**, complete lines 031 to 038.

031 1408 - Twp Rd 320**032** Postal Bag 100

City Province, territory, or state

035 Didsbury**036** AB

Country (other than Canada)

Postal or ZIP code

037 **038** TOM OWO**040 Type of corporation at the end of the tax year**

- 1 ☐ Canadian-controlled private corporation (CCPC) 4 ☐ Corporation controlled by a public corporation
- 2 ☐ Other private corporation 5 ☐ Other corporation (specify, below)
- 3 ☒ Public corporation Service Commission

If the type of corporation changed during the tax year, provide the effective date of the change.

043 YYYY MM DD**To which tax year does this return apply?**

Tax year start Tax year end

060 2 0 1 8 0 1 0 1 **061** 2 0 1 8 1 2 3 1

YYYY MM DD YYYY MM DD

Has there been an acquisition of control resulting in the application of subsection 249(4) since the tax year start on line 060?**063** 1 Yes ☐ 2 No ☒

If **yes**, provide the date control was acquired

065 YYYY MM DD**Is the date on line 061 a deemed tax year-end according to subsection 249(3.1)?****066** 1 Yes ☐ 2 No ☒**Is the corporation a professional corporation that is a member of a partnership?****067** 1 Yes ☐ 2 No ☒**Is this the first year of filing after:**Incorporation? **070** 1 Yes ☐ 2 No ☒Amalgamation? **071** 1 Yes ☐ 2 No ☒

If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year?**072** 1 Yes ☐ 2 No ☒

If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation?**076** 1 Yes ☐ 2 No ☒**Is this the final return up to dissolution?****078** 1 Yes ☐ 2 No ☒**If an election was made under section 261, state the functional currency used****079****Is the corporation a resident of Canada?****080** 1 Yes ☒ 2 No ☐

If **no**, give the country of residence on line 081 and complete and attach Schedule 97.

081**Is the non-resident corporation claiming an exemption under an income tax treaty?****082** 1 Yes ☐ 2 No ☒

If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

- 085** 1 ☐ Exempt under paragraph 149(1)(e) or (l)
- 2 ☐ Exempt under paragraph 149(1)(j)
- 3 ☐ Exempt under paragraph 149(1)(t)
- 4 ☒ Exempt under other paragraphs of section 149

Do not use this area**095****096****898**

Prepared without audit based on information provided by the taxpayer.

Attachments**Financial statement information:** Use GIFI schedules 100, 125, and 141.**Schedules** – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.**Yes Schedule**

Is the corporation related to any other corporations?	150 <input type="checkbox"/>	9
Is the corporation an associated CCPC?	160 <input type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161 <input type="checkbox"/>	49
Does the corporation have any non-resident shareholders who own voting shares?	151 <input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents.	162 <input type="checkbox"/>	11
If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163 <input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164 <input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165 <input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter?	166 <input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership account number has been assigned?	167 <input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	168 <input type="checkbox"/>	22
Did the corporation own any shares in one or more foreign affiliates in the tax year?	169 <input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the <i>Income Tax Regulations</i> ?	170 <input type="checkbox"/>	29
Did the corporation have a total amount over CAN\$1 million of reportable transactions with non-arm's length non-residents?	171 <input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173 <input type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172 <input type="checkbox"/>	---
Does the corporation earn income from one or more Internet webpages or websites?	180 <input type="checkbox"/>	88
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201 <input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts of cultural or ecological property; or gifts of medicine?	202 <input type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203 <input type="checkbox"/>	3
Is the corporation claiming any type of losses?	204 <input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205 <input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206 <input type="checkbox"/>	6
i) Is the corporation a CCPC and reporting a) income or loss from property (other than dividends deductible on line 320 of the T2 return), b) income from a partnership, c) income from a foreign business, d) income from a personal services business, e) income referred to in clause 125(1)(a)(i)(C) or 125(1)(a)(i)(B), f) aggregate investment income as defined in subsection 129(4), or g) an amount assigned to it under subsection 125(3.2) or 125(8); or		
ii) Is the corporation a member of a partnership and assigning its specified partnership business limit to a designated member under subsection 125(8)?	207 <input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	208 <input type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	210 <input type="checkbox"/>	10
Does the corporation have any resource-related deductions?	212 <input type="checkbox"/>	12
Is the corporation claiming deductible reserves (other than transitional reserves under section 34.2)?	213 <input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	216 <input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217 <input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	218 <input type="checkbox"/>	18
Is the corporation carrying on business in Canada as a non-resident corporation?	220 <input type="checkbox"/>	20
Is the corporation claiming any federal, provincial, or territorial foreign tax credits, or any federal logging tax credits?	221 <input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	227 <input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	231 <input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232 <input type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	233 <input checked="" type="checkbox"/>	33/34/35
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	234 <input checked="" type="checkbox"/>	-----
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238 <input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	242 <input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243 <input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244 <input type="checkbox"/>	45
Is the corporation subject to Part II – Tobacco Manufacturer's surtax?	249 <input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250 <input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	253 <input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	254 <input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255 <input type="checkbox"/>	92

Attachments (continued)

	Yes	Schedule
Did the corporation have any foreign affiliates in the tax year?.....	271 <input type="checkbox"/>	T1134
Did the corporation own or hold specified foreign property where the total cost amount of all such property, at any time in the year, was more than CAN\$100,000?.....	259 <input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?.....	260 <input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?.....	261 <input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262 <input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263 <input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264 <input type="checkbox"/>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?.....	265 <input type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266 <input type="checkbox"/>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?.....	267 <input type="checkbox"/>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268 <input type="checkbox"/>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269 <input type="checkbox"/>	54

Additional information

Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>						
Is the corporation inactive?.....	280 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>						
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	<table border="0"> <tr> <td>284 Wastewater services</td> <td>285 100.000 %</td> </tr> <tr> <td>286 _____</td> <td>287 _____ %</td> </tr> <tr> <td>288 _____</td> <td>289 _____ %</td> </tr> </table>	284 Wastewater services	285 100.000 %	286 _____	287 _____ %	288 _____	289 _____ %
284 Wastewater services	285 100.000 %						
286 _____	287 _____ %						
288 _____	289 _____ %						
Did the corporation immigrate to Canada during the tax year?	291 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>						
Did the corporation emigrate from Canada during the tax year?.....	292 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>						
Do you want to be considered as a quarterly instalment remitter if you are eligible?.....	293 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>						
If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible	294 _____ YYYY MM DD						
If the corporation's major business activity is construction, did you have any subcontractors during the tax year?	295 1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>						

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL.....	300	2,553,238	A
Deduct:			
Charitable donations from Schedule 2	311		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Gifts of medicine made before March 22, 2017, from Schedule 2	315		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction*	325		
Non-capital losses of previous tax years from Schedule 4	331		
Net capital losses of previous tax years from Schedule 4	332		
Restricted farm losses of previous tax years from Schedule 4	333		
Farm losses of previous tax years from Schedule 4	334		
Limited partnership losses of previous tax years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
Subtotal			B
Subtotal (amount A minus amount B) (if negative, enter "0")		2,553,238	C
Add:			
Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
Taxable income (amount C plus amount D).....	360	2,553,238	
Income exempt under paragraph 149(1)(t)	370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)		2,553,238	Z

* This amount is equal to 3.5 times the Part VI.1 tax payable at line 724 on page 8.

Small business deduction**Canadian-controlled private corporations (CCPCs) throughout the tax year**

Income from active business carried on in Canada from Schedule 7 **400** A

Taxable income from line 360 on page 3, **minus** 100/28 of the amount on line 632* on page 7, **minus** 4 times the amount on line 636** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax **405** B

Business limit (see notes 1 and 2 below) **410** C

Notes:

1. For CCPCs that are not associated, enter \$500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year **divided** by 365, and enter the result on line 410.
2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C _____ x **415** *** _____ D = _____ 1

11,250

Amount C _____ / \$500,000 x 5 x (_____ **** - \$50,000) = _____ 2

Greater of amounts 1 and 2

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") **425** E

Business limit the CCPC assigns under subsection 125(3.2) (from line 515 below) F

Amount F **minus** amount G **427** H

Small business deduction

Least of A, B, C or H _____	x	No. of days on or after January 1, 2016 and before January 1, 2018 _____	x	17.5 %	=	_____
		Number of days in the tax year				365
Least of A, B, C or H _____	x	No. of days on or after January 1, 2018 and before January 1, 2019 _____	x	18.0 %	=	_____
		Number of days in the tax year				365
Least of A, B, C or H _____	x	No. of days on or after January 1, 2019 _____	x	19.0 %	=	_____
		Number of days in the tax year				365

Total of amounts 1 and 2 (enter amount I on line J on page 7) **430** I

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

***** Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the **prior year** minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the **current year** minus \$10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

****** 2018 February budget: Adjusted aggregate investment income under ITA 125(7)**

The total of all amounts each of which is the adjusted aggregate investment income of the corporation, or of any corporation with which it is associated at any time in the particular taxation year, for each taxation year of the corporation, or associated corporation, as the case may be, that ended in the preceding calendar year.

Specified corporate income and assignment under subsection 125(3.2)

J Business number of the corporation receiving the assigned amount	K Income paid under clause 125(1)(a)(i)(B) to the corporation identified in column J ³	L Business limit assigned to corporation identified in column J ⁴
490	500	505
RC		
Total	510	Total
		515

Notes

3. This amount is [as defined in subsection 125(7) **specified corporate income** (a)(i)] the total of all amounts each of which is income from an active business of the corporation for the year from the provision of services or property to a private corporation (directly or indirectly, in any manner whatever) if
 - (A) at any time in the year, the corporation (or one of its shareholders) or a person who does not deal at arm's length with the corporation (or one of its shareholders) holds a direct or indirect interest in the private corporation, and
 - (B) it is not the case that all or substantially all of the corporation's income for the year from an active business is from the provision of services or property to
 - (I) persons (other than the private corporation) with which the corporation deals at arm's length, or
 - (II) partnerships with which the corporation deals at arm's length, other than a partnership in which a person that does not deal at arm's length with the corporation holds a direct or indirect interest.
4. The amount of the business limit you assign to a CCPC cannot be greater than the amount determined by the formula A – B, where A is the amount of income referred to in column K in respect of that CCPC and B is the portion of the amount described in A that is deductible by you in respect of the amount of income referred to in clauses 125(1)(a)(i)(A) or (B) for the year. The amount on line 515 cannot be greater than the amount on line 425.

General tax reduction for Canadian-controlled private corporations**Canadian-controlled private corporations throughout the tax year**

Taxable income from line 360 on page 3 (line 360 or amount Z, whichever applies).....			A
Lesser of amounts 9B and 9H from Part 9 of Schedule 27		B	
Amount 13K from Part 13 of Schedule 27		C	
Personal services business income	432	D	
Amount used to calculate the credit union deduction (amount 2E from Schedule 17).....		E	
Amount from line 400, 405, 410, or 427 on page 4, whichever is the least.....		F	
Aggregate investment income from line 440 on page 6*		G	
Subtotal (add amounts B to G)			H
Amount A minus amount H (if negative, enter "0")			I
General tax reduction for Canadian-controlled private corporations – Amount I multiplied by 13%			J

Enter amount J on line 638 on page 7.

* Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)			K
Lesser of amounts 9B and 9H from Part 9 of Schedule 27		L	
Amount 13K from Part 13 of Schedule 27		M	
Personal services business income	434	N	
Amount used to calculate the credit union deduction (amount 2E from Schedule 17).....		O	
Subtotal (add amounts L to O)			P
Amount K minus amount P (if negative, enter "0")			Q
General tax reduction – Amount Q multiplied by 13%			R

Enter amount R on line 639 on page 7.

Refundable portion of Part I tax**Canadian-controlled private corporations throughout the tax year**Aggregate investment income from Schedule 7 **440** $\times 30 \frac{2}{3}\% =$ A

Foreign non-business income tax credit from line 632 on page 7 B

Deduct:Foreign investment income from Schedule 7 **445** $\times 8\% =$ C

Subtotal (if negative, enter "0") D

Amount A minus amount D (if negative, enter "0") E

Taxable income from line 360 on page 3 F

Deduct:

Amount from line 400, 405, 410, or 427 on page 4, whichever is the least G

Foreign non-business income tax credit from line 632 on page 7 $\times 75/29$ HForeign business income tax credit from line 636 on page 7 $\times 4 =$ I

..... J

..... $K \times 30 \frac{2}{3}\% =$ L

Part I tax payable minus investment tax credit refund (line 700 minus line 780 from page 8) M

Refundable portion of Part I tax – Amount E, L, or M, whichever is the least **450** N**Refundable dividend tax on hand**Refundable dividend tax on hand at the end of the previous tax year **460****Deduct:** Dividend refund for the previous tax year **465**

Subtotal O

Add the total of:

Refundable portion of Part I tax from line 450 above P

Total Part IV tax payable from Schedule 3 Q

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation **480**

Subtotal R

Refundable dividend tax on hand at the end of the tax year – Amount O plus amount R **485****Dividend refund****Private and subject corporations at the time taxable dividends were paid in the tax year**Taxable dividends paid in the tax year from line 460 on page 3 of Schedule 3 $\times 38 \frac{1}{3}\% =$ S

Refundable dividend tax on hand at the end of the tax year from line 485 above T

Dividend refund – Amount S or T, whichever is less U

Enter amount U on line 784 on page 8.

Protected B when completed**Part I tax**Base amount Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) **multiplied** by 38%..... **550** A**Additional tax on personal services business income** (section 123.5)Taxable income from a personal services business **555** × 5% = **560** BRecapture of investment tax credit from Schedule 31..... **602** C**Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income**
(if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 on page 6 D

Taxable income from line 360 on page 3..... E

Deduct:

Amount from line 400, 405, 410, or 427 on page 4, whichever is the least..... F

Net amount (amount E **minus** amount F) GRefundable tax on CCPC's investment income – 10 2/3% of whichever is less: amount D or amount G..... **604** HSubtotal (**add** amounts A, B, C, and H) I**Deduct:**

Small business deduction from line 430 on page 4 J

Federal tax abatement **608**Manufacturing and processing profits deduction from Schedule 27 **616**Investment corporation deduction **620**Taxed capital gains **624**Additional deduction – credit unions from Schedule 17 **628**Federal foreign non-business income tax credit from Schedule 21 **632**Federal foreign business income tax credit from Schedule 21..... **636**General tax reduction for CCPCs from amount J on page 5..... **638**General tax reduction from amount R on page 5 **639**Federal logging tax credit from Schedule 21 **640**Eligible Canadian bank deduction under section 125.21 **641**Federal qualifying environmental trust tax credit..... **648**Investment tax credit from Schedule 31 **652**

Subtotal K

Part I tax payable Amount I **minus** amount K..... L

Enter amount L on line 700 on page 8.

Privacy statement

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source canada.ca/cra-info-source, personal information bank CRA PPU 047.

Summary of tax and credits**Federal tax**

Part I tax payable from amount L on page 7	700
Part II surtax payable from Schedule 46	708
Part III.1 tax payable from Schedule 55	710
Part IV tax payable from Schedule 3	712
Part IV.1 tax payable from Schedule 43	716
Part VI tax payable from Schedule 38	720
Part VI.1 tax payable from Schedule 43	724
Part XIII.1 tax payable from Schedule 92	727
Part XIV tax payable from Schedule 20	728
Total federal tax	

Add provincial or territorial tax:

Provincial or territorial jurisdiction	750 AB
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)	
Net provincial or territorial tax payable (except Quebec and Alberta)	760
Total tax payable	770 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780
Dividend refund from amount U on page 6	784
Federal capital gains refund from Schedule 18	788
Federal qualifying environmental trust tax credit refund	792
Canadian film or video production tax credit refund (Form T1131)	796
Film or video production services tax credit refund (Form T1177)	797
Tax withheld at source	800
Total payments on which tax has been withheld	801
Provincial and territorial capital gains refund from Schedule 18	808
Provincial and territorial refundable tax credits from Schedule 5	812
Tax instalments paid	840
Total credits	890 B

Refund code

894

Overpayment

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start☐ Change information**910**

Branch number

914

Institution number

918

Account number

Balance (amount A minus amount B)

If the result is positive, you have a **balance unpaid**.
If the result is negative, you have an **overpayment**.

Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid

For information on how to make your payment, go to **canada.ca/payments**.

Enclosed payment

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due?

8961 Yes ☐ 2 No ☐

If this return was prepared by a tax preparer for a fee, provide their EFILE number

920

A2568

Certification

I, 950 Wuetherick	951 Michael	954 Chief Administration Officer
Last name	First name	Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

955 2 0 1 9 0 4 2 6	Signature of the authorized signing officer of the corporation	956 (403) 507-5139
Date (yyyy/mm/dd)		Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below

957 1 Yes <input checked="" type="checkbox"/> 2 No <input type="checkbox"/>	959 () -
958	Telephone number
Name	

Language of correspondence - Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French.

Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français.

990 1

T2 Summary for South Red Deer Regional Wastewater Commission

Identification

Taxation year end:	2 0 1 8 1 2 3 1	1408 - Twp Rd 320	Email	
Business Number :	838372894 RC0001	Postal Bag 100	Phone	(403) 507-5139
		Didsbury	Website:	
		T 0 M 0 W 0		
		A B		

Tax and credits

(Effective Part I corporate tax rate: %)



Taxable income

Net income or (loss) for tax purposes	300	2,553,238
Taxable income	360	2,553,238

Part I Tax

Subtotal	
Part I tax payable	

Summary of Tax and Credits

Total federal tax	
Provincial or territorial jurisdiction	750 AB
Total tax payable	770
Total credits	890
Bal. owing (refund) in T2 return	
Bal. owing (refund) in AT1 return	
Total bal. owing (refund)	

Alberta Tax and credits

(Effective corporate tax rate: %)



CAN:	Is AT1 return exempt from filing?	Yes
------	-----------------------------------	-----

Taxable income (loss) and tax payable

Alberta taxable income (loss)	062	2,553,238
Basic Alberta tax payable	068	

Deductions and Credits

Balance due (refund)	090
----------------------	-----

5 Year Comparative for South Red Deer Regional Wastewater Commission

Taxable Income

Tax year ending:	2018/12/31	2017/12/31	2016/12/31	2015/12/31	2014/12/31
Net income or (loss) for tax purposes	2,553,238	1,479,001	1,577,826	19,972,841	21,998,547
Deduct					
Charitable donations from Schedule 2 311					
Gifts to Canada, a province, or a territory					
Cultural gifts from Schedule 2 313					
Ecological gifts from Schedule 2 314					
Gift of medicine from Schedule 2 315					
Taxable dividends deductible 320					
Part VI.1 tax deduction 325					
Non-capital losses of previous tax years 331					
Net-capital losses of previous tax years 332					
Restricted farm losses of previous years 333					
Farm losses of previous tax years 334					
Limited partner losses of previous years 335					
Taxable capital gains from a central CU 340					
Prospector's and grubstaker's shares 350					
Subtotal					
Subtotal (if negative, enter "0")	2,553,238	1,479,001	1,577,826	19,972,841	
Add					
Section 110.5 or 115(1)(a)(vii) additions 355					
Taxable income 360	2,553,238	1,479,001	1,577,826	19,972,841	
Income exempt under paragraph 149(1)(t) 370					
Taxable income (net of exempt income)	2,553,238	1,479,001	1,577,826	19,972,841	21,998,547

Active business income

Part I Tax

Tax year ending:	2018/12/31	2017/12/31	2016/12/31	2015/12/31	2014/12/31
Base amount Part I tax 550					
Recapture of investment tax credit 602					
Refundable tax on investment income 604					
Subtotal					
Deduct					
Small business deduction from line 430					
Federal tax abatement 608					
Manufacturing/processing profits deduction 616					
Investment corporation deduction 620					
Additional deduction – credit unions 628					
Federal foreign non-business income cred. 632					
Federal foreign business income tax credit 636					
General tax reduction for CCPCs (M) 638					
General tax reduction (X) 639					
Federal logging tax credit 640					
Federal environmental trust tax credit 648					
Investment tax credit 652					
Subtotal					
Part I tax payable					

Summary of Tax and Credits

Tax year ending:	2018/12/31	2017/12/31	2016/12/31	2015/12/31	2014/12/31
Part I tax payable	700				
Part II surtax payable	708				
Part III.1 tax payable	710				
Part IV tax payable	712				
Part IV.1 tax payable	716				
Part VI tax payable	720	0			
Part VI.1 tax payable	724				
Part XIII.1 tax payable	727				
Part XIV tax payable	728				
Total federal tax					
Net provincial or territorial tax payable	760				
Total tax payable	770				
Deduct					
Investment tax credit refund	780				
Dividend refund	784				
Federal capital gains refund	788				
Federal environmental trust credit refund	792				
Canadian film or video production refund	796				
Film/video prod'n services tax credit refund	797				
Tax withheld at source	800				
Provincial/territorial cap. gains refund	808				
Provincial and territorial refundable credits	812				
Tax instalments paid	840				
Total credits	890				
Balance owing (refund)					

AT1 Summary

Alberta taxable income or (loss)	62	2,553,238	1,479,001	1,577,826	19,972,841
Deduct: Royalty Tax Deduction	64				
Alberta Allocation Factor	65	1.00000	1.00000	1.00000	1.00000
Amount Taxable in Alberta	66	2,553,238	1,479,001	1,577,826	19,972,841
Rate		0.12000			
Total	68				
Alberta Small Business Deduction	70				
Mfg and Processing Profits Deduction	71				
Foreign Investment Income Tax Credit	72				
Political Contributions Tax Credit	74				
Other Deductions	76				
Total	79				
Alberta Tax Payable	80				
Scientific R&D Tax credit	81				
Instalments, other payments and credits	82				
Alberta Royalty Tax Credit	83				
Royalty Tax Credit Instalments claimed/ processed	84				
Capital Gains Refund	86				
Other Credits	87				
Total	88				
Balance Unpaid (Overpayment)	90				
Balance due	91				

Canada Revenue
AgencyAgence du revenu
du Canada**SCHEDULE 1**

Code 1701

Protected B

when completed

Net Income (Loss) for Income Tax Purposes

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the *T2 Corporation – Income Tax Guide*.
- All legislative references are to the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125	(209,741)	A	Previous Fiscal Year (1,243,771)
Add:			
Amortization of tangible assets	104 2,762,979		2,722,772
Amount F	199		
Total (lines 101 to 199) 500 2,762,979	2,762,979	B	2,722,772
Amount A plus amount B	2,553,238	C	1,479,001
Amount G	499		
Total (lines 401 to 499) 510		D	
Net income (loss) for income tax purposes (amount C minus amount D).....	2,553,238	E	1,479,001
Enter amount E on line 300 on page 3 of the T2 return.			
Total of lines 201 to 249 and line 296		F	
Enter amount F on line 199			
Total of lines 300 to 345, 347 to 349, and line 396		G	
Enter amount G at line 499			

Canada Revenue
AgencyAgence du revenu
du Canada**SCHEDULE 100**

Code 0802

BALANCE SHEET INFORMATION (1998 and later tax years)

- Use this schedule to report the corporation's balance sheet information
- For more information, see Guide RC4088, *General Index of Financial Information (GIFI) for Corporations* and Guide T4012, *T2 Corporation – Income Tax Guide*.

South Red Deer Regional Wastewater Commission**Balance Sheet****As of December 31, 2018**

Assets	GIFI item	Current fiscal year	Previous fiscal year
Current assets			
Cash and deposits	1000	2,818,026	1,164,475
Accounts receivable	1060	1,419,065	2,163,539
Short-term investments	1180	1,209,933	1,190,065
Inventories	1120	219,283	210,287
Prepaid expenses	1484	41,721	40,283
Total current assets	1599	5,708,028	4,768,649
Fixed assets			
Other tangible capital assets	1900	116,208,191	117,246,736
		116,208,191	117,246,736
Other assets			
Total assets	2599	121,916,219	122,015,385
Liabilities			
Current Liabilities			
Trade payables	2621	2,453,596	1,879,638
Total current liabilities	3139	2,453,596	1,879,638
Long-term Liabilities			
Long-term debt	3140	13,526,836	13,990,219
		13,526,836	13,990,219
Total liabilities	3499	15,980,432	15,869,857
Shareholder equity			
Contributed capital			
Common shares	3500		
Retained earnings (deficit)	3600	105,935,787	106,145,528
Total shareholder equity	3620	105,935,787	106,145,528
Total liabilities and shareholder equity	3640	121,916,219	122,015,385
Retained earnings (deficit)			
Opening balance	3660	106,145,528	107,389,299
Net income (loss)	3680	(209,741)	(1,243,771)
Closing balance	3849	105,935,787	106,145,528

This statement has been compiled from information provided by the taxpayer, solely for income tax purposes and may not be appropriate for other purposes. We have not audited, reviewed or otherwise attempted to verify its accuracy or completeness.

Canada Revenue
AgencyAgence du revenu
du Canada

INCOME STATEMENT INFORMATION

SCHEDULE 125

Code 1002

- Use this schedule to report the corporation's income statement information
- For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and Guide T4012, *T2 Corporation - Income Tax Guide*.

South Red Deer Regional Wastewater Commission

Income statement

For the year ended December 31, 2018

0001	Operating name	0002	Description of the operation	0003	** Sequence number
			GIFI item	Current fiscal year	Previous fiscal year
Income					
Sales					
Sales of goods and services			8000		
Other production revenue			8053	7,022,391	7,026,554
Total sales of goods and services			8089	7,022,391	7,026,554
Other income					
Other revenue			8230	2,076,107	147,775
Total income			8299	9,098,498	7,174,329
Cost of goods sold					
Opening inventory			8300		
Closing inventory			8500		
			8518		
Gross profit (item 8089 minus item 8518)			8519	7,022,391	7,026,554
Expenses					
Other expenses			9270	4,023,807	3,432,761
Utilities			9220	401,743	467,483
Consulting fees			8863	574,388	592,820
Other repairs and maintenance			9010	588,663	425,655
Repairs and maintenance			8960	149,037	126,097
Professional fees			8860	119,043	37,672
Amortization of tangible assets			8670	2,762,979	2,722,772
General and administrative expenses			9284	688,579	612,840
Total operating expenses			9367	9,308,239	8,418,100
Total cost of good sold and expenses			9368	9,308,239	8,418,100
Net non-farming income (item 8299 minus item 9368)			9369	(209,741)	(1,243,771)
Other comprehensive income					
Total other comprehensive income					
Net income (loss) before taxes and extraordinary items			9970	(209,741)	(1,243,771)
Extraordinary items					
Current income taxes			9990		
Deferred income taxes			9995		
Net income (loss) before comprehensive income				(209,741)	(1,243,771)
Total other comprehensive income			9998		
Net income (loss)			9999	(209,741)	(1,243,771)

This statement has been compiled from information provided by the taxpayer, solely for income tax purposes and may not be appropriate for other purposes. We have not audited, reviewed or otherwise attempted to verify its accuracy or completeness.

December 17, 2018



South Red Deer Regional Wastewater Commission
35566 Rge Rd 10
Red Deer County, AB T0M 0W0

Dear Sir:

This letter will confirm the arrangements discussed with you regarding the services we will render to South Red Deer Regional Wastewater Commission.

Our responsibilities

We will audit the financial statements as well as the commission financial information return of South Red Deer Regional Wastewater Commission for the year ending December 31, 2018.

Our audits will be conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we will plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error.

Our responsibilities, objective, scope, independence and the inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards are detailed in Appendix A, which forms part of our mutual understanding of the terms of this engagement.

Management's responsibilities

The operations of the Commission are under the control of management, which has responsibility for the accurate recording of transactions and the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. This includes the design, implementation and maintenance of internal control relating to the preparation and presentation of the financial statements.

Appendix B, which describes in detail management's responsibilities with respect to this engagement, forms part of our mutual understanding of the terms of this engagement.

Reporting

Unless unanticipated difficulties are encountered, our report will be substantially in the form illustrated in Appendix C.

Tax services

As agreed, we will also prepare the following corporate income tax returns for the Commission:

- Federal Corporation Income Tax Return (T2)

Canadian income and capital tax returns are generally due within six months of the Commission's year-end. Failure to file on a timely basis can result in penalty and interest charges.



ACCOUNTING > CONSULTING > TAX
4922 - 53RD STREET, RED DEER AB, T4N 2E9
1.877.500.0779 P: 403.346.8878 F: 403.341.5599 MNP.ca

We will prepare the corporate tax returns based on information provided by you, as well as through our discussions with management personnel. We will not audit, review or otherwise attempt to verify the accuracy or completeness of such information.

We, as tax preparers, are required by legislation to electronically file all corporate income tax returns with the Canada Revenue Agency for taxation periods beginning on and after January 1, 2012 (certain exceptions apply for returns not eligible for electronic filing). When the return is complete, we will provide you with Form T183 *Information Return for Corporations Filing Electronically*, which must be reviewed and signed by an authorized signing officer to certify the information reported on the income tax return and to authorize MNP to electronically submit the return on your behalf.

Fees and expenses

Our fees and expenses are discussed in detail in Appendix D.

Other matters

We will, as permitted by the Rules of Professional Conduct, provide additional services upon request, in areas such as taxation, leadership and human resource management, communication, marketing, strategic planning, financial management and technology consulting.

As part of our services, if during the course of our engagement, we become aware of possible areas for improvement, we will submit to you a memorandum containing suggestions for improvement of existing systems of controls, accounting policies and procedures, and related matters that come to our attention during the course of our work.

Our standard terms and conditions, included as Appendix E, form part of our mutual understanding of the terms of this engagement. In the event that you choose to terminate this engagement based on the terms outlined in Appendix E, we reserve the right to notify all financial statement users of the change.

The privacy and security of the personal information you provide is important to us. We strive to ensure the strictest compliance with all applicable provincial and federal standards of protection and disclosure of personal information by any and all of our employees, agents, divisions and/or affiliates (referred to collectively as "MNP"). You may review our privacy policy at www.mnp.ca. We will not collect, use, or disclose any of your personal information without your knowledge and consent, unless required to do so by legal authority or the applicable provincial Rules of Professional Conduct.

By signing this engagement letter you agree that for the purposes of this engagement MNP may collect, use, and disclose personal information in accordance with our privacy policy. You also agree that MNP may collect and use personal information from you for the purposes of providing other services or informing you of other opportunities from time to time ("Other Matters"). Personal information that is not relevant to the purposes of this engagement or to any Other Matters will not be disclosed to anyone for any reason without your further prior consent.

In accordance with professional regulations (and by Firm policy), our client files must be periodically reviewed by provincial or national practice inspectors and by other Firm personnel to ensure we are adhering to professional and Firm standards. Confidentiality of client information will be maintained throughout this process.

The arrangements outlined in this letter and its appendices will continue in effect from year to year, unless changed in writing.

We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the arrangements acceptable, please acknowledge your agreement to the understanding by signing and returning the second copy of this engagement letter to us.

It is a pleasure for us to be of service to you. We look forward to many years of association with you and

Yours truly,

MNP LLP

Chartered Professional Accountants

encls.

RESPONSE:

This letter correctly sets forth the understanding of South Red Deer Regional Wastewater Commission.



Officer Signature

CAO

Title

Jan 8, 2019

Date

Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations

The following details our responsibilities as auditors and the objective, scope, independence and inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards.

Our responsibilities, objective and scope

Our audit will be planned and performed to obtain reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error. If any of the following matters are identified, they will be communicated to the appropriate level of management:

- Misstatements, resulting from error, other than immaterial misstatements;
- Fraud or any information obtained that indicates that a fraud may exist;
- Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern;
- Any evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations has occurred;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatements; and
- Related party transactions identified that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed.

Furthermore, we will consider the Commission's controls over financial reporting for the purpose of identifying types of potential misstatement, considering factors that affect the risks of material misstatement, and determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the financial statements.

Independence

The Rules of Professional Conduct require that we are independent when conducting this engagement. We will communicate to the the Board any relationships between the Commission (including related entities) and MNP LLP ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence.

If matters should arise during this engagement that can reasonably be assumed to have impaired our independence, we may need to withdraw from this engagement.

Audit limitations

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. This 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.

It is important to recognize that an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of factors such as the use of judgment, selective testing of data, inherent limitations of controls, and the fact that much of the audit evidence available is persuasive rather than conclusive in nature.

Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations *(continued from previous page)*

Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material misstatement due to fraud.

While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, we cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The audit of the financial statements and the issuance of our audit opinion are solely for the use of the Commission and those to whom our report is specifically addressed. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party. If our name is to be used in connection with the financial statements, you will attach our independent audit report when distributing the financial statements to third parties.

We ask that our names be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

Appendix B: Management Responsibilities

During the course of our audit, you will be required to provide and make available complete information that is relevant to the preparation and presentation of the financial statements, including:

- Financial records and related data;
- Copies of all minutes of meetings of members, directors and committees of directors;
- Access to personnel to whom we may direct our inquiries;
- Information relating to any known or possible instances of non-compliance with laws, legislative or regulatory requirements (including financial reporting requirements);
- Information relating to all related parties and related party transactions; and
- Allowing access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

Management's responsibility with respect to fraud and misstatement includes:

- The design and implementation of controls for its prevention and detection;
- An assessment of the risk that the financial statements may be materially misstated;
- Disclosure of situations where fraud or suspected fraud involving management, employees who have significant roles in controls, or others, where the fraud could have a material effect on the financial statements, have been identified or allegations have been made; and
- Communicating your belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In accordance with Canadian generally accepted auditing standards, we will request a letter of representation from management at the close of our audit in order to confirm oral representations given to us and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. These representations are used as evidence to assist us in deriving reasonable conclusions upon which our audit opinion is based.

If the Commission plans any reproduction or publication of our report, or a portion thereof, printer's proofs of the complete documents should be submitted to us in sufficient time for our review, prior to making such documents publicly available. It will also be necessary for you to furnish us with a copy of the printed report. Further, it is agreed that in any electronic distribution, for example on South Red Deer Regional Wastewater Commission's website, management is solely responsible for the accurate and complete reproduction of our report and the subject matter on which we reported, and for informing us of any subsequent changes to such documents. However, we are responsible to read the documents to ensure accuracy, and consider the appropriateness of other information accompanying the audited financial statements, upon initial posting.

Appendix C: Illustrative Independent Auditor's Report

To the Directors of South Red Deer Regional Wastewater Commission:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Red Deer Regional Wastewater Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net debt and 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian 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 the 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.

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

Appendix C: Illustrative Independent Auditor's Report *(continued from previous page)*

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.

Red Deer, Alberta

Chartered Professional Accountants

Appendix C: Illustrative Independent Auditor's Report *(continued from previous page)*

Commission Information Return Sample Report:

To the Directors of South Red Deer Regional Wastewater Commission:

Report on the Audit of the Financial Statements

Opinion

We have audited the Commission Information Return of South Red Deer Regional Wastewater Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2018, and the statements of change in accumulated surplus, financial activities by type/object, and other related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Commission Information Return present fairly, in all material respects, the financial position of the Commission as at December 31, 2018, and the results of its operations for the year then ended in accordance with the required presentation and financial reporting provisions of the Municipal Financial Information Return Manual as provided by Alberta Municipal Affairs.

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.

Other Matter-Restriction on Use and Distribution

Without modifying our opinion, we draw attention to the fact that this report, as requested by the Minister of Alberta Municipal Affairs, is to be used primarily for statistical purposes. We have issued an audit report dated April xx, 2019 on the financial statements of South Red Deer Regional Wastewater Commission for the year ended December 31, 2018 and reference should be made to those audited financial statements for complete information.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with financial reporting provisions of the Municipal Financial Information Return Manual as provided by Alberta Municipal Affairs, 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

Appendix C: Illustrative Independent Auditor's Report *(continued from previous page)*

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.

Red Deer, Alberta

April xx, 2019

Chartered Professional Accountants

Appendix D: Fees and Expenses

Our fees are determined on the basis of time spent on the engagement at the tariff rates of various members of our team. Any disbursements will be added to the billing.

The estimate of fees for the audit and tax return preparation services to be provided is \$16,000. The CIR audit will be an additional \$2,000.

Invoices for the financial statement audit will be rendered as work progresses in accordance with the following schedule:

Progress billing #1 - Upon commencement of field work	\$	9,000
Progress billing #2 - Upon completion of field work	\$	9,000

In signing this letter, you acknowledge your approval of the above billing schedule and amounts. Invoices expected to be issued that do not adhere to this schedule, or are in excess of the amounts noted above, will be discussed with you for your approval. Fees collected will be applied to overdue invoices first, followed by subsequently issued invoices in order of issuance. If payment is not received in accordance with the above schedule, we will at our discretion cease all work until the scheduled payments are received.

Our estimated fees are based on our past experience and our knowledge of the Commission. This estimate relies on the following assumptions:

- No significant deficiencies in internal controls which cause procedures to be extended;
- No major unadjusted misstatement(s) or un-reconciled balances;
- Significantly all adjusting entries are completed prior to trial balance and journal entries being provided to the audit team;
- All management and required staff are available as needed;
- Information and working papers required, as outlined in our letter of fiscal year-end requirements, are provided in the mutually agreed form and timing; and
- There are no changes to the agreed upon engagement timetable and reporting requirements.

We will ask that your personnel, to the extent possible, prepare various schedules and analysis, and make various invoices and other documents available to our team. This assistance will facilitate the progress of our work and minimize the cost of our service to you.

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the practitioner leading your engagement so a mutually agreeable solution can be reached. In accordance with our standard terms and conditions, included as Appendix E, if significant changes to the arrangements set forth in this engagement letter are required, any change in scope of the engagement will need to be agreed in writing, in a "Change Order" agreement.

Appendix E: Standard Terms and Conditions

The following standard terms and conditions and the engagement letter to which they are attached form one agreement and set out the terms and conditions upon which MNP LLP ("MNP") will provide services to you (the "Client").

1. **Timely Performance** - MNP will use all reasonable efforts to complete, within any agreed-upon time frame, the performance of the services described in the engagement letter to which these terms and conditions are attached. However, MNP shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by the Commission of its obligations as set out in the engagement letter.
2. **Right to Terminate Services** - The Commission may terminate the engagement upon 30 days written notice. If this occurs, the Commission shall pay for time and expenses incurred by MNP up to the termination date, together with reasonable time and expenses incurred to bring the services to a close in a prompt and orderly manner. Should the Commission not fulfil its obligations as set out herein and in the engagement letter, and in the event that the Commission fails to remedy such default within 30 days following receipt of notice from MNP to that effect, MNP may, upon written notification and without prejudice to its other rights and resources, terminate provision of our services as described in the engagement letter. In such case, MNP shall not be responsible for any loss, costs, expenses, or damages resulting from such termination.
3. **Change Order** - If, subsequent to the date of this engagement letter, the Commission requires significant changes to the arrangements set forth in this engagement letter, the Commission will be required to agree to the change in scope of the engagement in writing, in a "Change Order" agreement. The "Change Order" agreement will set forth the revised arrangements and scope of services to be performed and any related additional fees associated.
4. **Fees** - Any fee estimates by MNP take into account the agreed-upon level of preparation and assistance from the Commission's personnel. MNP undertakes to advise the Commission's management on a timely basis should this preparation and assistance not be provided, or should any other circumstances arise which cause actual time to exceed the estimate.
5. **Administrative Expenses** - Administrative expenses include costs such as long distance telephone and telecommunication charges, photocopying, delivery, postage, and clerical assistance. These expenses are based on a percentage of our fees for professional services (5%). Where applicable, federal, provincial, or other goods and services or sales taxes have been paid on these expenses. Other major costs such as travel, meals, accommodation and other significant expenses will be charged as incurred.
6. **Billing** - Bills will be rendered as indicated in the letter above. Accounts are due and payable upon receipt. Interest may be charged on the balance of any accounts remaining unpaid for more than 30 days, at a rate of 1.5% per month (19.56% per annum).
7. **Taxes** - All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. The Commission shall assume and pay any such taxes or duties, without deduction from the fees and charges hereunder.
8. **Governing Law** - The engagement will be governed and construed in accordance with the laws of the Province of Alberta, and shall be deemed in all respects to be an Alberta contract. The Commission and MNP submit to the courts of that jurisdiction with respect to all matters arising under or by virtue of this Agreement.

Appendix E: Standard Terms and Conditions *(continued from previous page)*

9. **Working Papers** - MNP owns all working papers and files, other materials, reports and work created, developed or performed during the course of the engagement, including intellectual property used in the preparation thereof. We will provide management with a copy of all practitioner-prepared working papers necessary for the Commission's accounting records. MNP may develop software, including spreadsheets, documents, databases, and other electronic tools, to assist us with our assignment. As these tools and working papers were developed specifically for our purposes and without consideration of any purpose for which the Commission might use them, any such tools which may be provided to the Commission, will be made available on an "as is" basis only, at our discretion, and should not be distributed to or shared with any third party. Except as indicated in the Rules of Professional Conduct or by any legal proceeding, we have no responsibility to share our working papers with you or with any other parties.
10. **Out-sourcing** - MNP may out-source to third party service providers certain data-entry functions. To protect our clients, we have imposed detailed contractual obligations on these service providers regarding the safeguarding, confidentiality and security of your personal information. Nevertheless, our service provider may be required by the applicable laws of a foreign country to disclose personal information in its custody to that country's government or agencies pursuant to a lawful court order made in that country.
11. **Nature of the Limited Liability Partnership (LLP)** - MNP is a registered limited liability partnership, as permitted by legislation enacted in our governing jurisdiction of the Province of Alberta. This legislation provides that a partner of an LLP is not personally liable for any of the debts, obligations, or liabilities of the LLP or any of the other partners which may arise as a result of any negligent act or omission of another partner of the LLP, or by any employee of the partnership, unless such act or omission is committed by the partner him or herself or by a person under the partner's direct supervision and control. All partners of an LLP remain personally liable for any acts or omissions arising as a result of their own negligence, and for the acts or omissions of those directly under their supervision or control, and shall continue to be subject to unlimited personal liability for all of the other liabilities of the partnership. The legislation does not reduce or limit in any way the liability of the partnership itself, and all of the partnership's assets and insurance coverage remain at risk.
12. **Release and Limitation of Liability** - The Commission and MNP agree to the following with respect to MNP's liability to the Commission:
 - a. In any action, claim, loss or damage arising out of the engagement, the Commission agrees that MNP's liability will be several and not joint and the Commission may only claim payment from MNP of MNP's proportionate share of the total liability based on the degree of fault of MNP as finally determined by a court of competent jurisdiction.
 - b. Other than for matters finally determined to have resulted from the gross negligence, fraud or willful misconduct of MNP, whether the claim be in tort, contract, or otherwise:
 - i. MNP shall not be liable to the Commission and the Commission releases MNP for all claims, damages, costs, charges and expenses (including legal fees and disbursements) incurred or suffered by the Commission related to, arising out of, or in any way associated with the engagement to the extent that the aggregate of such amounts is in excess of the total professional fees paid by the Commission to MNP in connection with this engagement during the 12 month period commencing from the date of the engagement letter to which these terms and conditions are attached; and,
 - ii. MNP shall not be liable to the Commission for any consequential, indirect, lost profit or similar damages, or failure to realize expected savings, relating to MNP's services provided under the engagement letter to which these terms and conditions are attached.
13. **Indemnity** - The Commission agrees to jointly and severally indemnify and hold harmless MNP against:

Appendix E: Standard Terms and Conditions *(continued from previous page)*

- a. All claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, other than those finally determined by a court of competent jurisdiction to have resulted from MNP's gross negligence, fraud or willful misconduct; and,
- b. Notwithstanding "a.," all claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, that arise from or are based on any deliberate misstatement or omission in any material, information or representation supplied or approved by any officer or member of the Board of Directors of the Commission.

For the purposes of paragraph 12. and 13., "MNP" shall mean MNP LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing services under the engagement letter to which these terms are attached, MNP LLP, its member firms, and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee.

- 14. **Survival of Terms** - The Commission and MNP agree that clauses 12. and 13. will survive termination of the engagement.
- 15. **Electronic Communications** - Unless the Commission prefers we use a particular manner of communication and specifies as much in writing, MNP will use whatever form of communication it deems most efficient in the circumstances. In many instances, this will involve the use of internet e-mail. With respect to internet e-mail, MNP and the Commission both acknowledge that neither party has control over the performance, reliability, availability, or security of internet e-mail. Additionally, MNP staff may be required or requested to work from your offices during which visits access to and use of and reliance upon your electronic environment (including but not limited to, your network, Internet, and extranet resources) is necessitated. The Commission accepts that MNP shall not be liable for any loss, damage, expense, harm or inconvenience resulting from any loss, delay, interception, corruption, security breach, delivery failure, incompatibility, incompleteness or alteration of any document or transmission arising from the use of e-mail or the transmission of any document outside of MNP's electronic environment.

South Red Deer Regional Wastewater Commission
35566 Rge Rd 10
Red Deer County, AB T0M 0W0

April 26, 2019

MNP LLP
4922 - 53 St.
Red Deer, Alberta T4N 2E9

To Whom It May Concern:

In connection with your audit of the financial statements of South Red Deer Regional Wastewater Commission ("the Commission") as at December 31, 2018 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 17, 2018, for the preparation and fair presentation of the Commission's financial statements and comparatives in accordance with Canadian public sector accounting standards. We believe these financial statements and comparatives are complete and present fairly, in all material respects, the financial position of the Commission as at December 31, 2018 and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards. Where the accounting framework has not been followed or applied consistently, details of the exceptions should be noted here.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Commission's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the financial statements.
4. We have disclosed to you all significant assumptions used in making accounting estimates and judgments, and believe they are reasonable.
5. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.
6. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these differences has been attached to this written representation.

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
8. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.
9. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Canadian public sector accounting standards.
10. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
11. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
12. All assets, wherever located, to which the Commission had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.
13. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.
14. Accounts and contributions receivable are correctly described in the records and represent valid claims as at December 31, 2018. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
15. Inventory is correctly recorded in the financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers. It is our understanding that there is little to no value for inventory items kept at Waskasoo Lift Station other than the pails of degreaser accounted for on the inventory listing.
16. All charges to tangible capital assetscapital leases represent capital expenditures. No expenditures of a capital nature were charged to operations of the Commission. Amortization of tangible capital assetscapital lease obligations has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.
17. All long-term debt has been appropriately recorded in the financial statements. All payments and accrued interest has been accounted for. The current portion of long-term debt is appropriately classified.
18. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Commission is not entitled to the proceeds.
19. We have identified all known or potential contaminated sites and the costs associated with the remediation of these sites have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards. There are none.

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements and related data and minutes of the meetings of the Board held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the Commission and all related party relationships and transactions of which we are aware.
8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
9. The previous year's representation letter dated April 20, 2018 is still applicable to the prior year's financial statements and comparatives and no matters have arisen that require restatement of those financial statements and comparatives.
10. There are no discussions with your firm's personnel regarding employment with the Commission.

Professional Services

1. We acknowledge the engagement letter dated December 17, 2018, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Commission's audit.

Sincerely,
South Red Deer Regional Wastewater Commission



Signature



CAO

April 26, 2019

Mr. Michael Wuetherick
South Red Deer Regional Wastewater Commission
35566 Rge Rd 10
Red Deer County, AB T0M 0W0

Dear Mr. Wuetherick :

Management letter for the year ended December 31, 2018

We have recently completed our audit of South Red Deer Regional Wastewater Commission in accordance with Canadian generally accepted auditing standards ("GAAS"). The objective of our audit was to express an opinion on the financial statements, which have been prepared in accordance with Canadian public sector accounting standards. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

An audit is not specifically designed to identify all matters that may be of interest to management in discharging its responsibilities, however, during the course of our audit, we did, identify some areas for improvement that we are bringing to your attention with this letter. It is our responsibility to communicate any significant deficiencies identified to those charged with governance. A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

No procedures over identifying obsolete and slow moving inventory as well as determining the proper period within which to record inventory.

Observation:

There is currently no allowance for obsolescence or shrinkage included in inventory.

During inventory testing it was identified through discussions that there are no procedures over inventory.

Impact:

This lack of an allowance results in an overstatement and/or over/under valuation of inventory.

Recommendation:

We recommend that an estimate for shrinkage and obsolescence of current inventory be drawn up and recorded as an allowance. We recommend that cut off procedures are implemented to ensure inventory is accurate.

Management's response:

CAO has advised that procedures and policies will be created around inventory management. Carried forward this point from prior year management letter.

Approvals

Observation:

Noted in related party testing that not all related party invoices have the correct approvals per the Commission's approval process.

Related party invoices should be approved by the Chairman or Vice-Chairman.

Impact:

Could result in errors.

Recommendation:

To process approval per Commission's policy.

We have discussed the matters in this letter with Michael Wuetherick and received his comments thereon.

We would like to express our appreciation for the co-operation and assistance we have received during the course of our audit from those involved in accounting.

We would be pleased to discuss with you further any matters mentioned in this letter at your convenience. This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to any third party who uses this communication.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and connected, with the "M" and "N" being particularly prominent.

Chartered Professional Accountants

encls.

**South Red Deer Regional Wastewater Commission
Report to the Board of Directors**

For the Year Ending December 31, 2018

For presentation at the Board of Directors meeting April 26, 2019

April 26, 2019

Members of the Board of Directors of South Red Deer Regional Wastewater Commission

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the financial statements of South Red Deer Regional Wastewater Commission (the "Commission") as at December 31, 2018 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

We have completed our audit of the financial statements of the Commission which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Audit Report will provide an unqualified opinion to the Board of Directors of the Commission. A draft copy of our proposed Independent Auditors' Report is attached with the draft financial statements.

This report is intended solely for the information and use of the Board of Directors and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and staff with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,



Chartered Professional Accountants

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INTRODUCTION

As auditors, we report to the Board of Directors on the results of our examination of the financial statements of South Red Deer Regional Wastewater Commission (the "Commission") as at and for the year ended December 31, 2018. The purpose of this Audit Findings Report is to assist you, as members of the Board of Directors, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the financial statements of the Commission and are prepared to sign our Auditors' Report subsequent to completion of the following procedures:

- Update of the legal confirmation;
- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Board of Directors;
- The Board of Directors's review and approval of the financial statements.

We expect to have the above procedures completed and to release our Audit Report on April 26, 2019. Our draft report, which will provide an unqualified opinion, is attached at the end of this report.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

CHANGES FROM AUDIT SERVICE PLAN

There were no deviations from the Audit Service Plan previously presented to you.

AREAS OF AUDIT EMPHASIS

The following lists the key areas of our audit emphasis for your Commission:

- Financial statement presentation and disclosure;
- Revenue recognition;
- Fraud and misstatements; and
- Contingencies.

Detailed information on Areas of Audit Emphasis is included as Appendix B to this report.

FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Commission, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was \$280,000 for December 31, 2018 and \$280,000 for December 31, 2017.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the Board of Directors on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, we have detected significant deficiencies in internal controls, which are included in Appendix D to this report.

DIFFICULTIES ENCOUNTERED

No significant limitations were placed on the scope of our audit.

IDENTIFIED OR SUSPECTED FRAUD

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.

MATTERS ARISING IN CONNECTION WITH RELATED PARTIES

No significant matters arose during the course of our audit in connection with related parties of the Commission.

GOING CONCERN

We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern.

We are of the opinion that the going concern assumption is appropriate in preparation of the financial statements.

AUDITORS' VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian public sector accounting standards allows and requires the Commission to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Commission's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Accounting Policies

- The accounting policies used by the Commission are appropriate and have been consistently applied.
- No new accounting policies, or changes in accounting policies were applied.

Accounting Estimates

•The preparation of the financial statements is subject to significant accounting estimates made by management. All significant management estimates were reviewed for the current period and no material differences were noted.

Financial Statement Disclosures

The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.

MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Commission.

There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

SIGNIFICANT DIFFERENCES

Some significant differences were proposed to management with respect to the December 31, 2018 financial statements. A summary of significant differences has been included as Appendix C to this report.

MODIFICATIONS TO THE INDEPENDENT AUDITORS' REPORT

As discussed earlier, our independent auditors' report will provide an unqualified opinion to the Board of Directors.

MANAGEMENT REPRESENTATIONS

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit.

This letter, provided by management, has been included as additional material to this report.

AUDITOR INDEPENDENCE

We confirm to the Board of Directors that we are independent of the Commission. Our letter to the Board of Directors discussing our independence is included as part of the additional materials attached to this report.

APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. It was not possible to place reliance on the controls within these systems to reduce the extent of our testing of transactions and year-end balances. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Commission and its environment, including management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the financial statements;
- Not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

APPENDIX B – Areas of Audit Emphasis

Financial statement presentation and disclosure

We have reviewed the financial statements and concluded that the corresponding presentation and disclosure is in accordance with Canadian public sector accounting standards.

We have concluded that the Commission's financial statements have been appropriately presented and appropriate disclosures have been made in accordance with Canadian public sector accounting standards.

Revenue Recognition

PS3410 outlines the revenue recognition required for government transfers. Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, and organization or another government for which the government making the transfer does not: (a) receive any goods or services directly in return, as would occur in a purchase / sale or other exchange transaction; (b) expect to be repaid in the future, as would be expected in a loan; or (c) expect a direct financial return, as would be expected in an investment.

Reconciled the deferred revenues along with the related grant revenue recognized to ensure the reasonability of the revenue recognized in the year.

We have concluded that the Commission's financial statements have included the correct revenue recognition policies and amounts recognized.

Contingencies

The contingencies with respect to right of way costs continue to be unresolved. New information has come to light regarding the amounts likely to be paid. The amount accrued is based on the best estimate of the liability.

Fraud and misstatements

Obtained from management and those charged with governance an assessment of the entity's susceptibility to material misstatements arising from fraud;

Discussed with management and those charged with governance the entity's susceptibility to material misstatements arising from fraud; and,

Obtained management representations concerning fraud. Also did procedures on related party transactions.

We concur with management's assessment that the Commission's susceptibility to material misstatements arising from fraud or misstatement is reasonably low.

APPENDIX C – Summary of Significant Differences

(See Attached)

Canadian generally accepted auditing standards require that we request of management and the Board of Directors that identified unadjusted differences be corrected. We have made this request of management, however based on both quantitative and qualitative considerations management has decided not to correct those identified differences that remain unadjusted. They have represented to us that in their judgment the unadjusted differences are, both individually and in the aggregate, not material to the financial statements.

We concur with management's representation that the unadjusted differences are not material to the financial statements and, accordingly, these unadjusted differences have no effect on our auditor's report.

Audit Program - Summary of Differences

Client: South Red Deer Regional Wastewater Commission
Client #: 346257
Year End: 31/12/2018

Adjusted Differences

Designed to pull all journal entries recorded in the CaseWare file which are classified as "Normal Adjusting" entries

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss)						Adjustment to Balance Sheet Items							
			DR (CR)						DR (CR)							
Journal entry #	Ref	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
1	N. 2	To record change in long term investment in the year.	-19,867.98	0.00	-19,867.98	0.00	-19,867.98	0.00	0.00	0.00	19,867.98	0.00	0.00	0.00	-19,867.98	0.00
2	C. 2	To reclassify Local Government accounts receivable.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	C.10	To adjust Chinook Pipeline settlement payment to related account.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	PY	To record Water For Life grant received during the year.	1,399,388.21	0.00	1,399,388.21	0.00	1,399,388.21	0.00	0.00	-1,399,388.21	0.00	0.00	0.00	0.00	1,399,388.21	0.00
5	C. 3	To adjust allowance for doubtful accounts to amounts outstanding over 90 days.	-2,143.96	0.00	-2,143.96	0.00	-2,143.96	0.00	0.00	2,143.96	0.00	0.00	0.00	0.00	-2,143.96	0.00
7	E. 6	To reclassify inventory leftover from OMF project that had been added to capital.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,995.93	-8,995.93	0.00	0.00	0.00	0.00	0.00
11	P.4 - R&M	To adjust immersion heaters from repairs to capital account.	-22,492.77	0.00	-22,492.77	0.00	-22,492.77	0.00	0.00	0.00	22,492.77	0.00	0.00	0.00	-22,492.77	0.00
15	P. 6	To correct TCA balances.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	P. 6	To correct current year amortization.	-52,868.01	0.00	-52,868.01	0.00	-52,868.01	0.00	0.00	0.00	52,868.01	0.00	0.00	0.00	-52,868.01	0.00
18	P. 8	To adjust right away expense to actual.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	C.8/C.9	To adjust Water for Life revenue received in the year.	-619,142.00	0.00	-619,142.00	0.00	-619,142.00	0.00	0.00	619,142.00	0.00	0.00	0.00	0.00	-619,142.00	0.00
20	NN. 5	To record unaccrued interest payable on debentures for closing.	65,949.61	0.00	65,949.61	0.00	65,949.61	0.00	0.00	0.00	0.00	-65,949.61	0.00	0.00	65,949.61	0.00
21	40.00	Audit accrual has never been set up.	18,000.00	0.00	18,000.00	0.00	18,000.00	0.00	0.00	0.00	0.00	-18,000.00	0.00	0.00	18,000.00	0.00
25	AE1. 2	Unfiled fees not recorded.	31,767.00	0.00	31,767.00	0.00	31,767.00	0.00	0.00	0.00	0.00	-31,767.00	0.00	0.00	31,767.00	0.00
26	WW. 2	Equity adjustments.	0.00	0.00	0.00	0.00	0.00	133,837.46	0.00	0.00	0.00	0.00	0.00	-133,837.46	133,837.46	0.00
30	BB.13	To record contingent liability on offer proposed.	525,000.00	0.00	525,000.00	0.00	525,000.00	0.00	0.00	0.00	0.00	-525,000.00	0.00	0.00	525,000.00	0.00
1-PBC	TB6	To record tangible capital assets prepared by client.	-1,710,937.22	0.00	-1,710,937.22	0.00	-1,710,937.22	0.00	0.00	0.00	1,710,937.22	0.00	0.00	0.00	-1,710,937.22	0.00
2-PBC	TB6	To move Cummins purchased to correct account.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3-PBC	TB6	To record balance of annual amortization for tangible capital assets.	2,815,847.50	0.00	2,815,847.50	0.00	2,815,847.50	0.00	0.00	0.00	-2,815,847.50	0.00	0.00	0.00	2,815,847.50	0.00
Client adjustments DR (CR)			2,428,500	0	2,428,500	0	2,428,500	0	133,837	-769,106	-1,018,677	-640,717	0	-133,837	2,562,338	0

Audit Program - Summary of Differences

Client: South Red Deer Regional Wastewater Commission
Client #: 346257
Year End: 31/12/2018

Unadjusted Differences

Designed to pull all journal entries (with balances over 5% of materiality) recorded in the CaseWare file which are classified as "Unrecorded - factual", "Unrecorded - projected", "Unrecorded - judgmental" entries

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss)						Adjustments to Balance Sheet Item							
			DR (CR)						DR (CR)							
Journal entry #	Ref	Type and Cause of Difference	Factual/ Judgmental (A)	Projected (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
9	E. 6	To record possible inventory error.	0.00	21,901.00	21,901.00	0.00	21,901.00	0.00	0.00	-21,901.00	0.00	0.00	0.00	0.00	21,901.00	0.00
10	BB. 8	To record reduction in expropriation contingency as per the City of Red Deer Engineering Services.	3,240.92	0.00	3,240.92	0.00	3,240.92	0.00	-21,044.61	0.00	0.00	17,803.69	0.00	0.00	-17,803.69	0.00
23		To record reversal of additional expropriation costs that should have been recorded in 2017.	-39,000.00	0.00	-39,000.00	0.00	-39,000.00	0.00	39,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24		To adjust inventory with no value identified in prior years that continues to be an unknown.	0.00	0.00	0.00	0.00	0.00	0.00	76,408.00	-76,408.00	0.00	0.00	0.00	0.00	76,408.00	0.00
27	AE1. 2	To record reversal of Unified fees that should have been recorded in 2017	-31,767.00	0.00	-31,767.00	0.00	-31,767.00	0.00	31,767.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	PY	To record opening unaccrued debenture interest.	-68,175.00	0.00	-68,175.00	0.00	-68,175.00	0.00	68,175.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Closing equity differences		-135,701	21,901	-113,800	0	-113,800	0	194,305	-98,309	0	17,804	0	0	80,505	0
	Uncorrected opening differences	Aggregate of uncorrected opening differences carried forward from the prior year engagement	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Current period differences DR (CR)		-135,701	21,901	-113,800	0	-113,800	0	194,305	-98,309	0	17,804	0	0	80,505	
	Materiality		280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	
	Excess (shortfall)		144,299	258,099	166,200	280,000	166,200	280,000	85,695	181,691	280,000	262,196	280,000	280,000	199,495	

APPENDIX D – Significant Deficiencies in Internal Controls

(See Attached)

April 26, 2019



Mr. Michael Wuetherick
South Red Deer Regional Wastewater Commission
35566 Rge Rd 10
Red Deer County, AB T0M 0W0

Dear Mr. Wuetherick :

Management letter for the year ended December 31, 2018

We have recently completed our audit of South Red Deer Regional Wastewater Commission in accordance with Canadian generally accepted auditing standards ("GAAS"). The objective of our audit was to express an opinion on the financial statements, which have been prepared in accordance with Canadian public sector accounting standards. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

An audit is not specifically designed to identify all matters that may be of interest to management in discharging its responsibilities, however, during the course of our audit, we did, identify some areas for improvement that we are bringing to your attention with this letter. It is our responsibility to communicate any significant deficiencies identified to those charged with governance. A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

No procedures over identifying obsolete and slow moving inventory as well as determining the proper period within which to record inventory.

Observation:

There is currently no allowance for obsolescence or shrinkage included in inventory.

During inventory testing it was identified through discussions that there are no procedures over inventory.

Impact:

This lack of an allowance results in an overstatement and/or over/under valuation of inventory.

Recommendation:

We recommend that an estimate for shrinkage and obsolescence of current inventory be drawn up and recorded as an allowance. We recommend that cut off procedures are implemented to ensure inventory is accurate.

Management's response:

CAO has advised that procedures and policies will be created around inventory management. Carried forward this point from prior year management letter.

Approvals

Observation:

Noted in related party testing that not all related party invoices have the correct approvals per the Commission's approval process.

Related party invoices should be approved by the Chairman or Vice-Chairman.



Impact:

Could result in errors.

Recommendation:

To process approval per Commission's policy.

We have discussed the matters in this letter with Michael Wuetherick and received his comments thereon.

We would like to express our appreciation for the co-operation and assistance we have received during the course of our audit from those involved in accounting.

We would be pleased to discuss with you further any matters mentioned in this letter at your convenience. This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to any third party who uses this communication.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

Chartered Professional Accountants

encls.

Draft Independent Auditors' Report

(See Attached)

Independent Auditor's Report

To the Board of Directors of South Red Deer Regional Wastewater Commission:

DRAFT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Red Deer Regional Wastewater Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net debt, cash flows and the related schedules, 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian 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 the 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.

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.

Red Deer, Alberta

April 26, 2019

Chartered Professional Accountants

Management Representations

(See Attached)

South Red Deer Regional Wastewater Commission
35566 Rge Rd 10
Red Deer County, AB T0M 0W0

April 26, 2019

MNP LLP
4922 - 53 St.
Red Deer, Alberta T4N 2E9

To Whom It May Concern:

In connection with your audit of the financial statements of South Red Deer Regional Wastewater Commission ("the Commission") as at December 31, 2018 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 17, 2018, for the preparation and fair presentation of the Commission's financial statements and comparatives in accordance with Canadian public sector accounting standards. We believe these financial statements and comparatives are complete and present fairly, in all material respects, the financial position of the Commission as at December 31, 2018 and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards. Where the accounting framework has not been followed or applied consistently, details of the exceptions should be noted here.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Commission's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the financial statements.
4. We have disclosed to you all significant assumptions used in making accounting estimates and judgments, and believe they are reasonable.
5. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.
6. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these differences has been attached to this written representation.

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
8. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.
9. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Canadian public sector accounting standards.
10. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
11. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
12. All assets, wherever located, to which the Commission had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.
13. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.
14. Accounts and contributions receivable are correctly described in the records and represent valid claims as at December 31, 2018. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
15. Inventory is correctly recorded in the financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers. It is our understanding that there is little to no value for inventory items kept at Waskasoo Lift Station other than the pails of degreaser accounted for on the inventory listing.
16. All charges to tangible capital assetscapital leases represent capital expenditures. No expenditures of a capital nature were charged to operations of the Commission. Amortization of tangible capital assetscapital lease obligations has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.
17. All long-term debt has been appropriately recorded in the financial statements. All payments and accrued interest has been accounted for. The current portion of long-term debt is appropriately classified.
18. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Commission is not entitled to the proceeds.
19. We have identified all known or potential contaminated sites and the costs associated with the remediation of these sites have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards. There are none.

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements and related data and minutes of the meetings of the Board held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the Commission and all related party relationships and transactions of which we are aware.
8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
9. The previous year's representation letter dated April 20, 2018 is still applicable to the prior year's financial statements and comparatives and no matters have arisen that require restatement of those financial statements and comparatives.
10. There are no discussions with your firm's personnel regarding employment with the Commission.

Professional Services

1. We acknowledge the engagement letter dated December 17, 2018, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Commission's audit.

Sincerely,
South Red Deer Regional Wastewater Commission

Signature

CAO

Independence Communication

(See Attached)

April 26, 2019



The Board of Directors
South Red Deer Regional Wastewater Commission
35566 Rge Rd 10
Red Deer County, AB T0M 0W0

Dear Sirs/Mesdames:

We have been engaged to audit the financial statements of South Red Deer Regional Wastewater Commission ("the Commission") as at December 31, 2018 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Commission and its related entities or persons in financial reporting oversight roles at the Commission and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are aware of the following relationships between the Commission and MNP that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from January 1, 2018 to April 26, 2019.

MNP prepared several adjusting journal entries. These have been reviewed and approved by management.

We hereby confirm that MNP is independent with respect to the Commission within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta as of April 26, 2019

The total fees charged to the Commission for audit services for 2017 and 2018 were \$27,000 during the period from January 1, 2018 to April 26, 2019. There were no fees from non-audit services.

This report is intended solely for the use of the Board of Directors, management and others within the Commission and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you at our upcoming meeting on April 26, 2019. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,

MNP LLP

Chartered Professional Accountants

Audit Program - Summary of Differences

Client: South Red Deer Regional Wastewater Commission
Client #: 346257
Year End: 31/12/2018

Adjusted Differences
Designed to pull all journal entries recorded in the CaseWare file which are classified as "Normal Adjusting" entries

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss)						Adjustment to Balance Sheet Items							
			DR (CR)						DR (CR)							
Journal entry #	Ref	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
1	N. 2	To record change in long term investment in the year.	-19,867.98	0.00	-19,867.98	0.00	-19,867.98	0.00	0.00	0.00	19,867.98	0.00	0.00	0.00	-19,867.98	0.00
2	C. 2	To reclassify Local Government accounts receivable.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	C.10	To adjust Chinook Pipeline settlement payment to related account.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	PV	To record Water For Life grant received during the year.	1,399,388.21	0.00	1,399,388.21	0.00	1,399,388.21	0.00	0.00	-1,399,388.21	0.00	0.00	0.00	0.00	1,399,388.21	0.00
5	C. 3	To adjust allowance for doubtful accounts to amounts outstanding over 90 days.	-2,143.96	0.00	-2,143.96	0.00	-2,143.96	0.00	0.00	2,143.96	0.00	0.00	0.00	0.00	-2,143.96	0.00
7	E. 6	To reclassify inventory leftover from OMIIF project that had been added to capital.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,995.93	-8,995.93	0.00	0.00	0.00	0.00	0.00
11	P.4 - R&M	To adjust immersion heaters from repairs to capital account.	-22,492.77	0.00	-22,492.77	0.00	-22,492.77	0.00	0.00	0.00	22,492.77	0.00	0.00	0.00	-22,492.77	0.00
15	P. 6	To correct TCA balances.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	P. 6	To correct current year amortization.	-52,868.01	0.00	-52,868.01	0.00	-52,868.01	0.00	0.00	0.00	52,868.01	0.00	0.00	0.00	-52,868.01	0.00
18	P. 8	To adjust right away expense to actual.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	C.8/C.9	To adjust Water for Life revenue received in the year.	-619,142.00	0.00	-619,142.00	0.00	-619,142.00	0.00	0.00	619,142.00	0.00	0.00	0.00	0.00	-619,142.00	0.00
20	NN. 5	To record unaccrued interest payable on debentures for closing.	65,949.61	0.00	65,949.61	0.00	65,949.61	0.00	0.00	0.00	0.00	-65,949.61	0.00	0.00	65,949.61	0.00
21	40.00	Audit accrual has never been set up.	18,000.00	0.00	18,000.00	0.00	18,000.00	0.00	0.00	0.00	0.00	-18,000.00	0.00	0.00	18,000.00	0.00
25	AE1. 2	Unified fees not recorded.	31,767.00	0.00	31,767.00	0.00	31,767.00	0.00	0.00	0.00	0.00	-31,767.00	0.00	0.00	31,767.00	0.00
26	WW. 2	Equity adjustments.	0.00	0.00	0.00	0.00	0.00	0.00	133,837.46	0.00	0.00	0.00	0.00	-133,837.46	133,837.46	0.00
30	BB.13	To record contingent liability on offer proposed.	525,000.00	0.00	525,000.00	0.00	525,000.00	0.00	0.00	0.00	0.00	-525,000.00	0.00	0.00	525,000.00	0.00
1 -PBC	TB6	To record tangible capital assets prepared by client.	-1,710,937.22	0.00	-1,710,937.22	0.00	-1,710,937.22	0.00	0.00	0.00	1,710,937.22	0.00	0.00	0.00	-1,710,937.22	0.00
2 -PBC	TB6	To move Cummins purchased to correct account.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 -PBC	TB6	To record balance of annual amortization for tangible capital assets.	2,815,847.50	0.00	2,815,847.50	0.00	2,815,847.50	0.00	0.00	0.00	-2,815,847.50	0.00	0.00	0.00	2,815,847.50	0.00
Client adjustments DR (CR)			2,428,500	0	2,428,500	0	2,428,500	0	133,837	-769,106	-1,018,677	-540,717	0	-133,837	2,562,338	0

MSW

Audit Program - Summary of Differences

Client: South Red Deer Regional Wastewater Commission
Client #: 346257
Year End: 31/12/2018

Unadjusted Differences

Designed to pull all journal entries (with balances over 5% of materiality) recorded in the CaseWare file which are classified as "Unrecorded - factual", "Unrecorded - projected", "Unrecorded - judgmental" entries

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss)						Adjustments to Balance Sheet Item							
			DR (CR)						DR (CR)							
Journal entry #	Ref	Type and Cause of Difference	Factual/ Judgmental (A)	Projected (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
9	E 6	To record possible inventory error.	0.00	21,901.00	21,901.00	0.00	21,901.00	0.00	0.00	-21,901.00	0.00	0.00	0.00	0.00	21,901.00	0.00
10	BB 8	To record reduction in expropriation contingency as per the City of Red Deer Engineering Services.	3,240.92	0.00	3,240.92	0.00	3,240.92	0.00	-21,044.61	0.00	0.00	17,803.69	0.00	0.00	-17,803.69	0.00
23		To record reversal of additional expropriation costs that should have been recorded in 2017.	-39,000.00	0.00	-39,000.00	0.00	-39,000.00	0.00	39,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24		To adjust inventory with no value identified in prior years that continues to be an unknown.	0.00	0.00	0.00	0.00	0.00	0.00	76,408.00	-76,408.00	0.00	0.00	0.00	0.00	76,408.00	0.00
27	AET 2	To record reversal of Unified fees that should have been recorded in 2017	-31,767.00	0.00	-31,767.00	0.00	-31,767.00	0.00	31,767.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	PY	To record opening unaccrued debenture interest.	-68,175.00	0.00	-68,175.00	0.00	-68,175.00	0.00	68,175.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Closing equity differences			-135,701	21,901	-113,800	0	-113,800	0	194,305	-98,309	0	17,804	0	0	80,505	0
Uncorrected opening differences			0	0	0	0	0	0	0	0	0	0	0	0	0	
Current period differences DR (CR)			-135,701	21,901	-113,800	0	-113,800	0	194,305	-98,309	0	17,804	0	0	80,505	
Materiality			280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	
Excess (shortfall)			144,299	258,099	166,200	280,000	166,200	280,000	85,695	181,691	280,000	262,196	280,000	280,000	199,495	

mtw

Audit Program - Summary of Differences

Client: South Red Deer Regional Wastewater Commission
 Client #: 346257
 Year End: 31/12/2018

Insignificant Differences Threshold of Clearly Trivial 5% 14,000

"Clearly trivial" is defined as an amount that would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial statements.
 Designed to pull all journal entries recorded in the CaseWare file which are classified as "Unrecorded - factual", "Unrecorded - projected", "Unrecorded - judgmental" entries AND determined to be UNDER the threshold for "clearly trivial"
 Preparer should keep differences < 5% of overall F/S materiality in the back of his/her mind because if aggregated with other differences, they may be material

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss)						Adjustments to Balance Sheet Item							
			DR (CR)						DR (CR)							
Journal entry #	Ref	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
8	E 6	To adjust for error in inventory.	6,476.00	0.00	6,476.00	0.00	6,476.00	0.00	0.00	-6,476.00	0.00	0.00	0.00	0.00	6,476.00	0.00
12	E 5	To adjust for estimated BioMaxx chemical inventory.	124.01	0.00	124.01	0.00	124.01	0.00	0.00	-124.01	0.00	0.00	0.00	0.00	124.01	0.00
13	E 5	To adjust for overstated Waste-go De-greaser chemical inventory.	3,524.88	0.00	3,524.88	0.00	3,524.88	0.00	0.00	-3,524.88	0.00	0.00	0.00	0.00	3,524.88	0.00
17	P 3	To adjust pipelines to actual (same error as prior year).	0.00	0.00	0.00	0.00	0.00	0.00	6,693.85	0.00	-6,693.85	0.00	0.00	0.00	6,693.85	0.00
22	B	Interest accrual on GIC.	-3,336.99	0.00	-3,336.99	0.00	-3,336.99	0.00	0.00	3,336.99	0.00	0.00	0.00	0.00	-3,336.99	0.00
28	40.00	To record reversal of prior year audit fee not accrued	-10,000.00	0.00	-10,000.00	0.00	-10,000.00	0.00	10,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Aggregate of insignificant differences identified			-3,212	0	-3,212	0	-3,212	0	16,694	-6,788	-6,694	0	0	0	13,482	0

Accumulated Unadjusted & Insignificant Differences

Accumulated unadjusted & insignificant differences	-138,913	21,901	-117,012	0	-117,012	0	210,999	-105,097	-6,694	17,804	0	0	93,987
Materiality	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
Excess of accumulated unadjusted differences over materiality	141,087	258,099	162,988	280,000	162,988	280,000	69,001	174,903	273,306	262,196	280,000	280,000	186,013

Uncorrected Opening Differences

		Adjustment to Earnings/Comprehensive Income Item						Adjustments to Balance Sheet Item							
		DR (CR)						DR (CR)							
Year	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
Closing equity differences		0	0	0	0	0	0	0	0	0	0	0	0	0	0

WOW

South Red Deer Regional Wastewater Commission

Year End: December 31, 2018

Adjusting Journal Entries

Date: 01/01/2018 To 31/12/2018

Number	Date	Name	Account No	Reference	Debit	Credit
1	31/12/2018	Long Term Investments	1301	N. 2	19,867.98	
1	31/12/2018	Return on Investments	4552	N. 2		19,867.98
To record change in long term investment in the year.						
2	31/12/2018	Local Government Receivable	1451	C. 2	132,040.25	
2	31/12/2018	Other Receivable	1461	C. 2		132,040.25
To reclassify Local Government accounts receivable.						
3	31/12/2018	Court Receivable	1465	C.10		166,916.48
3	31/12/2018	Provincial Government Receivable	1441	C.10	166,916.48	
To adjust Chinook Pipeline settlement payment to related account.						
4	31/12/2018	Prov Cond Grant - Water for Life	4841	PY	1,399,388.21	
4	31/12/2018	Provincial Government Receivable	1441	PY		1,399,388.21
To record Water For Life grant received during the year.						
5	31/12/2018	A/R-Allowance for Bad Debt	1463	C. 3	2,143.96	
5	31/12/2018	Bad Debt	5886	C. 3		2,143.96
To adjust allowance for doubtful accounts to amounts outstanding over 90 days.						
7	31/12/2018	Inventory	1501	E. 6	8,995.93	
7	31/12/2018	TCA Original Cost - Facilities	1621	E. 6		8,995.93
To reclassify inventory leftover from OMF project that had been added to capital.						
11	31/12/2018	Repair, Maintenance, Parts	5523	P.4 - R&M		10,793.90
11	31/12/2018	Repair, Maintenance, Parts	5523	P.4 - R&M		11,698.87
11	31/12/2018	TCA Original Cost - Facilities	1621	P.4 - R&M	22,492.77	
To adjust immersion heaters from repairs to capital account.						
15	31/12/2018	TCA Original Cost - Facilities	1621	P. 6	648.97	
15	31/12/2018	TCA Original Cost - Pipelines	1611	P. 6		648.97
To correct TCA balances.						
16	31/12/2018	Accum Amortization - Facilities	1622	P. 6		43,330.80
16	31/12/2018	Accumulated Amortization - Pipeline	1612	P. 6	96,198.81	
16	31/12/2018	Amortization	5879	P. 6		52,868.01
To correct current year amortization.						

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Preparer LS 12/02/2019	Detailed LA 16/02/2019	Supervisory JO 03/04/2019
Peer MM 15/04/2019	Tax	In progress

TB1

South Red Deer Regional Wastewater Commission

Year End: December 31, 2018

Adjusting Journal Entries

Date: 01/01/2018 To 31/12/2018

Number	Date	Name	Account No	Reference	Debit	Credit
18	31/12/2018	Engineering - General	5233	P. 8		632.00
18	31/12/2018	Legal	5232	P. 8		79,860.96
18	31/12/2018	Mileage and Travel	5211	P. 8		1,824.58
18	31/12/2018	Other Professional Services	5238	P. 8		16,120.63
18	31/12/2018	Project Management	5671	P. 8		3,300.00
18	31/12/2018	Right of Way	5610	P. 8	101,738.17	
To adjust right of way expense to actual.						
19	31/12/2018	Prov Cond Grant - Water for Life	4841	C.8/C.9		619,142.00
19	31/12/2018	Provincial Government Receivable	1441	C.8/C.9	619,142.00	
To adjust Water for Life revenue received in the year.						
20	31/12/2018	Accrued Accounts Payable	2502	NN. 5		65,949.61
20	31/12/2018	Long Term Debt Interest	5831	NN. 5	65,949.61	
To record unaccrued interest payable on debentures for closing.						
21	31/12/2018	Accrued Accounts Payable	2502	40		18,000.00
21	31/12/2018	Audit	5231	40	18,000.00	
Audit accrual has never been set up.						
25	31/12/2018	Accrued Accounts Payable	2502	AE1. 2		31,767.00
25	31/12/2018	Other Professional Services	5238	AE1. 2	31,767.00	
Unified fees not recorded.						
26	31/12/2018	Equity in Fixed Assets	3991	WW. 2	575,162.56	
26	31/12/2018	General Capital Reserve	3985	WW. 2		525,000.02
26	31/12/2018	O & M, Emergency Reserve	3982	WW. 2		100,000.00
26	31/12/2018	Rate Stabilization Reserve	3981	WW. 2		50,000.00
26	31/12/2018	SRS Capital Reserve	3986	WW. 2		34,000.00
26	31/12/2018	Transition Retained Earnings	3601	WW. 2	133,837.46	
Equity adjustments.						
30	31/12/2018	Accrued Accounts Payable	2502	BB.13		525,000.00
30	31/12/2018	Right of Way	5610	BB.13	525,000.00	
To record contingent liability on offer proposed.						
1 -PBC	31/12/2018	Accommodation and Meals	5212	TB6		221.23
1 -PBC	31/12/2018	Construction in Progress	1661	TB6	68,530.91	
1 -PBC	31/12/2018	Construction in Progress	1661	TB6		151,178.62
1 -PBC	31/12/2018	Engineering - General	5233	TB6		48,270.87

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Preparer LS 12/02/2019	Detailed LA 16/02/2019	Supervisory JO 03/04/2019
Peer MM 15/04/2019	Tax	In progress

TB1-1

South Red Deer Regional Wastewater Commission

Year End: December 31, 2018

Adjusting Journal Entries

Date: 01/01/2018 To 31/12/2018

Number	Date	Name	Account No	Reference	Debit	Credit
1 -PBC	31/12/2018	Equipment	5631	TB6		1,546,741.37
1 -PBC	31/12/2018	Equipment Rentals	5263	TB6		36,478.75
1 -PBC	31/12/2018	Legal	5232	TB6		6,253.69
1 -PBC	31/12/2018	Mileage and Travel	5211	TB6		962.40
1 -PBC	31/12/2018	Other Technical Services	5288	TB6		60,858.91
1 -PBC	31/12/2018	Project Management	5671	TB6		11,150.00
1 -PBC	31/12/2018	TCA Original Cost - Facilities	1621	TB6	1,665,584.39	
1 -PBC	31/12/2018	TCA Original Cost - Pipelines	1611	TB6	128,000.54	
To record tangible capital assets prepared by client.						
2 -PBC	31/12/2018	Equipment	5631	TB6	4,479.36	
2 -PBC	31/12/2018	Repair, Maintenance, Parts	5523	TB6		4,479.36
To move Cummins purchased to correct account.						
3 -PBC	31/12/2018	Accum Amortization - Facilities	1622	TB6		1,422,049.55
3 -PBC	31/12/2018	Accumulated Amortization - Pipeline	1612	TB6		1,393,797.95
3 -PBC	31/12/2018	Amortization	5879	TB6	36,652.97	
3 -PBC	31/12/2018	Amortization	5879	TB6	18,279.93	
3 -PBC	31/12/2018	Amortization	5879	TB6	44,685.97	
3 -PBC	31/12/2018	Amortization	5879	TB6	264,001.53	
3 -PBC	31/12/2018	Amortization	5879	TB6	272,086.36	
3 -PBC	31/12/2018	Amortization	5879	TB6	216,467.72	
3 -PBC	31/12/2018	Amortization	5879	TB6	244,021.92	
3 -PBC	31/12/2018	Amortization	5879	TB6	292,028.30	
3 -PBC	31/12/2018	Amortization	5879	TB6	9,290.44	
3 -PBC	31/12/2018	Amortization	5879	TB6	24,534.41	
3 -PBC	31/12/2018	Amortization	5879	TB6	64,949.51	
3 -PBC	31/12/2018	Amortization	5879	TB6	17,337.68	
3 -PBC	31/12/2018	Amortization	5879	TB6	1,311,510.76	
To record balance of annual amortization for tangible capital assets.						
					8,601,732.86	8,601,732.86

Net Income (Loss) -209,741.73

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Preparer LS 12/02/2019	Detailed LA 16/02/2019	Supervisory JO 03/04/2019
Peer MM 15/04/2019	Tax	In progress

TB1-2

South Red Deer Regional Wastewater Commissio

Year End: December 31, 2018

Trial Balance

Account	Prelim	Adj's	Reclass	Rep	Budget	%Chg
1111 Bank Account - General	818,025.67	0.00	0.00	818,025.67	0.00	0
1141 Credit Union Shares	1.29	0.00	0.00	1.29	0.00	0
A Cash	818,026.96	0.00	0.00	818,026.96	0.00	0
1431 Federal Government Receivable	102,945.52	0.00	0.00	102,945.52	0.00	0
1441 Provincial Government Receivable	1,232,471.73	-613,329.73	0.00	619,142.00	0.00	0
1451 Local Government Receivable	562,478.86	132,040.25	0.00	694,519.11	0.00	0
1461 Other Receivable	140,245.53	-132,040.25	0.00	8,205.28	0.00	0
1462 Other Accrued Receivable	-202.44	0.00	0.00	-202.44	0.00	0
1463 A/R-Allowance for Bad Debt	-6,745.56	2,143.96	0.00	-4,601.60	0.00	0
1464 Accounts Receivable-Clearing	-943.27	0.00	0.00	-943.27	0.00	0
1465 Court Receivable	166,916.48	-166,916.48	0.00	0.00	0.00	0
C Accounts Receivable	2,197,166.85	-778,102.25	0.00	1,419,064.60	0.00	0
1501 Inventory	210,287.00	8,995.93	0.00	219,282.93	0.00	0
E Inventory	210,287.00	8,995.93	0.00	219,282.93	0.00	0
2501 Trade Accounts Payable	-468,985.87	0.00	0.00	-468,985.87	0.00	0
2502 Accrued Accounts Payable	-1,343,893.31	-640,716.61	0.00	-1,984,609.92	0.00	0
BB Accounts Payable and Accrued L	-1,812,879.18	-640,716.61	0.00	-2,453,595.79	0.00	0
2611 Debenture Borrowing	-2,473,350.19	0.00	0.00	-2,473,350.19	0.00	0
2612 Debenture - ACFA 4001838	-7,183,791.60	0.00	0.00	-7,183,791.60	0.00	0
2613 Debenture - ACFA 4001871	-3,869,694.35	0.00	0.00	-3,869,694.35	0.00	0
NN Debt	-13,526,836.14	0.00	0.00	-13,526,836.14	0.00	0
4411 Sales of Service - Olds	-2,687,612.72	0.00	0.00	-2,687,612.72	-3,040,570.00	-12
4412 Sale of Service - Bowden	-386,748.42	0.00	0.00	-386,748.42	-340,061.00	14
4413 Sale of Service - Innisfail	-1,831,614.15	0.00	0.00	-1,831,614.15	-2,024,009.00	-10
4414 Sales of Service - Penhold	-577,244.25	0.00	0.00	-577,244.25	-509,515.00	13
4415 Sale of Service - MV County	-8,470.16	0.00	0.00	-8,470.16	-8,436.00	0
4416 Sales of Service - RD County	-1,414,557.00	0.00	0.00	-1,414,557.00	-1,449,926.00	-2
4471 Sales of Service - Septic Haulers	-116,143.88	0.00	0.00	-116,143.88	0.00	0
4541 Dividends	-0.04	0.00	0.00	-0.04	0.00	0
4549 Misc. Revenue	-3,965.43	0.00	0.00	-3,965.43	-500.00	693
4551 Interest on Bank Accounts	-21,691.35	0.00	0.00	-21,691.35	-17,473.00	24
4552 Return on Investments	-26,215.35	-19,867.98	0.00	-46,083.33	0.00	0
4841 Prov Cond Grant - Water for Life	-2,784,613.00	780,246.21	0.00	-2,004,366.79	0.00	0
20 Revenue	-9,858,875.75	760,378.23	0.00	-9,098,497.52	-7,390,490.00	23
5148 Training and Education	229.05	0.00	0.00	229.05	0.00	0
5151 Board Honoraria	11,114.55	0.00	0.00	11,114.55	16,215.00	-31
5152 Chair Honorarium	3,720.00	0.00	0.00	3,720.00	3,720.00	0
5211 Mileage and Travel	10,462.83	-2,786.98	0.00	7,675.85	4,934.00	56
5212 Accomodation and Meals	412.03	-221.23	0.00	190.80	2,733.00	-93

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Preparer	Detailed	Supervisory
LS 28/01/2019	LA 11/02/2019	JO 03/04/2019
Peer	Tax	In progress

TB

South Red Deer Regional Wastewater Commissio

Year End: December 31, 2018

Trial Balance

Account	Prelim	Adj's	Reclass	Rep	Budget	%Chg
5215 Postage, Courier, Freight	1,621.98	0.00	0.00	1,621.98	2,194.00	-26
5216 Telephone	12,765.69	0.00	0.00	12,765.69	10,599.00	20
5217 Internet, Data Lines	12,633.08	0.00	0.00	12,633.08	7,687.00	64
5221 Advertising, Promotion	0.00	0.00	0.00	0.00	2,000.00	-100
5222 Membership / Registration	0.00	0.00	0.00	0.00	220.00	-100
5223 License and Permits	36.28	0.00	0.00	36.28	964.00	-96
5227 Insurance	48,685.83	0.00	0.00	48,685.83	48,507.00	0
5231 Audit	10,000.00	18,000.00	0.00	28,000.00	18,000.00	56
5232 Legal	86,428.35	-86,114.65	0.00	313.70	5,000.00	-94
5233 Engineering - General	66,631.46	-48,902.87	0.00	17,728.59	6,000.00	195
5234 Management - CAO	97,023.00	0.00	0.00	97,023.00	100,638.00	-4
5235 Financial Services	20,799.96	0.00	0.00	20,799.96	0.00	0
5238 Other Professional Services	51,134.28	15,646.37	0.00	66,780.65	8,000.00	735
5248 Other Contracted Services	568.00	0.00	0.00	568.00	0.00	0
5252 Building Repair/Maint	7,052.60	0.00	0.00	7,052.60	29,000.00	-76
5253 Equipment Repair/Maint	78,955.24	0.00	0.00	78,955.24	224,635.00	-65
5263 Equipment Rentals	36,478.75	-36,478.75	0.00	0.00	2,500.00	-100
5265 Office Rental	6,750.00	0.00	0.00	6,750.00	0.00	0
5282 Wastewater Testing	11,021.68	0.00	0.00	11,021.68	7,930.00	39
5288 Other Technical Services	70,511.41	-60,858.91	0.00	9,652.50	8,900.00	8
5351 City of Red Deer - Treatment	3,360,907.07	0.00	0.00	3,360,907.07	3,592,864.00	-6
5361 MVRWSC - Operating Services	561,748.48	0.00	0.00	561,748.48	606,343.00	-7
5362 MVRWSC - Financial Services	0.00	0.00	0.00	0.00	13,092.00	-100
5363 MVRWSC - Office Facility	0.00	0.00	0.00	0.00	6,750.00	-100
5514 Computer, Electronic Equipment	0.00	0.00	0.00	0.00	10,000.00	-100
5515 Office Supplies	1,661.39	0.00	0.00	1,661.39	1,500.00	11
5516 Office Equipment	0.00	0.00	0.00	0.00	200.00	-100
5517 Janitorial, Cleaning	3.18	0.00	0.00	3.18	300.00	-99
5518 Safety Equipment	3,895.37	0.00	0.00	3,895.37	4,000.00	-3
5519 Other General Supplies	2,087.20	0.00	0.00	2,087.20	500.00	317
5521 Fuel, Lubricants	1,198.51	0.00	0.00	1,198.51	5,200.00	-77
5523 Repair, Maintenance, Parts	30,854.07	-26,972.13	0.00	3,881.94	10,000.00	-61
5524 Consumable Small Tools	0.00	0.00	0.00	0.00	5,000.00	-100
5531 Odor Management Chemicals	588,662.92	0.00	0.00	588,662.92	539,832.00	9
5538 Other Chemicals	42,310.01	0.00	0.00	42,310.01	82,281.00	-49
5541 Electric Power	378,205.35	0.00	0.00	378,205.35	489,604.00	-23
5542 Natural Gas	20,160.99	0.00	0.00	20,160.99	21,238.00	-5
5543 Municipal Utilities	3,377.08	0.00	0.00	3,377.08	6,471.00	-48
5610 Right of Way	36,161.60	626,738.17	0.00	662,899.77	0.00	0
5631 Equipment	1,542,262.01	-1,542,262.01	0.00	0.00	0.00	0
5661 Engineering - Design	5,588.00	0.00	0.00	5,588.00	0.00	0
5667 Engineering - Other	632.00	0.00	0.00	632.00	0.00	0
5671 Project Management	15,500.00	-14,450.00	0.00	1,050.00	0.00	0
5811 Bank Charges, Interest	0.00	0.00	0.00	0.00	200.00	-100
5831 Long Term Debt Interest	399,865.82	65,949.61	0.00	465,815.43	399,866.00	16

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Preparer	Detailed	Supervisory
LS 28/01/2019	LA 11/02/2019	JO 03/04/2019
Peer	Tax	In progress

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South Red Deer Regional Wastewater Commissio

Year End: December 31, 2018

Trial Balance

Account	Prelim	Adj's	Reclass	Rep	Budget	%Chg
5879 Amortization	0.00	2,762,979.49	0.00	2,762,979.49	2,694,981.00	3
5886 Bad Debt	0.00	-2,143.96	0.00	-2,143.96	0.00	0
40 Expenses	7,640,117.10	1,668,122.15	0.00	9,308,239.25	9,000,598.00	3
1511 Prepaid Expense	41,721.04	0.00	0.00	41,721.04	0.00	0
F Prepaid Expenses and Deposits	41,721.04	0.00	0.00	41,721.04	0.00	0
1144 Short Term Investments (B)	2,000,000.00	0.00	0.00	2,000,000.00	0.00	0
B Marketable Securities/Portfolio Inv	2,000,000.00	0.00	0.00	2,000,000.00	0.00	0
1301 Long Term Investments	1,190,065.02	19,867.98	0.00	1,209,933.00	0.00	0
N Investments	1,190,065.02	19,867.98	0.00	1,209,933.00	0.00	0
1611 TCA Original Cost - Pipelines	88,245,357.68	127,351.57	0.00	88,372,709.25	0.00	0
1612 Accumulated Amortization - Pipeline	-4,842,472.01	-1,297,599.14	0.00	-6,140,071.15	0.00	0
1621 TCA Original Cost - Facilities	38,846,785.69	1,679,730.20	0.00	40,526,515.89	0.00	0
1622 Accum Amortization - Facilities	-5,223,512.06	-1,465,380.35	0.00	-6,688,892.41	0.00	0
1641 TCA Value Land	30,531.66	0.00	0.00	30,531.66	0.00	0
1661 Construction in Progress	190,045.47	-82,647.71	0.00	107,397.76	0.00	0
P Tangible Capital Assets	117,246,736.43	-1,038,545.43	0.00	116,208,191.00	0.00	0
3601 Transition Retained Earnings	-884,938.20	133,837.46	0.00	-751,100.74	0.00	0
3981 Rate Stabilization Reserve	-177,675.30	-50,000.00	0.00	-227,675.30	0.00	0
3982 O & M, Emergency Reserve	-541,930.85	-100,000.00	0.00	-641,930.85	0.00	0
3985 General Capital Reserve	-1,181,467.98	-525,000.02	0.00	-1,706,468.00	0.00	0
3986 SRS Capital Reserve	-103,000.00	-34,000.00	0.00	-137,000.00	0.00	0
3991 Equity in Fixed Assets	-103,256,517.00	575,162.56	0.00	-102,681,354.44	0.00	0
VW Accumulated Surplus/Deficit	-106,145,529.33	0.00	0.00	-106,145,529.33	0.00	0
	0.00	0.00	0.00	0.00	1,610,108.00	-100
Net Income (Loss)	2,218,758.65			-209,741.73	-1,610,108.00	-87

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Preparer LS 28/01/2019	Detailed LA 11/02/2019	Supervisory JO 03/04/2019
Peer	Tax	In progress

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