

**SOUTH RED DEER REGIONAL  
WASTEWATER COMMISSION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**



## South Red Deer Regional Wastewater Commission

Bay 1, 7889 – 49<sup>th</sup> Avenue  
Red Deer, Alberta T4P 2B4  
Ph: (403) 507-5139

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### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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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 public sector accounting standards. 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 responsibility 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 the financial statements.

The appointed Board of Directors of South Red Deer Regional Wastewater Commission are composed entirely of individuals who are neither management nor employees of the Commission. The Board has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Board is also responsible for the appointment of the Commission's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the financial statements and to report directly to them. 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.

A handwritten signature in blue ink, appearing to read 'M. Wuetherick', with a long horizontal stroke extending to the right.

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Michael Wuetherick

Chief Administrative Officer

April 27, 2023

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## INDEPENDENT AUDITORS' REPORT

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To the Members of South Red Deer Regional Wastewater Commission

### *Opinion*

We have audited the accompanying financial statements of South Red Deer Regional Wastewater Commission (the Commission), which comprise the statement of financial position as at December 31, 2022, the statements of operations and accumulated surplus, changes in net financial debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2022, the results of its operations, changes in net financial debt, 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 *Auditors' 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

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*Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 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 auditors' 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 auditors' 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.

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta  
April 27, 2023

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Statement of Financial Position**

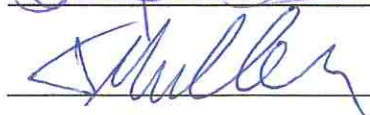
**For the Year Ended December 31, 2022**

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|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>                  |                      |                      |
| Cash (Note 2)                            | \$ 1,681,360         | \$ 990,335           |
| Accounts receivable (Note 3)             | 1,763,537            | 1,328,576            |
| Investments (Note 4)                     | <u>1,277,793</u>     | <u>1,266,584</u>     |
|  | <u>4,722,690</u>     | <u>3,585,495</u>     |
| <b>LIABILITIES</b>                       |                      |                      |
| Accounts payable and accrued liabilities | 2,842,332            | 2,532,405            |
| Deferred revenue (Note 5)                | 87,361               | 87,361               |
| Long term debt (Note 6)                  | <u>11,534,613</u>    | <u>12,054,280</u>    |
|  | <u>14,464,306</u>    | <u>14,674,046</u>    |
| <b>NET FINANCIAL DEBT</b>                | <u>(9,741,616)</u>   | <u>(11,088,551)</u>  |
| <b>NON-FINANCIAL ASSETS</b>              |                      |                      |
| Tangible capital assets (Schedule 1)     | 107,310,834          | 110,006,774          |
| Inventory for consumption                | 263,050              | 269,225              |
| Prepaid expenses                         | <u>35,116</u>        | <u>60,337</u>        |
|  | <u>107,609,000</u>   | <u>110,336,336</u>   |
| <b>ACCUMULATED SURPLUS (Note 8)</b>      | <u>\$ 97,867,384</u> | <u>\$ 99,247,785</u> |
| COMMITMENTS (Note 10)                    |                      |                      |
| CONTINGENCIES (Note 11)                  |                      |                      |

ON BEHALF OF THE BOARD:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

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

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Statement of Operations and Accumulated Surplus**

**For the Year Ended December 31, 2022**

|   | <u>2022</u><br>(Budget)<br>(Note 15) | <u>2022</u><br>(Actual) | <u>2021</u><br>(Actual) |
|---|--------------------------------------|-------------------------|-------------------------|
| <b>REVENUE</b>                                      |                                      |                         |                         |
| Wastewater services                                 | \$ 8,005,149                         | \$ 8,999,000            | \$ 7,240,931            |
| Resale of chemicals                                 | 145,208                              | 170,139                 | 102,352                 |
| Investment income                                   | 15,875                               | 50,798                  | 38,427                  |
| Government transfers                                | <u>-</u>                             | <u>-</u>                | <u>212,639</u>          |
|   | <u>8,166,232</u>                     | <u>9,219,937</u>        | <u>7,594,349</u>        |
| <b>EXPENSES</b>                                     |                                      |                         |                         |
| Wastewater treatment                                | 3,878,592                            | 4,208,122               | 3,456,048               |
| Amortization of tangible capital assets             | -                                    | 2,850,463               | 2,926,200               |
| Odour management (chemicals)                        | 579,408                              | 987,222                 | 1,002,004               |
| Governance, administration and interest             | 671,019                              | 698,233                 | 622,102                 |
| Repairs and maintenance                             | 434,350                              | 567,056                 | 447,775                 |
| Operations and maintenance                          | 476,836                              | 508,972                 | 504,557                 |
| Utilities   | 392,428                              | 499,633                 | 433,393                 |
| Professional services                               | <u>199,300</u>                       | <u>280,637</u>          | <u>234,223</u>          |
|   | <u>6,631,933</u>                     | <u>10,600,338</u>       | <u>9,626,302</u>        |
| <b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME</b> | <u>1,534,299</u>                     | <u>(1,380,401)</u>      | <u>(2,031,953)</u>      |
| <b>OTHER INCOME (EXPENSES)</b>                      |                                      |                         |                         |
| Loss on disposal of tangible capital assets         | <u>-</u>                             | <u>-</u>                | <u>(104,825)</u>        |
| <b>ANNUAL SURPLUS (DEFICIT)</b>                     | 1,534,299                            | (1,380,401)             | (2,136,778)             |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>       | <u>99,247,785</u>                    | <u>99,247,785</u>       | <u>101,384,563</u>      |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>             | <u>\$100,782,084</u>                 | <u>\$ 97,867,384</u>    | <u>\$ 99,247,785</u>    |

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**  
**Statement of Changes in Net Financial Debt**  
**For the Year Ended December 31, 2022**

|  | <u>2022</u><br>(Budget)<br>(Note 15) | <u>2022</u><br>(Actual)      | <u>2021</u><br>(Actual) |
|--|--------------------------------------|------------------------------|-------------------------|
| <b>ANNUAL SURPLUS (DEFICIT)</b>                    | \$ <u>1,534,299</u>                  | \$ <b><u>(1,380,401)</u></b> | \$ <u>(2,136,778)</u>   |
| Acquisition of tangible capital assets             | -                                    | (154,523)                    | (723,505)               |
| Amortization of tangible capital assets            | -                                    | 2,850,463                    | 2,926,200               |
| Loss on disposal of tangible capital assets        | -                                    | -                            | 104,825                 |
|  | <u>-</u>                             | <u>2,695,940</u>             | <u>2,307,520</u>        |
| Use (acquisition) of inventory for consumption     | -                                    | 6,175                        | (44,213)                |
| Use (acquisition) of prepaid expenses and deposits | -                                    | 25,221                       | (21,975)                |
|  | <u>-</u>                             | <u>31,396</u>                | <u>(66,188)</u>         |
| <b>DECREASE (INCREASE) IN NET FINANCIAL DEBT</b>   | <u>1,534,299</u>                     | <u>1,346,935</u>             | <u>104,554</u>          |
| <b>NET FINANCIAL DEBT, BEGINNING OF YEAR</b>       | <u>(11,088,551)</u>                  | <u>(11,088,551)</u>          | <u>(11,193,105)</u>     |
| <b>NET FINANCIAL DEBT, END OF YEAR</b>             | \$ <u>(9,554,252)</u>                | \$ <b><u>(9,741,616)</u></b> | \$ <u>(11,088,551)</u>  |

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION****Statement of Cash Flows**

For the Year Ended December 31, 2022

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|  | <u>2022</u>                | <u>2021</u>              |
|--|----------------------------|--------------------------|
| <b>OPERATING ACTIVITIES</b>                        |                            |                          |
| Annual surplus (deficit)                           | \$(1,380,401)              | \$(2,136,778)            |
| Amortization of tangible capital assets            | 2,850,463                  | 2,926,200                |
| Loss on disposal of tangible capital assets        | <u>-</u>                   | <u>104,825</u>           |
|  | <u>1,470,062</u>           | <u>894,247</u>           |
| Change in non-cash working capital:                |                            |                          |
| Accounts receivable                                | (434,115)                  | 437,417                  |
| Accounts payable and accrued liabilities           | 309,927                    | (582,565)                |
| Deferred revenue                                   | -                          | 87,361                   |
| Inventory for consumption                          | 6,175                      | (44,213)                 |
| Prepaid expenses                                   | <u>25,220</u>              | <u>(21,975)</u>          |
|  | <u>(92,793)</u>            | <u>(123,975)</u>         |
|  | <u>1,377,269</u>           | <u>770,272</u>           |
| <b>INVESTING ACTIVITIES</b>                        |                            |                          |
| Purchase of investments                            | (503,809)                  | (639,335)                |
| Proceeds from disposal of investments              | <u>491,755</u>             | <u>629,509</u>           |
|  | <u>(12,054)</u>            | <u>(9,826)</u>           |
| <b>CAPITAL ACTIVITIES</b>                          |                            |                          |
| Acquisition of tangible capital assets             | <u>(154,523)</u>           | <u>(723,505)</u>         |
| <b>FINANCING ACTIVITIES</b>                        |                            |                          |
| Repayment of long term debt                        | <u>(519,667)</u>           | <u>(504,985)</u>         |
| <b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b> | <b>691,025</b>             | <b>(468,044)</b>         |
| <b>CASH, BEGINNING OF YEAR</b>                     | <u>990,335</u>             | <u>1,458,379</u>         |
| <b>CASH, END OF YEAR</b>                           | <b>\$ <u>1,681,360</u></b> | <b>\$ <u>990,335</u></b> |



**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Schedule 1**

**Schedule of Tangible Capital Assets**

**For the Year Ended December 31, 2022**

|  | <u>Land</u>             | <u>Lift Stations &amp; Improvements</u> | <u>Pipelines</u>            | <u>Construction in Progress</u> | <u>2022</u>                 | <u>2021</u>                 |
|--|-------------------------|---|-----------------------------|---------------------------------|-----------------------------|-----------------------------|
| <b>COST:</b>                                     |                         |   |                             |                                 |                             |                             |
| Balance, Beginning of Year                       | \$ 30,532               | \$ 41,585,216                           | \$ 89,285,495               | \$ 272,756                      | <b>\$131,173,999</b>        | \$130,599,677               |
| Acquisition of tangible capital assets           | -                       | 154,523                                 | -                           | -                               | <b>154,523</b>              | 723,505                     |
| Disposal of tangible capital assets              | -                       | -                                       | -                           | -                               | -                           | (149,183)                   |
| Transfer   | -                       | -                                       | <u>272,756</u>              | <u>(272,756)</u>                | -                           | -                           |
| Balance, End of Year                             | <u>30,532</u>           | <u>41,739,739</u>                       | <u>89,558,251</u>           | -                               | <b><u>131,328,522</u></b>   | <u>131,173,999</u>          |
| <b>ACCUMULATED AMORTIZATION:</b>                 |                         |   |                             |                                 |                             |                             |
| Balance, Beginning of Year                       | -                       | 11,148,950                              | 10,018,275                  | -                               | <b>21,167,225</b>           | 18,285,382                  |
| Amortization                                     | -                       | 1,525,396                               | 1,325,067                   | -                               | <b>2,850,463</b>            | 2,926,200                   |
| Accumulated amortization on disposals            | -                       | -                                       | -                           | -                               | -                           | <u>(44,357)</u>             |
| Balance, End of Year                             | -                       | <u>12,674,346</u>                       | <u>11,343,342</u>           | -                               | <b><u>24,017,688</u></b>    | <u>21,167,225</u>           |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b> | <b>\$ <u>30,532</u></b> | <b>\$ <u>29,065,393</u></b>             | <b>\$ <u>78,214,909</u></b> | <b>\$ -</b>                     | <b><u>\$107,310,834</u></b> | <b><u>\$110,006,774</u></b> |

## Schedule of Expenses by Object

For the Year Ended December 31, 2022

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|   | <u>2022</u><br>(Budget)<br>(Note 15) | <u>2022</u><br>(Actual)  | <u>2021</u><br>(Actual) |
|---|--------------------------------------|--------------------------|-------------------------|
| Contracted and purchased goods            | \$ 5,257,569                         | <b>\$ 5,867,552</b>      | \$ 4,854,511            |
| Amortization of tangible capital assets   | -                                    | <b>2,850,463</b>         | 2,926,200               |
| Materials, goods, supplies and utilities  | 1,008,136                            | <b>1,525,675</b>         | 1,473,238               |
| Interest on long term debt                | 343,582                              | <b>341,093</b>           | 355,844                 |
| Board per diems                           | 22,146                               | <b>15,535</b>            | 16,496                  |
| Provision for allowances and bank charges | <u>500</u>                           | <u><b>20</b></u>         | <u>13</u>               |
|   | <u>6,631,933</u>                     | <u><b>10,600,338</b></u> | <u>9,626,302</u>        |

## **SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

### **Notes to Financial Statements**

**Year Ended December 31, 2022**

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#### **PURPOSE OF COMMISSION**

The South Red Deer Regional Wastewater Commission (the "Commission") was established under the Municipal Government Act in 2008. The Commission purpose is to maintain, control and manage a wastewater transmission system for six member municipalities. The member municipalities are: the Town of Bowden, Town of Innisfail, Town of Olds, Town of Penhold, Mountain View County, and Red Deer County.

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the Commission.

**(b) Basis of Presentation**

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

**(c) Revenue Recognition**

Government transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Member contributions are recognized as revenue when the amounts are approved by the Board.

Resale of chemicals are recognized as revenue in the period in which the service is delivered or in which the transaction or events occurred that give rise to the revenue and collection is reasonably assured.

Investment income is recognized as revenue in the period earned.

**(d) Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates. The recoverability of accounts receivable, and valuation, residual values and useful lives of tangible capital assets, inventory valuation and accrued liabilities represent significant estimates in the financial statements.

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**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of services. They have useful lives existing beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net debt for the year.

**I. Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. The Commission provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. Amortization rates are as follows:

|                              |               |
|------------------------------|---------------|
| Lift stations & improvements | 5 - 50 years  |
| Pipelines                    | 15 - 70 years |

In the year of acquisition, amortization is calculated at one-half the normal rates. Assets under construction are not amortized until the asset is available for productive use.

**II. Contribution of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also recorded as revenue.

**III. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**IV. Inventory**

Inventories of materials and supplies for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method.

**(f) Future Accounting Standard Pronouncements**

The following summarizes upcoming changes to the Canadian public sector accounting standards. The Commission will continue to assess the impact and prepare for the adoption of these standards.

**I. Financial Statement Presentation**

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2022.

*(Continues)*

## SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

### Notes to Financial Statements

Year Ended December 31, 2022

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#### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (f) Future Accounting Standard Pronouncements (Continued)

###### II. Foreign Currency Translation

PS 2601, *Foreign Currency Translation*, requires that monetary assets and liabilities denominated in foreign currency be adjusted to reflect the exchange rates in effect at the financial statement dates. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard must be adopted in conjunction with PS 2601 and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

###### III. Portfolio Investments

PS 3041, *Portfolio Investments*, has removed the distinction between temporary and portfolio investments and amended to conform to PS 3405. This standard must be adopted in conjunction with PS 1201, PS 2601, and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

###### IV. Financial Instruments

PS 3450, *Financial Instruments*, established recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivative and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2022.

###### V. Asset Retirement Obligations

PS 3280, *Asset Retirement Obligations*, establishes standards on how to account and report for legal obligations associated with the retirement of certain tangible capital assets including solid waste landfill sites. As a result, PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability* has been withdrawn but will remain in effect until the adoption of PS 3280. This standard is applicable for fiscal years beginning on or after April 1, 2022.

###### VI. Revenue

PS 3400, *Revenue*, establishes standards on how to account for and report revenue differentiating between revenue arising from transactions that include performance obligations and transactions that do not. This standard is applicable for fiscal years beginning on or after April 1, 2023.

###### VII. Purchased Intangibles

PSG-8, *Purchased Intangibles*, guideline provides direction regarding the recognition, measurement, and disclosure of purchased intangible assets in relation to the conceptual framework for financial reporting in the public sector. This standard is applicable for fiscal years beginning on or after April 1, 2023.

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

**2. CASH**

The Commission has access to a demand operating credit facility of \$2,000,000 bearing interest at prime. There was no amount withdrawn for 2022 or 2021.

**3. ACCOUNTS RECEIVABLE**

|                                    | <u>2022</u>         | <u>2021</u>         |
|------------------------------------|---------------------|---------------------|
| Local government receivable        | \$ 907,644          | \$ 535,989          |
| Provincial grant receivable        | 619,142             | 619,142             |
| Trade                              | 171,187             | 22,412              |
| Goods and Services Tax recoverable | <u>70,291</u>       | <u>156,606</u>      |
|                                    | 1,768,264           | 1,334,149           |
| Allowance for doubtful accounts    | <u>(4,727)</u>      | <u>(5,573)</u>      |
|                                    | <u>\$ 1,763,537</u> | <u>\$ 1,328,576</u> |

**4. INVESTMENTS**

|                                    | <u>2022</u>         | <u>2021</u>         |
|------------------------------------|---------------------|---------------------|
| Guaranteed investment certificates | \$ <u>1,277,793</u> | \$ <u>1,266,584</u> |

Guaranteed investment certificates maturing between August 2023 and September 2027 (2021 - August 2022 and August 2024), with interest rates varying between 1.00% and 4.61% (2021 - 0.79% - 1.55%).

**5. DEFERRED REVENUE**

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

|                                    | <u>2021</u>      | <u>Additions</u> | <u>Revenue Recognized</u> | <u>2022</u>      |
|------------------------------------|------------------|------------------|---------------------------|------------------|
| Investing in Canada Infrastructure | \$ <u>87,361</u> | \$ <u>-</u>      | \$ <u>-</u>               | \$ <u>87,361</u> |

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

**6. LONG TERM DEBT**

|                     |             |                 | <u>2022</u>                | <u>2021</u>         |
|---------------------|-------------|-----------------|----------------------------|---------------------|
| <b>Debentures</b>   | <b>Rate</b> | <b>Maturing</b> |                            |                     |
| Province of Alberta | 2.7820%     | March 2040      | <b>\$ 6,149,030</b>        | \$ 6,418,538        |
| Province of Alberta | 2.9430%     | June 2040       | <b>3,320,903</b>           | 3,464,170           |
| Province of Alberta | 3.0757%     | December 2037   | <b><u>2,064,680</u></b>    | <u>2,171,572</u>    |
|                     |             |                 | <b><u>\$11,534,613</u></b> | <u>\$12,054,280</u> |

Principal and interest payments are due as follows:

|            | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|------------|---------------------|---------------------|---------------------|
| 2023       | \$ 534,777          | \$ 328,472          | \$ 863,249          |
| 2024       | 550,328             | 312,921             | 863,249             |
| 2025       | 566,331             | 296,918             | 863,249             |
| 2026       | 582,800             | 280,449             | 863,249             |
| 2027       | 599,750             | 263,499             | 863,249             |
| Thereafter | <u>8,700,627</u>    | <u>1,657,819</u>    | <u>10,358,446</u>   |
|            | <u>\$11,534,613</u> | <u>\$ 3,140,078</u> | <u>\$14,674,691</u> |

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

|                                 | <u>2022</u>                | <u>2021</u>         |
|---------------------------------|----------------------------|---------------------|
| Total debt limit                | <b>\$ 18,439,874</b>       | \$ 15,188,698       |
| Total debt                      | <b><u>(11,534,613)</u></b> | <u>(12,054,280)</u> |
| Total debt limits available     | <b><u>\$ 6,905,261</u></b> | <u>\$ 3,134,418</u> |
| Service on debt limit           | <b>\$ 3,226,978</b>        | \$ 2,658,022        |
| Service on debt                 | <b><u>(863,249)</u></b>    | <u>(863,249)</u>    |
| Service on debt limit available | <b><u>\$ 2,363,729</u></b> | <u>\$ 1,794,773</u> |

The debt limit is calculated at 2 times revenue of the Commission (as defined in Alberta Regulation No. 76/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify commissions that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

**7. EQUITY IN TANGIBLE CAPITAL ASSETS**

|  | <u>2022</u>                 | <u>2021</u>                 |
|--|-----------------------------|-----------------------------|
| Tangible capital assets ( <i>Schedule 1</i> )  | \$ <b>131,328,522</b>       | \$ 131,173,999              |
| Accumulated amortization ( <i>Schedule 1</i> ) | <b>(24,017,688)</b>         | (21,167,225)                |
| Long-term debt ( <i>Note 6</i> )               | <b><u>(11,534,613)</u></b>  | <u>(12,054,280)</u>         |
|  | <b><u>\$ 95,776,221</u></b> | <b><u>\$ 97,952,494</u></b> |

**8. ACCUMULATED SURPLUS**

|   | <u>2022</u>                 | <u>2021</u>                 |
|---|-----------------------------|-----------------------------|
| Unrestricted deficit                                | \$ <b><u>(77,374)</u></b>   | \$ <u>(873,246)</u>         |
| Restricted surplus                                  |                             |                             |
| Capital reserves                                    |                             |                             |
| General capital reserve                             | <b>827,979</b>              | 827,979                     |
| Septage receiving station capital reserve           | <b><u>170,952</u></b>       | <u>170,952</u>              |
|   | <b><u>998,931</u></b>       | <u>998,931</u>              |
| Operating reserves                                  |                             |                             |
| Emergency reserve                                   | <b>841,931</b>              | 841,931                     |
| Rate stabilization reserve                          | <b><u>327,675</u></b>       | <u>327,675</u>              |
|   | <b><u>1,169,606</u></b>     | <u>1,169,606</u>            |
| Total reserves                                      | <b><u>2,168,537</u></b>     | <u>2,168,537</u>            |
| Equity in tangible capital assets ( <i>Note 7</i> ) | <b><u>95,776,221</u></b>    | <u>97,952,494</u>           |
|   | <b><u>\$ 97,867,384</u></b> | <b><u>\$ 99,247,785</u></b> |



**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION****Notes to Financial Statements****Year Ended December 31, 2022**

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**9. RELATED PARTY TRANSACTIONS**

During the year, the Commission entered into transactions with related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The related party transactions are as follows:

|                                    | <u>2022</u>       | <u>2021</u>       |
|------------------------------------|-------------------|-------------------|
| <b><u>Town of Bowden</u></b>       |                   |                   |
| Revenues:                          |                   |                   |
| Wastewater services                | \$ <u>416,376</u> | \$ <u>384,685</u> |
| Expenses:                          |                   |                   |
| Operations and maintenance         | <u>26,126</u>     | <u>18,956</u>     |
| Statement of Financial Position:   |                   |                   |
| Receivable to the Commission       | <u>28,660</u>     | <u>28,279</u>     |
| Payable to the Commission          | <u>3,640</u>      | <u>3,138</u>      |
| <b><u>Town of Innisfail</u></b>    |                   |                   |
| Revenues:                          |                   |                   |
| Wastewater services                | <u>2,253,567</u>  | <u>1,988,883</u>  |
| Expenses:                          |                   |                   |
| Operations and maintenance         | <u>59,822</u>     | 55,622            |
| Utilities                          | <u>1,301</u>      | 666               |
| Repairs and maintenance            | <u>322</u>        | -                 |
|                                    | <u>61,445</u>     | <u>56,288</u>     |
| Statement of Financial Position:   |                   |                   |
| Receivable to the Commission       | <u>444,590</u>    | <u>149,308</u>    |
| Payable to the Commission          | <u>11,807</u>     | <u>14,483</u>     |
| <b><u>Mountain View County</u></b> |                   |                   |
| Revenues:                          |                   |                   |
| Wastewater services                | <u>9,590</u>      | <u>8,476</u>      |
| Statement of Financial Position:   |                   |                   |
| Receivable to the Commission       | <u>347</u>        | <u>1,776</u>      |

*(Continues)*

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**

**Notes to Financial Statements**

**Year Ended December 31, 2022**

**9. RELATED PARTY TRANSACTIONS (CONTINUED)**

|                                  | <u>2022</u>       | <u>2021</u>       |
|----------------------------------|-------------------|-------------------|
| <b><u>Town of Olds</u></b>       |                   |                   |
| Revenues:                        |                   |                   |
| Wastewater services              | <u>3,756,459</u>  | <u>2,600,365</u>  |
| Expenses:                        |                   |                   |
| Operations and maintenance       | <u>37,239</u>     | 26,138            |
| Utilities                        | <u>1,251</u>      | <u>2,921</u>      |
|                                  | <u>38,490</u>     | <u>29,059</u>     |
| Statement of Financial Position: |                   |                   |
| Receivable to the Commission     | <u>355,677</u>    | <u>198,184</u>    |
| Payable to the Commission        | <u>2,202</u>      | <u>102</u>        |
| <b><u>Town of Penhold</u></b>    |                   |                   |
| Revenues:                        |                   |                   |
| Wastewater services              | <u>\$ 795,021</u> | <u>\$ 665,064</u> |
| Expenses:                        |                   |                   |
| Operations and maintenance       | <u>175,346</u>    | 154,251           |
| Utilities                        | <u>4,313</u>      | <u>4,116</u>      |
|                                  | <u>179,659</u>    | <u>158,367</u>    |
| Statement of Financial Position: |                   |                   |
| Receivable to the Commission     | <u>67,902</u>     | <u>49,939</u>     |
| Payable to the Commission        | <u>25,820</u>     | <u>32,580</u>     |
| <b><u>Red Deer County</u></b>    |                   |                   |
| Revenues:                        |                   |                   |
| Wastewater services              | <u>1,590,548</u>  | <u>1,455,072</u>  |
| Expenses:                        |                   |                   |
| Utilities                        | <u>3,115</u>      | 1,563             |
| Operations and maintenance       | <u>-</u>          | <u>2,247</u>      |
|                                  | <u>3,115</u>      | <u>3,810</u>      |
| Statement of Financial Position: |                   |                   |
| Receivable to the Commission     | <u>106,253</u>    | <u>108,504</u>    |
| Payable to the Commission        | <u>500</u>        | <u>251</u>        |

## SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

### Notes to Financial Statements

Year Ended December 31, 2022

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#### 10. COMMITMENTS

The Commission has a contract with Racin Management Consulting Inc. ("Racin") to provide management services and act as the Chief Administrative Officer of the Commission. The original contract was until June 30, 2022, though subsequent to year-end, an extension contract was agreed to until June 30, 2023. Total costs paid to Racin were \$143,156 (2021 - \$129,127) for their services.

The Commission has entered into operating agreements with the Town of Olds, the Town of Bowden, the Town of Innisfail, and the Town of Penhold to provide operating, maintenance and related services to allow for continuous operation of the pipeline. Each of the agreements are effective from January 1, 2021 to December 31, 2023. Subsequent to year-end, these agreements were updated and extended and are effective January 1, 2023 to December 31, 2026.

The Commission is in an energy services agreement with Unified Energy (8760) Ltd. to provide electricity for the Commission. The agreement was in effect 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 (2021 - \$1.50) per megawatt hour of electricity plus additional fees based on the electricity consumption. Under this contract the Commission had a total electricity cost in 2022 of \$427,008 (2021 - \$383,247).

The Commission has a lease agreement for a rental office. The original lease expired March 1, 2022, though in January 2022, a new lease was signed that is effective until February 28, 2025. The future lease payments are as follows:

|      |                  |
|------|------------------|
| 2023 | \$ 24,000        |
| 2024 | 24,000           |
| 2025 | <u>4,000</u>     |
|      | <u>\$ 52,000</u> |

#### 11. CONTINGENCIES

In the normal course 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.

There is one expropriation action for which a settlement has not been achieved. The potential exposure to loss is not determinable at this time.

## SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

### Notes to Financial Statements

Year Ended December 31, 2022

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#### 12. SALARIES AND BENEFITS DISCLOSURE

Disclosures of salaries and benefits of Board members is as follows:

|                     | <u>Salary (1)</u> | <u>Benefits (2)</u> | <u>2022<br/>Total</u> | <u>2021<br/>Total</u> |
|---------------------|-------------------|---------------------|-----------------------|-----------------------|
| Board members:      |                   |                     |                       |                       |
| Councillor M. Walsh | \$ 5,426          | \$ 129              | \$ 5,555              | \$ 6,162              |
| Councillor Aalbers  | 1,902             | 439                 | 2,341                 | 288                   |
| Councillor Stuart   | 1,934             | 148                 | 2,082                 | 1,742                 |
| Councillor Huelsman | 1,711             | 189                 | 1,900                 | 232                   |
| Councillor H. Walsh | 1,337             | 229                 | 1,566                 | 215                   |
| Councillor Barclay  | 1,524             | 35                  | 1,559                 | 232                   |
| Councillor Harris   | 224               | 71                  | 295                   | -                     |
| Councillor Blatz    | 224               | 20                  | 244                   | 2,405                 |
| Councillor Harrison | 224               | 8                   | 232                   | -                     |
| Councillor Muller   | 187               | -                   | 187                   | -                     |
| Councillor Romane   | -                 | -                   | -                     | 1,487                 |
| Councillor Kemmere  | -                 | -                   | -                     | 1,793                 |
| Councillor Bota     | -                 | -                   | -                     | 1,062                 |
|                     | <u>\$ 14,469</u>  | <u>\$ 1,260</u>     | <u>\$ 15,729</u>      | <u>\$ 15,618</u>      |

(1) Salary includes regular base pay, bonuses, overtime, lump sums, gross honoraria, and any other direct cash remuneration.

(2) Mileage paid to councillors.

#### 13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board and Management on April 27, 2023.

#### 14. 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 pays the remaining 10%. The Commission's ability to maintain viable operations is dependent upon receiving additional provincial government grant funding to levels allowing for maintenance of the entire wastewater system.

The Commission receives nearly all of its operating income from the six member municipalities (Note 9). The Commission is dependent on the continued participation of its members.

**SOUTH RED DEER REGIONAL WASTEWATER COMMISSION****Notes to Financial Statements****Year Ended December 31, 2022****15. BUDGET FIGURES**

The 2022 budget figures which appear in these financial statements were approved by the Board on December 10, 2021. The amended budget prepared by the Commission reflects all activities including capital projects and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

|   | <u>2022</u><br>(Budget) | <u>2022</u><br>(Actual) | <u>2021</u><br>(Actual) |
|---|-------------------------|-------------------------|-------------------------|
| Annual surplus (deficit)                | \$ 1,534,299            | \$ (1,380,401)          | \$ (2,136,778)          |
| Add back (deduct):                      |                         |                         |                         |
| Net transfers (to) from reserves        | (934,000)               | -                       | -                       |
| Principal debt repayments               | (519,667)               | (519,667)               | (504,985)               |
| Amortization of tangible capital assets | -                       | 2,850,463               | 2,926,200               |
| Acquisition of tangible capital assets  | -                       | (154,523)               | (723,505)               |
| Annual surplus (deficit)                | \$ <u>80,632</u>        | \$ <u>795,872</u>       | \$ <u>(439,068)</u>     |