

**SOUTH RED DEER REGIONAL
WASTEWATER COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**



South Red Deer Regional Wastewater Commission

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 'Michael Wuetherick', written over a horizontal line.

Michael Wuetherick, P.Eng.
Chief Administrative Officer

April 19, 2024

INDEPENDENT AUDITORS' REPORT

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, 2023, 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, 2023, 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 19, 2024

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Statement of Financial Position

As at December 31, 2023

	<u>2023</u>	2022 (Restated) (Note 18)
FINANCIAL ASSETS		
Cash (Note 2)	\$ 65,081	\$ 1,681,360
Accounts receivable (Note 3)	1,996,029	1,763,537
Investments (Note 4)	<u>1,328,833</u>	<u>1,277,793</u>
	<u>3,389,943</u>	<u>4,722,690</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,074,969	2,842,332
Deferred revenue (Note 5)	71,587	87,361
Long term debt (Note 6)	10,999,835	11,534,613
Asset retirement obligations (Note 7)	<u>4,455,712</u>	<u>4,233,456</u>
	<u>16,602,103</u>	<u>18,697,762</u>
NET FINANCIAL DEBT	<u>(13,212,160)</u>	<u>(13,975,072)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	106,692,518	109,494,137
Inventory for consumption	249,605	263,050
Prepaid expenses	<u>55,020</u>	<u>35,116</u>
	<u>106,997,143</u>	<u>109,792,303</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 93,784,983</u>	<u>\$ 95,817,231</u>
COMMITMENTS (Note 11)		
CONTINGENCIES (Note 12)		

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, 2023

	<u>2023</u> (Budget) (Note 17)	<u>2023</u> (Actual)	<u>2022</u> (Restated) (Note 18)
REVENUE			
Wastewater services	\$ 8,443,305	\$ 8,627,104	\$ 8,999,000
Resale of chemicals	162,141	249,955	170,139
Investment income	22,225	122,455	50,798
Government transfers (Note 5)	<u>-</u>	<u>15,774</u>	<u>-</u>
	<u>8,627,671</u>	<u>9,015,288</u>	<u>9,219,937</u>
EXPENSES			
Wastewater treatment	4,050,746	4,069,819	4,208,122
Amortization of tangible capital assets	-	2,864,602	2,886,852
Odour management (chemicals)	800,316	1,220,266	987,222
Repairs and maintenance	423,971	698,576	567,056
Governance, administration and interest	650,275	671,524	698,233
Utilities	496,667	520,728	499,633
Operations and maintenance	479,129	516,459	508,972
Accretion expense	-	222,256	211,170
Professional services	<u>185,600</u>	<u>101,200</u>	<u>280,637</u>
	<u>7,086,704</u>	<u>10,885,430</u>	<u>10,847,897</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>1,540,967</u>	<u>(1,870,142)</u>	<u>(1,627,960)</u>
OTHER INCOME (EXPENSES)			
Loss on disposal of tangible capital assets	<u>-</u>	<u>(162,106)</u>	<u>-</u>
ANNUAL SURPLUS (DEFICIT)	1,540,967	(2,032,248)	(1,627,960)
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED	-	97,867,384	99,247,785
Restatement (Note 18)	<u>-</u>	<u>(2,050,153)</u>	<u>(1,802,594)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED	<u>95,817,231</u>	<u>95,817,231</u>	<u>97,445,191</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 97,358,198</u>	<u>\$ 93,784,983</u>	<u>\$ 95,817,231</u>

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
Statement of Changes in Net Financial Debt
For the Year Ended December 31, 2023

	<u>2023</u> (Budget) (Note 17)	<u>2023</u> (Actual)	<u>2022</u> (Restated) (Note 18)
ANNUAL SURPLUS (DEFICIT)	\$ <u>1,540,967</u>	\$ <u>(2,032,248)</u>	\$ <u>(1,627,960)</u>
Acquisition of tangible capital assets	-	(225,089)	(154,523)
Amortization of tangible capital assets	-	2,864,602	2,886,852
Loss on disposal of tangible capital assets	-	<u>162,106</u>	-
	-	<u>2,801,619</u>	<u>2,732,329</u>
Use (acquisition) of inventory for consumption	-	13,445	6,175
Use (acquisition) of prepaid expenses and deposits	-	<u>(19,904)</u>	<u>25,221</u>
	-	<u>(6,459)</u>	<u>31,396</u>
DECREASE (INCREASE) IN NET FINANCIAL DEBT	<u>1,540,967</u>	<u>762,912</u>	<u>1,135,765</u>
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>13,975,072</u>	<u>13,975,072</u>	<u>15,110,837</u>
NET FINANCIAL DEBT, END OF YEAR	\$ <u>12,434,105</u>	\$ <u>13,212,160</u>	\$ <u>13,975,072</u>

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

For the Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$(2,032,248)	\$(1,627,960)
Amortization of tangible capital assets	2,864,602	2,886,852
Asset retirement obligations accretion expense	222,256	211,170
Loss on disposal of tangible capital assets	<u>162,106</u>	<u>-</u>
	<u>1,216,716</u>	<u>1,470,062</u>
Change in non-cash working capital:		
Accounts receivable	(232,492)	(434,116)
Accounts payable and accrued liabilities	(1,767,363)	309,927
Deferred revenue	(15,774)	-
Inventory for consumption	13,445	6,175
Prepaid expenses	<u>(19,904)</u>	<u>25,221</u>
	<u>(2,022,088)</u>	<u>(92,793)</u>
	<u>(805,372)</u>	<u>1,377,269</u>
INVESTING ACTIVITIES		
Purchase of investments	(448,239)	(503,809)
Proceeds from disposal of investments	<u>397,199</u>	<u>491,755</u>
	<u>(51,040)</u>	<u>(12,054)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(225,089)</u>	<u>(154,523)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	<u>(534,778)</u>	<u>(519,667)</u>
INCREASE (DECREASE) IN CASH FLOWS	(1,616,279)	691,025
CASH, BEGINNING OF YEAR	<u>1,681,360</u>	<u>990,335</u>
CASH, END OF YEAR	<u>\$ 65,081</u>	<u>\$ 1,681,360</u>

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

Schedule 1

	<u>Land</u>	<u>Lift Stations & Improvements</u>	<u>Pipelines</u>	<u>Construction in Progress</u>	<u>2023</u>	<u>2022</u> (Restated) (Note 18)
COST:						
Balance, Beginning of Year, as Previously Stated	\$ 30,532	\$ 41,739,739	\$ 89,558,251	\$ -	\$ 131,328,522	\$ 131,173,999
Restatement (Note 18)	<u>-</u>	<u>410,003</u>	<u>2,130,611</u>	<u>-</u>	<u>2,540,614</u>	<u>2,540,614</u>
Balance, Beginning of Year, as Restated	30,532	42,149,742	91,688,862	-	133,869,136	133,714,613
Acquisition of tangible capital assets	-	36,538	-	188,551	225,089	154,523
Disposal of tangible capital assets	<u>-</u>	<u>(196,784)</u>	<u>-</u>	<u>-</u>	<u>(196,784)</u>	<u>-</u>
Balance, End of Year	<u>30,532</u>	<u>41,989,496</u>	<u>91,688,862</u>	<u>188,551</u>	<u>133,897,441</u>	<u>133,869,136</u>
ACCUMULATED AMORTIZATION:						
Balance, Beginning of Year, as Previously Stated	-	12,674,346	11,343,342	-	24,017,688	21,167,225
Restatement (Note 18)	<u>-</u>	<u>54,565</u>	<u>302,746</u>	<u>-</u>	<u>357,311</u>	<u>320,922</u>
Balance, Beginning of Year, as Restated	-	12,728,911	11,646,088	-	24,374,999	21,488,147
Amortization	-	1,507,122	1,357,480	-	2,864,602	2,886,852
Accumulated amortization on disposals	<u>-</u>	<u>(34,678)</u>	<u>-</u>	<u>-</u>	<u>(34,678)</u>	<u>-</u>
Balance, End of Year	<u>-</u>	<u>14,201,355</u>	<u>13,003,568</u>	<u>-</u>	<u>27,204,923</u>	<u>24,374,999</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 30,532</u>	<u>\$ 27,788,141</u>	<u>\$ 78,685,294</u>	<u>\$ 188,551</u>	<u>\$ 106,692,518</u>	<u>\$ 109,494,137</u>

Schedule of Expenses by Object

For the Year Ended December 31, 2023

	<u>2023</u> (Budget) (Note 17)	<u>2023</u> (Actual)	<u>2022</u> (Restated) (Note 18)
Contracted and purchased goods	\$ 5,416,794	\$ 5,676,286	\$ 5,867,552
Amortization of tangible capital assets	-	2,864,602	2,886,852
Materials, goods, supplies and utilities	1,307,603	1,766,189	1,525,675
Interest on long term debt	343,582	325,913	341,093
Accretion expense	-	222,256	211,170
Board per diems	18,225	17,772	15,535
Provision for allowances and bank charges	<u>500</u>	<u>12,412</u>	<u>20</u>
	<u>\$ 7,086,704</u>	<u>\$10,885,430</u>	<u>\$10,847,897</u>

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

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.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, future cash flows associated with asset retirement obligations, and accrued liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

(Continues)

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement tangible capital assets. Asset retirement activities include all activities related to an asset retirement obligation. These may include, but are not limited to:

- Decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- Remediation of contamination of a tangible capital asset created by its normal use;
- Post-retirement activities such as monitoring; and
- Constructing other tangible capital assets to perform post-retirement activities.

Asset retirement obligations are initially measured at the later of the date of acquisition or legislative obligation. When a liability for an asset retirement obligation is recognized, the asset retirement costs are added to the carrying amount of the related tangible capital asset in productive use and are amortized over the estimated useful life of the related tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed in the statement of operations.

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability. When the future retirement date is known, a present value technique is used to measure the liability. Subsequent to the initial measurement, the asset retirement obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation and is recognized as an accretion expense in the statement of operations.

(f) 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.

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SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(f) Non-Financial Assets (Continued)

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.

(g) Change in Accounting Policies

Effective January 1, 2023, the Commission adopted Canadian public sector accounting standards PS 2601 Foreign Currency Translation, PS 3401 Portfolio Investments, PS 3450 Financial Instruments and PS 1201 Financial Statement Presentation. Adoption of these standards had no effect on the Commission's financial statements.

(h) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to *Public Sector Accounting Standards*. The Municipality will continue to assess the impact and prepare for the adoption of these standards.

i) Public Private Partnerships

PS 3160, Public Private Partnerships, establishes standards on how to account for public private partnership arrangements (recognition of infrastructure assets and the corresponding liability to the private partnership) along with the disclosure and presentation requirements. This standard is applicable to fiscal years beginning on or after April 1, 2023.

ii) 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 to fiscal years beginning on or after April 1, 2023.

iii) Purchased Intangible Assets

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

iv) Financial Statement Presentation

PS 1202, Financial Statement Presentation, sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement principles are based on the concepts in the Conceptual Framework for Financial Reporting in the Public Sector. This standard is applicable to fiscal years beginning on or after April 1, 2026.

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION**Notes to Financial Statements****Year Ended December 31, 2023****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 2023 or 2022.

3. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Local government receivable	\$ 1,178,460	\$ 907,644
Provincial grant receivable	619,142	619,142
Trade	174,785	171,187
Goods and Services Tax recoverable	<u>38,575</u>	<u>70,291</u>
	2,010,962	1,768,264
Allowance for doubtful accounts	<u>(14,933)</u>	<u>(4,727)</u>
	<u>\$ 1,996,029</u>	<u>\$ 1,763,537</u>

4. INVESTMENTS

	<u>2023</u>	<u>2022</u>
Guaranteed investment certificates	<u>\$ 1,328,833</u>	<u>\$ 1,277,793</u>

Guaranteed investment certificates maturing between August 2024 and September 2028 (2022 - August 2023 and September 2027), with interest rates varying between 1.45% and 5.09% (2022 - 1.00% - 4.61%).

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>2022</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2023</u>
Investing in Canada Infrastructure	\$ <u>87,361</u>	\$ <u>-</u>	\$ <u>(15,774)</u>	<u>\$ 71,587</u>

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

6. LONG TERM DEBT

			<u>2023</u>	<u>2022</u>
Debentures	Rate	Maturing		
Province of Alberta	2.7820%	March 2040	\$ 5,871,972	\$ 6,149,030
Province of Alberta	2.9430%	June 2040	3,173,388	3,320,903
Province of Alberta	3.0757%	December 2037	<u>1,954,475</u>	<u>2,064,680</u>
			<u>\$ 10,999,835</u>	<u>\$ 11,534,613</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2028	617,192	246,057	863,249
Thereafter	<u>8,083,434</u>	<u>1,411,762</u>	<u>9,495,196</u>
	<u>\$ 10,999,835</u>	<u>\$ 2,811,606</u>	<u>\$ 13,811,441</u>

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

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 18,030,576	\$ 18,439,874
Total debt	<u>(10,999,835)</u>	<u>(11,534,613)</u>
Total debt limits available	<u>\$ 7,030,741</u>	<u>\$ 6,905,261</u>
Service on debt limit	\$ 3,155,351	\$ 3,226,978
Service on debt	<u>(863,249)</u>	<u>(863,249)</u>
Service on debt limit available	<u>\$ 2,292,102</u>	<u>\$ 2,363,729</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, 2023**

7. ASSET RETIREMENT OBLIGATIONS

Tangible capital assets with associated retirement obligations include lift stations & improvements and pipelines.

The Commission has asset retirement obligations pursuant to the *Environmental Enhancement and Protection Act* (Alberta) to fund the future reclamation of its work sites. Reclamation activities include the final soil cover, landscaping, and visual inspection. Although, the timing of the work site reclamation is conditional on the length of time until the site is expected to be inactive, regulations create an existing obligation for the Commission to reclaim the work site when the asset retirement activity occur.

	<u>2023</u>	<u>2022</u>
Balance, Beginning of Year	\$ 4,233,456	\$ 4,022,286
Net Change for the Year		
Accretion expense	<u>222,256</u>	<u>211,170</u>
Balance, End of Year	<u>\$ 4,455,712</u>	<u>\$ 4,233,456</u>

Asset retirement obligations of \$4,455,712 (2022 - \$4,233,456) measured using a present value technique. The present value was calculated using estimated total undiscounted cash flow amounting to \$10,528,841 (2022 - \$10,528,841), a discount rate of 5.25% (2022 - 5.25%), an annual inflation of 3.65% (2022 - 3.65%), with retirement and reclamation activities expected to be settled in 2083.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets (<i>Schedule 1</i>)	\$ 133,897,441	\$ 133,869,136
Accumulated amortization (<i>Schedule 1</i>)	(27,204,923)	(24,374,999)
Long-term debt (<i>Note 6</i>)	(10,999,835)	(11,534,613)
Asset retirement obligations (<i>Note 7</i>)	<u>(4,455,712)</u>	<u>(4,233,456)</u>
	<u>\$ 91,236,971</u>	<u>\$ 93,726,068</u>

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

9. ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u>
Unrestricted surplus (deficit)	\$ <u>379,475</u>	\$ <u>(77,374)</u>
Restricted surplus		
Capital reserves		
General capital reserve	827,979	827,979
Septage receiving station capital reserve	<u>170,952</u>	<u>170,952</u>
	<u>998,931</u>	<u>998,931</u>
Operating reserves		
Emergency reserve	841,931	841,931
Rate stabilization reserve	<u>327,675</u>	<u>327,675</u>
	<u>1,169,606</u>	<u>1,169,606</u>
Total reserves	<u>2,168,537</u>	<u>2,168,537</u>
Equity in tangible capital assets (<i>Note 8</i>)	<u>91,236,971</u>	<u>93,726,068</u>
	<u>\$ 93,784,983</u>	<u>\$ 95,817,231</u>

10. 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>2023</u>	<u>2022</u>
<u>Town of Bowden</u>		
Revenue:		
Wastewater services	\$ <u>355,702</u>	\$ <u>416,376</u>
Expenses:		
Operations and maintenance	\$ <u>22,510</u>	\$ <u>26,126</u>
Statement of Financial Position:		
Receivable to the Commission	\$ <u>34,986</u>	\$ <u>28,660</u>
Payable to the Commission	\$ <u>3,436</u>	\$ <u>3,640</u>

(Continues)

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

10. RELATED PARTY TRANSACTIONS (CONTINUED)

	<u>2023</u>	<u>2022</u>
<u>Town of Innisfail</u>		
Revenue:		
Wastewater services	\$ <u>2,176,305</u>	\$ <u>2,253,567</u>
Expenses:		
Operations and maintenance	51,981	59,822
Utilities	887	1,301
Repairs and maintenance	<u>732</u>	<u>322</u>
	\$ <u>53,600</u>	\$ <u>61,445</u>
Statement of Financial Position:		
Receivable to the Commission	\$ <u>320,489</u>	\$ <u>444,590</u>
Payable to the Commission	\$ <u>43</u>	\$ <u>11,807</u>
<u>Mountain View County</u>		
Revenue:		
Wastewater services	\$ <u>12,630</u>	\$ <u>9,590</u>
Statement of Financial Position:		
Receivable to the Commission	\$ <u>1,112</u>	\$ <u>347</u>
<u>Town of Olds</u>		
Revenue:		
Wastewater services	\$ <u>3,466,598</u>	\$ <u>3,756,459</u>
Expenses:		
Operations and maintenance	33,280	37,239
Utilities	858	1,251
Governance, administration and interest	<u>169</u>	<u>-</u>
	\$ <u>34,307</u>	\$ <u>38,490</u>
Statement of Financial Position:		
Receivable to the Commission	\$ <u>434,102</u>	\$ <u>355,677</u>
Payable to the Commission	\$ <u>4,077</u>	\$ <u>2,202</u>
<u>Town of Penhold</u>		
Revenue:		
Wastewater services	\$ <u>802,268</u>	\$ <u>795,021</u>
Expenses:		
Operations and maintenance	188,762	175,346
Utilities	<u>4,264</u>	<u>4,313</u>
	\$ <u>193,026</u>	\$ <u>179,659</u>
Statement of Financial Position:		
Receivable to the Commission	\$ <u>138,145</u>	\$ <u>67,902</u>
Payable to the Commission	\$ <u>11,531</u>	\$ <u>25,820</u>

(Continues)

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

10. RELATED PARTY TRANSACTIONS (CONTINUED)

	<u>2023</u>	<u>2022</u>
<u>Red Deer County</u>		
Revenue:		
Wastewater services	\$ <u>1,632,539</u>	\$ <u>1,590,548</u>
Expenses:		
Utilities	\$ <u>3,130</u>	\$ <u>3,115</u>
Statement of Financial Position:		
Receivable to the Commission	\$ <u>249,627</u>	\$ <u>106,253</u>
Payable to the Commission	\$ <u>260</u>	\$ <u>500</u>

11. 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 contract expires June 30, 2025. Total costs paid to Racin were \$132,065 (2022 - \$143,156) 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, 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 (2022 - \$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 2023 of \$451,446 (2022 - \$427,008).

The Commission has a lease agreement for a rental office. The lease expires February 28, 2025. The future lease payments are as follows:

2024	\$ 24,000
2025	<u>4,000</u>
	<u>\$ 28,000</u>

12. 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, 2023

13. SALARIES AND BENEFITS DISCLOSURE

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

	<u>Salary (1)</u>	<u>Benefits (2)</u>	<u>2023 Total</u>	<u>2022 Total</u>
Board members:				
Councillor Aalbers	\$ 6,871	\$ 1,322	\$ 8,193	\$ 2,341
Councillor Muller	2,230	447	2,677	187
Councillor Huelsman	1,368	170	1,538	1,900
Councillor Barclay	1,013	170	1,183	1,559
Councillor Stuart	947	151	1,098	2,082
Councillor H. Walsh	697	95	792	1,566
Councillor Blatz	237	56	293	244
Councillor Brown	237	-	237	-
Councillor Ryan	197	-	197	-
Councillor M. Walsh	-	-	-	5,555
Councillor Harrison	-	-	-	232
Councillor Harris	-	-	-	295
	<u>\$ 13,797</u>	<u>\$ 2,411</u>	<u>\$ 16,208</u>	<u>\$ 15,729</u>

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

(2) Mileage paid to councillors.

14. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, and long term debt. It is management's opinion that the Commission is not exposed to significant currency, credit, liquidity or market risks arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

(a) Credit Risk

The Commission is subject to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that entities to which the Commission provides services may not fulfill their obligations. This risk is minimized by the large proportion of accounts receivable from other government entities.

(B) Interest Rate Risk

The Commission is exposed to interest rate risk to the extent that the carrying value of its long term debt are at fixed interest rates.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board and Management on April 19, 2024.

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

16. 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 10). The Commission is dependent on the continued participation of its members.

17. BUDGET FIGURES

The 2023 budget figures which appear in these financial statements were approved by the Board on December 9, 2022. 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>2023</u> (Budget)	<u>2023</u> (Actual)	<u>2022</u> (Actual)
Annual surplus (deficit)	\$ 1,540,967	\$ (2,032,248)	\$(1,627,960)
Add back (deduct):			
Accretion expense	-	222,256	211,170
Net transfers (to) from reserves	(1,006,190)	-	-
Principal debt repayments	(534,777)	(534,778)	(519,667)
Amortization of tangible capital assets	-	2,864,602	2,886,852
Acquisition of tangible capital assets	-	(225,089)	(154,523)
Annual surplus (deficit)	\$ <u>-</u>	\$ <u>294,743</u>	\$ <u>795,872</u>

18. RESTATEMENT - PS 3280 ASSET RETIREMENT OBLIGATION STANDARD ADOPTION

Effective January 1, 2023, the Commission adopted Canadian public sector accounting standard 3280, *Asset Retirement Obligations*, and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On January 1, 2022, the effective date of public sector accounting standard 3280, the Commission recognized the following to conform to the new standard:

- Asset retirement obligation, adjusted for accumulated accretion to the effective date;
- Asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- Accumulated amortization on the capitalized cost; and
- Adjustment to the opening balance of accumulated surplus.

(Continues)

SOUTH RED DEER REGIONAL WASTEWATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2023

**18. RESTATEMENT - PS 3280 ASSET RETIREMENT OBLIGATION STANDARD ADOPTION
(CONTINUED)**

Comparative figures have been restated as follows.

	As Previously Stated	Restatement	As Restated
Statement of financial position			
Assets			
Cash	\$ 1,681,360	\$ -	\$ 1,681,360
Accounts receivable	1,763,537	-	1,763,537
Investments	<u>1,277,793</u>	-	<u>1,277,793</u>
	<u>4,722,690</u>	-	<u>4,722,690</u>
Liabilities			
Accounts payable and other accrued liabilities	2,842,332	-	2,842,332
Deferred revenue	87,361	-	87,361
Long term debt	11,534,613	-	11,534,613
Asset retirement obligation	-	4,233,456	4,233,456
	<u>14,464,306</u>	<u>4,233,456</u>	<u>18,697,762</u>
Net financial debt	<u>(9,741,616)</u>	<u>(4,233,456)</u>	<u>(13,975,072)</u>
Non-financial assets			
Tangible capital assets	107,310,834	2,183,303	109,494,137
Inventory for consumption	263,050	-	263,050
Prepaid expense and deposits	<u>35,116</u>	-	<u>35,116</u>
	<u>107,609,000</u>	<u>2,183,303</u>	<u>109,792,303</u>
Statement of operations and accumulated surplus			
Revenue			
Wastewater services	\$ 8,999,000	\$ -	\$ 8,999,000
Resale of chemicals	170,139	-	170,139
Investment income	<u>50,798</u>	-	<u>50,798</u>
	<u>9,219,937</u>	-	<u>9,219,937</u>
Expenses			
Wastewater treatment	4,208,122	-	4,208,122
Amortization of tangible capital assets	2,850,463	36,389	2,886,852
Odour management (chemicals)	987,222	-	987,222
Governance, administration and interest	698,233	-	698,233
Repairs and maintenance	567,056	-	567,056
Operations and maintenance	508,972	-	508,972
Utilities	499,633	-	499,633
Professional services	280,637	-	280,637
Accretion expense	-	211,170	211,170
	<u>10,600,338</u>	<u>247,559</u>	<u>10,847,897</u>
Annual surplus (deficit)	<u>\$ (1,380,401)</u>	<u>\$ (247,559)</u>	<u>\$ (1,627,960)</u>
Accumulated surplus			
Accumulated surplus - Beginning of year	\$ 99,247,785	\$ (1,802,594)	\$ 97,445,191
Accumulated surplus - End of year	\$ 97,867,384	\$ (2,050,153)	\$ 95,817,231