

**North Red Deer River Water Services
Commission
Financial Statements
For the year ended December 31, 2025**

North Red Deer River Water Services Commission
Financial Statements
For the year ended December 31, 2025

	Contents
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7-10
Notes to the Financial Statements	11-20



Tel: (403) 342-2500
Fax: (403) 343-3070

BDO Canada LLP
179D Leva Avenue
Suite 100
Red Deer County, AB T4E 1B9

Independent Auditor's Report

To the Members of the Board of the
North Red Deer River Water Services Commission

Opinion

We have audited the financial statements of the North Red Deer River Water Services Commission (the Commission), which comprise the statement of financial position as at December 31, 2025, and the statement of operations, statement of changes in net debt, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent Auditor's Report

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.

BDO Canada LLP

Chartered Professional Accountants

Red Deer, Alberta

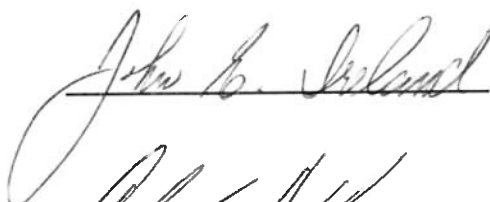
April 27, 2026

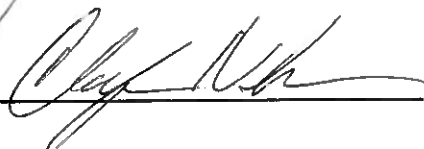
North Red Deer River Water Services Commission
Statement of Financial Position

December 31	2025	2024
Financial assets		
Cash (Note 2)	\$ 8,194,631	\$ 8,833,193
Investments (Note 3)	8,517,747	8,284,862
Trade and other receivables (Note 4)	1,037,061	783,684
	17,749,439	17,901,739
Liabilities		
Accounts payable and accrued liabilities (Note 4)	593,459	484,981
Deferred revenue (Note 5)	7,889,207	8,462,398
Current portion of long-term debt (Note 6)	1,006,554	962,655
	9,489,220	9,910,034
Long-term debt (Note 6)	5,193,911	6,200,466
	14,683,131	16,110,500
Net financial assets	3,066,308	1,791,239
Non-financial assets		
Tangible capital assets (Note 8)	26,074,386	25,700,994
Inventory of supplies (Note 9)	75,178	75,244
	26,149,564	25,776,238
Accumulated surplus (Note 11)	\$ 29,215,872	\$ 27,567,477

Commitments (Note 12)

Approved by:


 _____ Chair


 _____ Board Member

North Red Deer River Water Services Commission
Statement of Operations

For the year ended December 31	Budget 2025	2025	2024
Revenue			
Water sales to Commission members (Note 4)	\$ 7,316,534	\$ 7,292,707	\$ 6,432,650
Service fees to Commission members (Note 4)	109,360	105,728	122,791
Interest income	133,000	289,456	241,864
Other revenue	1,000	1,500	1,000
Provincial grants	-	-	175,319
Total revenue	7,559,894	7,689,391	6,973,624
Expenses			
Accounting and audit fees	20,000	29,147	28,020
Amortization of capital assets	704,462	455,459	455,459
Board remuneration	6,347	5,400	4,790
Board travel	762	1,180	855
Communication	681	266	-
General material and supplies	10,841	5,702	11,710
Insurance	5,676	5,500	6,143
Interest long-term debt	312,246	309,241	351,356
Legal	5,200	2,688	50,696
Management fees (Note 4)	92,337	36,935	87,676
Operator costs	277,011	274,529	264,080
Other professional fees	18,791	22,929	128,975
Purchase of water	5,759,361	5,658,849	5,209,996
Repairs and maintenance	3,064	11,911	3,382
SCADA maintenance	39,520	46,538	37,613
Utilities	10,742	1,926	5,650
Valves	2,270	1,648	-
Total expenses	7,269,311	6,869,848	6,646,401
Other			
Government transfers for capital	-	828,852	-
Excess of revenue over expenses	290,583	1,648,395	327,223
Accumulated surplus, beginning of year	27,567,477	27,567,477	27,240,254
Accumulated surplus, end of year	\$ 27,858,060	\$ 29,215,872	\$ 27,567,477

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

North Red Deer River Water Services Commission
Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2025	2025	2024
Excess of revenue over expenses	\$ 290,583	\$ 1,648,395	\$ 327,223
Acquisition of tangible capital assets	-	(828,851)	-
Amortization of tangible capital assets	704,462	455,459	455,459
	<u>995,045</u>	<u>1,275,003</u>	<u>782,682</u>
Decrease (increase) in inventory of supplies	-	66	196
Net change in net financial assets	995,045	1,275,069	782,878
Net financial assets, beginning of year	<u>1,791,239</u>	<u>1,791,239</u>	<u>1,008,361</u>
Net financial assets, end of year	<u>\$ 2,786,284</u>	<u>\$ 3,066,308</u>	<u>\$ 1,791,239</u>

North Red Deer River Water Services Commission
Statement of Cash Flows

For the year ended December 31	2025	2024
Operating transactions		
Excess of revenue over expenses	\$ 1,648,395	\$ 327,223
Items not involving cash		
Amortization	455,459	455,459
Changes in non-cash operating balances		
Accounts receivable	(253,377)	74,649
Inventory of supplies	66	196
Accounts payable and accrued liabilities	108,478	83,342
Deferred revenue	(573,191)	237,441
	<u>1,385,830</u>	<u>1,178,310</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(828,851)</u>	-
Investing transactions		
Acquisition of investments	<u>(232,886)</u>	(195,473)
Financing transactions		
Repayment of long-term debt	<u>(962,655)</u>	(920,671)
Net change in cash	(638,562)	62,166
Cash, beginning of year	<u>8,833,193</u>	<u>8,771,027</u>
Cash, end of year	<u>\$ 8,194,631</u>	<u>\$ 8,833,193</u>

North Red Deer River Water Services Commission Summary of Significant Accounting Policies

December 31, 2025

**Management's
Responsibility for the
Financial Statements**

The financial statements of the Commission are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The North Red Deer River Water Services Commission (the "Commission") was established for the purposes of constructing and operating a water supply system. The Commission is made up of member municipalities and requisitions funds from its members. The members of the Commission are City of Lacombe, Lacombe County, Ponoka County, Town of Blackfalds, and the Town of Ponoka.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transaction costs expensed upon initial recognition. Investments in interest bearing securities are recorded at amortized cost. 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.

North Red Deer River Water Services Commission

Summary of Significant Accounting Policies

December 31, 2025

Financial Instruments Accounts receivable and accounts payable are measured at cost. Investments and long-term debt is measured at cost or amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost.

Principal Protect Notes (PPNs) are hybrid financial instruments comprising a debt host and an embedded derivative. Upon initial recognition, the Commission evaluates whether the embedded derivative is required to be separated from the host contract. If the economic characteristics and risks of the embedded derivative are not closely related to those of the host debt instrument, and the embedded derivative would meet the definition of a derivative on a standalone basis, it is separated and accounted for at fair value.

Where the conditions for separation are not met, or if the PPN qualifies under the fair value option, the entire hybrid instrument is designated to be measured at fair value.

For PPNs purchased prior to April 1, 2022, and held at the transition date to PS 3450, the Commission elected to apply the transitional provisions and continued to measure these instruments at cost. Upon derecognition, any new PPNs acquired are recorded at fair value in accordance with PS 3450.

Interest income related to PPNs is recognized in the statement of operations using the effective interest method.

Inventory of Supplies Inventories of supplies for consumption are valued at the lower of cost or net replacement cost.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the capital asset are capitalized. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Engineered Structures - Water System	45 to 75 years
Equipment	5 to 45 years

North Red Deer River Water Services Commission Summary of Significant Accounting Policies

December 31, 2025

Long-term Debt Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

Deferred Revenue Deferred revenues represents government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

Revenue Recognition Revenue from transactions with no performance obligation is recognized at realizable value when the Commission has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered.

Where funds are received in advance of services or with specific restrictions, they are recorded as deferred revenue and recognized in the period when the performance obligation is satisfied.

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are 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. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.

Liability for Contaminated Sites A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries. there is no known contaminated site as of December 31, 2024

North Red Deer River Water Services Commission Summary of Significant Accounting Policies

December 31, 2025

Asset Retirement Obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Commission to incur retirement costs, the past transaction has or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. At each financial reporting date, the Commission reviews the carrying amount of the liability. The Commission recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Commission continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Areas of the financial statements that contain estimates are as located in amortization, interest revenue and expenses.

Public Private Partnerships

The Commission accounts for public private partnerships in accordance with PS 3160. Infrastructure procured through a P3 arrangement is recognized as a tangible capital asset when the Commission controls the asset. A liability is recognized for any amounts owing to the private sector partner under the agreement. As at year-end, the Commission had not entered into any public private partnership arrangements.

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

Future Accounting Standard Pronouncements

The Conceptual Frameworks for Financial Reporting - The conceptual framework is the foundation for principles-based standards. It is a coherent set of interrelated objectives and fundamentals leading to consistent standards or application of consistent concepts in the absence of specific standards. The Commission is expected to adopt this standard beginning December 31, 2027.

PS 1202 Financial Statement Presentation - PS 1202 will replace PS 1201 and sets out the general and specific requirements of the presentation of financial information and is based on the concepts in the conceptual framework. The Commission is expected to adopt this standard beginning December 31, 2027.

North Red Deer River Water Services Commission

Notes to the Financial Statements

December 31, 2025

1. Financial Instruments

The Commission is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Commission's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements. Unless otherwise noted, there have not been any changes in these risks from the prior year.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk through its cash, accounts receivable, and investments.

The Commission manages its credit risk by credit approval process and holding cash at federally regulated chartered banks and cash accounts insured up to \$100,000. The Commission measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Note 2. Accounts receivable arise primarily as a result of sales receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

The Commission manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by maintaining its investments are in compliance with Commission Investment Regulations. As a result, the Commission has reduced exposure to market or value risk. The maximum exposure to credit risk on portfolio investments is outlined in Note 3.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission is exposed to liquidity risk through its accounts payable, long-term debt, and investments.

The Commission manages this risk by maintaining a balance of short term or highly liquid investments and staggers maturity dates of investments for cash flow needs. Also to help manage the risk, the Commission has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Commission measures its exposure to liquidity risk based on extensive budgeting.

Interest rate risk

Interest rate 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 exposed to interest rate risk through its long-term debt and the value of portfolio investments.

The Commission manages interest rate risk on its long-term debt by holding all debt through MFA at a fixed rate, with refinancing typically being completed at the ten or fifteen year mark. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt. See Note 6 for interest rates and maturity dates for long-term debt.

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

2. Cash

The Commission has an unused overdraft protection agreement with a maximum overdraft of \$1 million and interest charged at lender prime less 0.25%. Collateral is comprised of a general security agreement specifically pledging all grant proceeds and debenture products. As at year end December 31, 2025 the prime rate was 4.45%.

The cash balance of \$8,914,631 (2024 - \$8,833,193) consists of restricted cash in the amount of \$7,889,207 (2024 - \$8,462,398). This restricted cash is funding received from the Government of Alberta used for the extension of the Ponoka pipeline to Maskwacis.

3. Investments

	2025	2024
Current		
Cash accounts	\$ 1,271,389	\$ 14,422
Term bank securities 2.00% to 2.27%, maturing in 2026	\$ 681,000	\$ 1,415,787
	\$ 1,952,389	\$ 1,430,209
Long-term		
Canadian bank paper 1.67% to 4.33%, maturing through 2031	\$ 3,923,545	\$ 3,182,040
Principal protected note, maturing 2029-2035	\$ 2,068,600	\$ 3,099,400
Bonds 1.65%, maturing 2031	\$ 573,213	\$ 573,213
	\$ 6,565,358	\$ 6,854,653
Total	\$ 8,517,747	\$ 8,284,862

The market value of the Commission's investments was \$8,193,564 (2024 - \$7,785,051).

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

4. Related Party Transactions

City of Lacombe, Town of Blackfalds, Town of Ponoka, Lacombe County and Ponoka County are members of the Commission and, as such, have been identified as related parties.

Water sales charged to Commission members are as follows:

	2025	2024
City of Lacombe	\$ 3,249,697	\$ 2,779,174
Town of Ponoka	1,738,848	1,650,962
Town of Blackfalds	2,053,497	1,853,822
Ponoka County	22,937	17,047
Lacombe County	227,728	131,645
	\$ 7,292,707	\$ 6,432,650

During the year the Town of Blackfalds purchased 75,098 m3 (2024 - 46,856 m3) of water from the Commission and resold the water to Lacombe County to service the Aspelund Business Park. The cost of water attributed to the Town of Blackfalds, above, includes the water it resold to Lacombe County.

During the year the City of Lacombe purchased 16,311 m3 (2024 - 13,532 m3) of water from the Commission and resold it to Lacombe County to service the Wildrose Business Park. The cost of water attributed to the City of Lacombe, above, includes the water it resold to Lacombe County.

Service fees are based on the actual net operating costs of the Commission and are allocated among various Commission members based on earlier agreement. Service fees charged to Commission members are as follows:

	2025	2024
Lacombe County	30,476	50,980
Ponoka County	75,252	71,811
	\$ 105,728	\$ 122,791

The Commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$332,413 (2024 - \$87,675).

Included in accounts receivable are \$840,993 (2024 - \$653,101) due from various members municipalities.

Included in accounts payable is \$2,050 (2024 - \$350) due to various member municipalities.

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

5. Deferred Revenue

	2025	2024
Deferred Grants	\$ 7,889,207	\$ 8,462,398

Deferred grants consist of funds received for eligible capital projects as approved by the Province, which are scheduled for completion in the future.

The deferred grant amount consists of funding received from the Government of Alberta for the extension of the Ponoka pipeline to Maskwacis.

6. Long-term Debt

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

	2025	2024
4.46% debenture, repayable \$66,762, semi-annually, due September 15, 2031	\$ 696,162	\$ 795,309
4.52% debenture, repayable \$570,688 semi-annually, due June 15, 2031	5,504,304	6,367,812
	6,200,466	7,163,121
Current portion	1,006,554	962,655
	5,193,912	6,200,466

Principal and interest repayments are as follows:

	Principal	Interest	Total
2026	\$ 1,006,554	\$ 268,347	\$ 1,274,901
2027	1,052,454	222,447	1,274,901
2028	1,100,448	174,453	1,274,901
2029	1,150,631	124,271	1,274,902
2030	1,203,102	71,800	1,274,902
Thereafter	687,277	16,936	704,213
	\$ 6,200,466	\$ 878,254	\$ 7,078,720

Debenture debt is issued on the credit of the Commission at large. The Commission has agreed to levy upon the member municipalities, a cubic meter water service fee based on actual use sufficient to provide for annual funds to pay principal and interest due each year on debentures and annual operating costs.

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

7. Debt Limits

Section 3 Alberta Regulation No. 76/2000 requires that debt and debt limits for the Commission to be disclosed. The Commission has received approval to borrow up to \$27 million under ministerial order L:043/05 (\$22,000,000) and L:148/05 (\$5,000,000) to complete the project and as such, has not exceeded its debt limit at December 31, 2025. The debt limit and debt service limit otherwise determined are as follows:

	2025	2024
Total debt limit	\$ 15,378,782	\$ 13,947,248
Total debt	(6,200,466)	(7,163,121)
Total debt limit remaining	9,178,316	6,784,127
Debt servicing limit	2,691,287	2,440,768
Debt servicing	(1,274,901)	(1,274,901)
Total debt servicing limit remaining	1,416,386	1,165,867

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

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

8. Tangible Capital Assets

	2025			
	Engineered Structures	Land	Equipment	Total
Cost,				
beginning of year	\$ 31,538,802	\$ 1,821,692	\$ 330,229	\$ 33,690,723
Additions	828,851	-	-	828,851
Disposals	-	-	-	-
Cost, end of year	<u>\$ 32,367,653</u>	<u>\$ 1,821,692</u>	<u>\$ 330,229</u>	<u>\$ 34,519,574</u>
Accumulated amortization,, beginning of year	\$ 7,845,490	\$ -	\$ 144,239	\$ 7,989,729
Amortization	422,436	-	33,023	455,459
Disposals	-	-	-	-
Accumulated amortization, end of year	<u>\$ 8,267,926</u>	<u>\$ -</u>	<u>\$ 177,262</u>	<u>\$ 8,445,188</u>
Net carrying amount, end of year	<u>\$ 24,099,727</u>	<u>\$ 1,821,692</u>	<u>\$ 152,967</u>	<u>\$ 26,074,386</u>

	2024			
	Engineered Structures	Land	Equipment	Total
Cost,				
beginning of year	\$ 31,538,802	\$ 1,821,692	\$ 330,229	\$ 33,690,723
Additions	-	-	-	-
Disposals	-	-	-	-
Cost, end of year	<u>\$ 31,538,802</u>	<u>\$ 1,821,692</u>	<u>\$ 330,229</u>	<u>\$ 33,690,723</u>
Accumulated amortization, beginning of year	\$ 7,423,054	\$ -	\$ 111,216	\$ 7,534,270
Amortization	422,436	-	33,023	455,459
Disposals	-	-	-	-
Accumulated amortization, end of year	<u>\$ 7,845,490</u>	<u>\$ -</u>	<u>\$ 144,239</u>	<u>\$ 7,989,729</u>
Net carrying amount, end of year	<u>\$ 23,693,312</u>	<u>\$ 1,821,692</u>	<u>\$ 185,990</u>	<u>\$ 25,700,994</u>

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

9. Inventory of Supplies

	2025	2024
Couplings	5,484	5,485
Materials and supplies	8,660	8,660
Miscellaneous	11,200	11,265
Pipe	8,513	8,513
Valves	\$ 41,321	\$ 41,321
	\$ 75,178	\$ 75,244

10. Equity in Tangible Capital Assets

	2025	2024
Tangible capital assets	\$ 34,519,574	\$ 33,690,723
Accumulated amortization	(8,445,188)	(7,989,729)
Total long-term debt	(6,200,466)	(7,163,121)
	\$ 19,873,920	\$ 18,537,873

11. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	2025	2024
Unrestricted Surplus	3,225,886	2,945,926
Operating Reserve	1,132,242	1,132,242
Capital Reserve	4,983,825	4,951,436
Equity in tangible capital assets	\$ 19,873,920	\$ 18,537,873
	\$ 29,215,873	\$ 27,567,477

The Capital Reserve is used to provide funds for specific capital equipment purchases to enhance or improve service delivery. Operating Reserves are funds for emergency situations. Both are funded out of year-end surplus and allocated based on Board Policy.

North Red Deer River Water Services Commission
Notes to the Financial Statements

December 31, 2025

12. Commitments

a) City of Red Deer

The Commission has entered into a 25 year agreement with the City of Red Deer, expiring August 31, 2030 to purchase water. The agreement may be terminated by either party by giving five year's written notice. Under the agreement, the Commission is obligated to purchase an annual quantity of water to be determined by negotiation between the parties at a rate calculated on a cost of service basis utilizing the principles set out in the American Water Works Association manual or practice dealing with water rates and charges.

b) Related Parties

The Commission has entered into agreements with the City of Lacombe, Town of Ponoka, Town of Blackfalds, Lacombe County and Ponoka County to supply water. Under the agreement, the Commission is obligated to provide a maximum allocation of water to each municipality for a price determined annually by October 31st of the prior year.

13. Rebates

Based on the terms of the water supply agreement with the City of Red Deer effective September 1, 2005, annual water rates are based on forecasted consumption volume and costs which are subject to annual reconciliation. A "true-up" transaction, where one party compensates the other for variance in consumption and/or costs, results in an actual cost per cubic metre variance greater than 10%. The Commission may receive a rebate as a result of the reconciliation of actual annual costs and volumes to annual budgeted costs and volumes completed by the City of Red Deer. The reconciled amount and resulting rebate or payable is not calculated until subsequent to year end and as a result is recognized in the financial statements when known or received. There was no rebate recognized or receivable for the 2024 or 2025 fiscal years.

14. Approval of Financial Statements

The Board and Management approved these financial statements.
