

North Red Deer River Water Services Commission



Regular Meeting Agenda

Date:	April 4, 2022	Time:	9:00am
Location:	COUNCIL CHAMBERS LACOMBE AB		
Invitees:	<p>Members: Mayor Grant Creasey, City of Lacombe – Chair Councillor Clayton Nelson, Town of Ponoka– Vice Chair Mayor Jamie Hoover, Town of Blackfalds – Director Councillor John Ireland, Lacombe County – Director Councillor Mark Matejka, Ponoka County – Director</p> <p>Others: Jordan Thompson, NRDRWSC Administrator Matthew Goudy, CAO, City of Lacombe Tim Schmidt, Acting CAO, Town of Ponoka Charlie Cutforth, CAO, Ponoka County Myron Thompson, CAO, Town of Blackfalds Preston Weran, Director, Town of Blackfalds Tim Timmons, County Manager Lacombe County Michael Minchin, Director, Lacombe County Tracey McKinnon, Senior Manager, City of Lacombe Amber Mitchell, Manager, City of Lacombe Chris Huston, Manager, City of Lacombe</p> <p>Guests: Joel Sawatzky, Stantec Consulting Ltd. Todd Simenson, Stantec Consulting Ltd Alan Litster, CPA, CA, BDO Canada LLP Ryan Wachter, CPA, CA, BDO Canada LLP</p>		
Recorded by:	Denise Bellabono - Administrative Assistant NRDRWSC		
	1. Call to Order by Chair		
	2. Adoption of Agenda		
	3. Adoption of Minutes		
	3.1 Regular Meeting Minutes – December 6, 2021		
	4. Presentations		
	4.1 2021 Audit Statement – BDO Canada LLP		
	5. Reports		
	5.1 Administrator		

5.2 Chair
6. Old Business:
7. New Business / Emergent Items: 7.1 2021 Financial Audit – Sr. Manager McKinnon
8. Correspondence
9. Next Meeting Date: June 20, 2022 in Council Chambers, City of Lacombe, at 9:00am
10. Adjournment

**NORTH RED DEER RIVER WATER SERVICES COMMISSION
MEETING MINUTES
December 6, 2021**

In Attendance: Mayor Grant Creasey, NRDRWSC Chair, City of Lacombe,
Councillor Clayton Nelson, NRDRWSC Vice-Chair, Town of Ponoka,
Councillor John Ireland, Lacombe County
Councillor Mark Matejka, Ponoka County
Mayor Jamie Hoover, Town of Blackfalds

Others Present: Jordan Thompson, NRDRWSC CAO
Denise Bellabono, NRDRWSC Administrative Assistant
Sandra Lund, CAO, Town of Ponoka
Matthew Goudy, CAO, City of Lacombe
Preston Weran, Director of Infrastructure and Property Services,
Town of Blackfalds
Danielle Nealon, Administration Assistant, City of Lacombe
Angela Smith, Regional Utilities Foreman, City of Lacombe

Guest: Mayor Kevin Ferguson, Town of Ponoka

Regrets: Myron Thompson, CAO, Town of Blackfalds
Charlie Cutforth, CAO, Ponoka County
Tim Timmons, County Manager, Lacombe County
Michael Minchin, Director of Corporate Services, Lacombe County
Tracey McKinnon, Senior Manager of Finance, City of Lacombe
Chris Huston, Utilities Manager, City of Lacombe
Amber Mitchell, Engineering Manager, City of Lacombe

1. Call to Order:

Chair Creasey called the meeting to order at 9:00 am.

2. Adoption of the Regular Meeting Agenda

MOVED by Mayor Hoover that the regular meeting agenda for December 6, 2021, be adopted as presented.

CARRIED UNANIMOUSLY

3. Adoption of the Minutes:

MOVED by Councillor Ireland that the minutes for November 29, 2021, be adopted as amended.

CARRIED UNANIMOUSLY

4. Presentations

5. Reports

6. Old Business

6.1. 2022 Water Rate Bylaw 3.7 (Bylaw 3 Amendment)

CAO Thompson presented Bylaw 3.7 for third reading, an amendment to Bylaw 3, for the 2022 Water Rate adjustment to members be set to \$2.14 per cubic meter and remove the customer rate.

MOVED by Councillor Ireland that the Commission gives third reading to Bylaw 3.7 as presented.

CARRIED UNANIMOUSLY

7. New Business / Emergent Items:

7.1. Signing Authority

CAO Thompson informed the Commission that with the departure of one of the signing officers, a replacement for signing authority is needed for continued operations of the Commission. The signing authorities are to be selected by name and signatures added to the Commissions' signature cards.

MOVED by Councillor Matejka that the Board directs Administration to replace the list of approved officers for the North Red Deer River Water Services Commission authorized to execute cheques, promissory notes, bills of exchange, and other instruments, whether negotiable or not, on behalf of the Commission with the following:

*Chair: Grant Creasey
Vice-Chair: Clayton Nelson*

*CAO Jordan Thompson
Alternate: Matthew Goudy
Alternate: Tracey McKinnon*

CARRIED UNANIMOUSLY

8. Next Meeting:

Monday, April 4, 2022 at 9:00 am, City of Lacombe Council Chambers

9. Adjournment:

MOVED by Vice-Chair Nelson to adjourn the meeting at 9:07 am.

CARRIED UNANIMOUSLY

Chairperson

Administrator

North Red Deer River Water Services
Commission
Financial Statements
For the year ended December 31, 2021

DRAFT FOR DISCUSSION PURPOSES ONLY

North Red Deer River Water Services Commission
Financial Statements
For the year ended December 31, 2021

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DRAFT FOR DISCUSSION PURPOSES ONLY

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, 2021, 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, 2021 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.

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

Independent Auditor's Report

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.

Chartered Professional Accountants
Red Deer, Alberta

North Red Deer River Water Services Commission
Statement of Financial Position

December 31	2021	2020
Financial assets		
Cash	\$ 498,824	\$ 487,510
Investments (Note 3)	7,763,116	7,543,779
Trade and other receivables	625,625	860,480
	<u>8,887,565</u>	<u>8,891,769</u>
Liabilities		
Accounts payable and accrued liabilities	384,419	487,937
Current portion of long-term debt (Note 4)	842,116	805,389
	<u>1,226,535</u>	<u>1,293,326</u>
Long-term debt, net of current portion (Note 4)	8,964,310	9,806,426
	<u>10,190,845</u>	<u>11,099,752</u>
Net debt	<u>(1,303,280)</u>	<u>(2,207,983)</u>
Non-financial assets		
Tangible capital assets (Note 6)	27,067,371	27,504,615
Inventory of supplies (Note 7)	75,088	75,484
	<u>27,142,459</u>	<u>27,580,099</u>
Accumulated surplus (Note 9)	<u>\$25,839,179</u>	<u>\$ 25,372,116</u>

Commitments (Note 11)

North Red Deer River Water Services Commission
Statement of Operations

For the year ended December 31	Budget 2021	2021	2020
Revenue			
Water sales to Commission members (Note 10) \$	6,195,859	\$ 5,990,728	\$ 6,046,380
Service fees to Commission members (Note 10)	145,820	143,835	145,360
Interest income	125,000	184,408	174,065
Rebates & dividends (Note 12)	30	-	-
Other revenue	1,500	2,112	1,500
Provincial grants	-	47,000	-
Total revenue	6,468,209	6,368,083	6,367,305
Expenses			
Accounting and audit fees	9,000	9,150	9,060
Board remuneration	4,750	5,068	6,000
Board travel	1,350	858	524
Communication	7,672	450	5,588
General material and supplies	1,450	8,084	7,516
Insurance	5,500	5,231	4,878
Interest long-term debt	469,513	466,996	502,231
Legal	5,000	-	-
Management fees	62,088	62,088	60,956
Office	150	87	-
Operator costs	132,665	105,439	102,376
Other expenses	25	-	1,487
Other professional fees	23,380	199,088	20,009
Purchase of water	4,716,964	4,547,586	4,495,849
Repairs and maintenance	6,500	1,566	7,727
SCADA maintenance	26,400	27,775	22,171
Utilities	5,000	6,216	5,322
Valves	5,000	746	1
Amortization of capital assets	400,000	454,592	442,103
Total expenses	5,882,407	5,901,020	5,693,798
Excess of revenue over expenses	585,802	467,063	673,507
Accumulated surplus, beginning of year	25,372,116	25,372,116	24,698,609
Accumulated surplus, end of year	\$ 25,957,918	\$25,839,179	\$ 25,372,116

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

For the year ended December 31	Budget 2021	2021	2020
Excess of revenue over expenses	\$ 585,802	\$ 467,063	\$ 673,507
Acquisition of tangible capital assets	-	(17,348)	(124,114)
Amortization of tangible capital assets	400,000	454,592	442,103
	<u>985,802</u>	<u>904,307</u>	<u>991,496</u>
Decrease (increase) in inventory of supplies		<u>396</u>	<u>112</u>
Net change in net debt	985,802	904,703	991,608
Net debt, beginning of year	<u>(2,207,983)</u>	<u>(2,207,983)</u>	<u>(3,199,591)</u>
Net debt, end of year	<u>\$ (1,222,181)</u>	<u>\$ (1,303,280)</u>	<u>\$ (2,207,983)</u>

North Red Deer River Water Services Commission
Statement of Cash Flows

For the year ended December 31	2021	2020
Operating transactions		
Excess of revenue over expenses	\$ 467,063	\$ 673,507
Items not involving cash		
Amortization	454,592	442,103
Changes in non-cash operating balances		
Accounts receivable	234,855	(182,525)
Inventories of supplies	396	112
Accounts payable and accrued liabilities	(103,518)	(85,648)
	<u>1,053,388</u>	<u>847,549</u>
Capital transactions		
Acquisition of tangible capital assets	(17,348)	(124,113)
Proceeds on sale of tangible capital assets	<u>-</u>	<u>-</u>
Investing transactions		
Acquisition of investments	<u>(219,337)</u>	<u>(2,345,543)</u>
Financing transactions		
Repayment of long-term debt	<u>(805,389)</u>	<u>(770,264)</u>
Net change in cash and bank indebtedness	11,314	(2,392,371)
Cash, beginning of year	<u>487,510</u>	<u>2,879,881</u>
Cash, end of year	<u>\$ 498,824</u>	<u>\$ 487,510</u>

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

December 31, 2021

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.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Budget Amounts

The budget amounts presented on the statement of financial activities are taken from the commission's annual budget.

Inventories

Inventories of materials and 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 tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

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

Revenue Recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

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

December 31, 2021

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

1. Financial Instruments

The Commission utilizes various financial instruments. It is managements opinion that the Commission is not exposed to significant interest or currency risks arising from these financial instruments.

The carrying value of these financial instruments approximates their fair value

2. Bank Overdraft

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, 2021 the prime rate was 2.45%.

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2021

3. Investments

	<u>2021</u>	<u>2020</u>
Short-term & medium-term Canadian bank paper notes, Principal protected notes yielding effective annual rates of 1.67% to 3.06% to maturity at cost.	\$ 7,763,116	\$ 7,543,779

The market value of the Commission's investments was \$7,787,313 (2020 - \$7,697,137)

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North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2021

4. Long-term Debt

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

	2021	2020
4.46% debenture, repayable \$66,762, semi-annually, due September 15, 2031	\$ 1,067,810	\$ 1,150,920
4.515% debenture, repayable \$570,688 semi-annually, due June 15, 2031	8,738,616	9,460,895
	9,806,426	10,611,815

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 842,116	\$ 432,785	\$ 1,274,901
2023	880,518	394,383	1,274,901
2024	920,671	354,230	1,274,901
2025	962,655	312,246	1,274,901
2026	1,006,554	268,347	1,274,901
Thereafter	5,193,912	609,906	5,803,818
	\$ 9,806,426	\$ 2,371,897	\$ 12,178,323

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 Financial Statements

December 31, 2021

5. 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, 2021. The debt limit and debt service limit otherwise determined are as follows:

	2021	2020
Total debt limit	\$12,736,166	\$ 12,735,377
Total debt	<u>(9,806,426)</u>	<u>(10,611,815)</u>
Total debt limit (exceeded)	<u>2,929,740</u>	<u>2,123,562</u>
Debt servicing limit	2,228,829	2,228,691
Debt servicing	<u>(1,274,901)</u>	<u>(1,274,901)</u>
Total debt servicing limit	<u>953,928</u>	<u>953,790</u>

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

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2021

6. Tangible Capital Assets

	2021			
	Engineered Structures	Land	Equipment	Total
Cost,				
beginning of year	\$ 31,538,802	\$ 1,821,692	\$ 312,881	\$ 33,673,375
Additions		-	17,348	17,348
Disposals				-
Cost, end of year	\$ 31,538,802	\$ 1,821,692	\$ 330,229	\$ 33,690,723
Accumulated amortization,, beginning of year	\$ 6,139,497	-	\$ 29,263	\$ 6,168,760
Amortization	430,127	-	24,465	454,592
Disposals				-
Accumulated amortization, end of year	\$ 6,569,624	-	\$ 53,728	\$ 6,623,352
Net carrying amount, end of year	\$ 24,969,178	\$ 1,821,692	\$ 276,501	\$ 27,067,371

	2020			
	Engineered Structures	Land	Equipment	Total
Cost,				
beginning of year	\$ 31,538,802	\$ 1,821,692	\$ 188,767	\$ 33,549,261
Additions	-	-	124,114	124,114
Disposals	-	-	-	-
Cost, end of year	\$ 31,538,802	\$ 1,821,692	\$ 312,881	\$ 33,673,375
Accumulated amortization, beginning of year	\$ 5,721,859	-	\$ 4,798	\$ 5,726,657
Amortization	417,638	-	24,465	442,103
Disposals		-	-	-
Accumulated amortization, end of year	\$ 6,139,497	-	\$ 29,263	\$ 6,168,760
Net carrying amount, end of year	\$ 25,399,305	\$ 1,821,692	\$ 283,618	\$ 27,504,615

North Red Deer River Water Services Commission
Notes to Financial Statements

December 31, 2021

7. Inventories of Supplies

	2021	2020
Valves	\$ 41,321	\$ 41,321
Materials and supplies	8,660	8,660
Pipe	8,513	8,513
Couplings	5,484	5,484
Miscellaneous	11,110	11,506
	\$ 75,088	\$ 75,484

8. Equity in Tangible Capital Assets

	2021	2020
Tangible capital assets	\$ 33,690,723	\$ 33,673,375
Accumulated amortization	(6,623,352)	(6,168,760)
Total Long-Term Debt	(9,806,426)	(10,611,815)
	\$ 17,260,945	\$ 16,892,800

9. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	2021	2020
Unrestricted Operating Surplus	2,852,486	3,300,191
Unrestricted Capital Surplus	233,104	233,104
Operating Reserve	1,132,242	763,543
Capital Reserve	4,360,402	4,182,478
Equity in tangible capital assets	\$17,260,945	\$ 16,892,800
	\$25,839,179	\$ 25,372,116

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 Financial Statements

December 31, 2021

10. 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:

	2021	2020
City of Lacombe	\$ 2,728,639	\$ 2,725,920
Town of Ponoka	1,443,126	1,409,615
Town of Blackfalds	1,799,106	1,890,937
Ponoka County	19,856	19,908
	<u>\$ 5,990,727</u>	<u>\$ 6,046,380</u>

During the year the Town of Blackfalds purchased 40,266 m3 (2020 - 37,722 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.

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:

	2021	2020
Lacombe County	71,917	72,680
Ponoka County	71,917	72,680
	<u>\$ 143,834</u>	<u>\$ 145,360</u>

The Commission is provided accounting, management and operations services by the City of Lacombe for a total cost of \$167,527 (2020 - \$163,228).

Included in accounts receivable are \$599,041 (2020- \$803,008) due from various members municipalities.

Included in accounts payable is \$8,887 (2020 - \$12,443) due to various member Municipalities.

December 31, 2021

11. 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, 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.

12. 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 2020 or 2021 fiscal years.

13. Approval of Financial Statements

The Board and Management approved these financial statements.

Administration Reports

Administrative, Financial & Operational

Date: April 4, 2022

Presented by: CAO, Sr. Finance Manager, Operations Supervisor



ADMINISTRATIVE

Board of Director Training

- Board of Director Training Vendor Selected – Daina J. Young, Reynolds Mirth Richards & Farmer. The following dates are available for the training.
 - May 17th
 - May 19th
 - June 6th
 - June 16th
- Proposed Training Agenda:
 - Board of Director Training – 9am-12pm
 - Lunch 12-12:30
 - Optional Water/Wastewater Commission Tour 12:30 – 3pm
- Administration asked other regional service commissions to express their interest in partnering in the training and 6 respondents confirmed their interest.
- The respondents also indicated interest in the training including the following topics:
 - Distinction of roles between commission members and municipal elected officials appointed to commissions.
 - Strategic planning and governance
 - Roles and Responsibilities; as a board member vs as a Councilor considering interests of their own municipality
- The proposed fee for external participants will be \$100 per person.

Waterline Extension

- ECN selected an engineer for their on-reserve water system improvements: M2 Engineering.
- Per the Board's direction on September 13, 2021, the Commission is in Phase 2 of its Project Plan: ECN Membership Agreement. ECN is reviewing the membership agreement.
- The trigger to initiate Phase 3: Funding Agreements is a resolution from the Board.
- An updated copy of the project plan is available on <https://www.nrdwsc.ca/information.html>

FINANCIAL

As seen in Table 1, overall, 2022 water volume levels are 3% higher than 2021 levels.

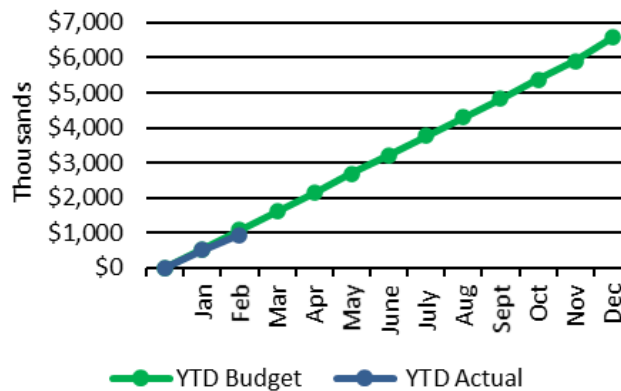
Table 1 - Water volumes (in cubic meters) - January to February

Member	2021	2022
City of Lacombe	195,255	200,065
Blackfalds	117,007	119,965
Lacombe County	5,430	7,520
Ponoka	98,866	101,379
Ponoka County	1,028	1,168
Total	417,586	430,097

Revenue

As of February 2022, YTD (year to date) actual revenues are lower than YTD budgeted revenues by \$130,848 or 13.9%.

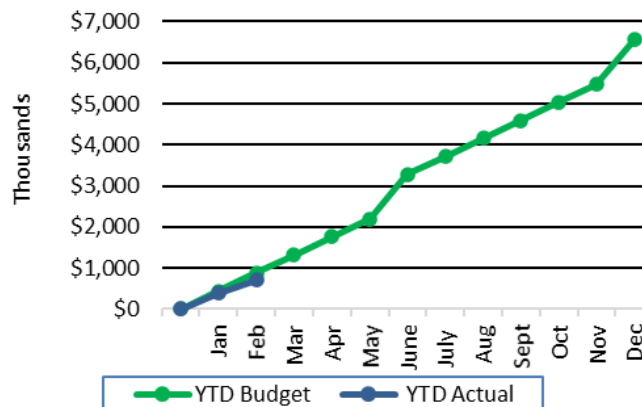
Revenue YTD vs Budget



Expenses

As of February 2022, the YTD actual expenses are lower than YTD budgeted expenses by approximately \$165,000 or 23%.

Expenses YTD vs Budget

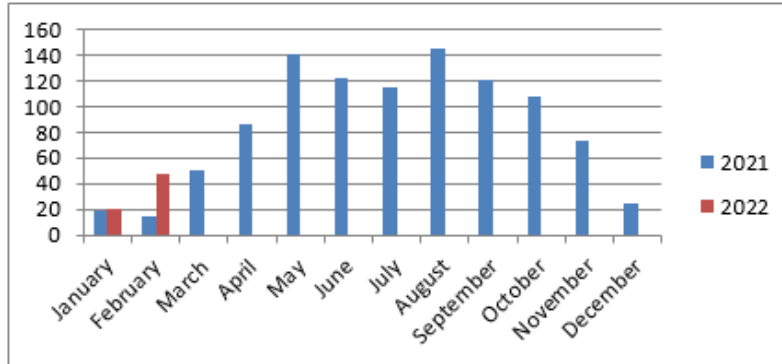


Projected Surplus/Deficit

As of February 2022, the Water Commission is at a net surplus of approximately \$34,000.

OPERATIONAL

Alberta One-Call Locate Requests:



January- 20 locates February - 48 locates
2022 to date 68 (2021 = 1021)

Notable activities since last report:

- Operations are working with Eramosa regarding latency concerns when using the regional Scada system.

Request For Decision



2021 Financial Audit

Date: April 4, 2022

Prepared by: Tracey McKinnon, Sr. Manager of Finance

Presented by: Tracey McKinnon, Sr. Manager of Finance

PURPOSE:

To present the 2021 audited financial statement for the North Red Deer River Water Services Commission for the Board's approval.

ACTION/RECOMMENDATION:

1. THAT the Commission approve the North Red Deer River Water Services Commission 2021 Audited Financial Statement as presented.
AND
2. THAT the Commission approve the \$454,592 transfer to the Capital Reserve
AND
3. THAT the Commission approve increase of \$88,326 rate transfer from the operating reserve

ISSUE ANALYSIS:

The NRDRWSC 2021 draft audited Financial Statement is now complete and ready for the Board's review and approval. Representatives from BDO LLP will present the 2021 audited Financial Statement at the Board meeting on April 4.

Statements must be completed, approved, and submitted to Alberta Municipal Affairs by May 1.

The 2021 audited statement presentation differs slightly from the annual operating budget in terms of how the operating surplus is presented. The following is a reconciliation of the deficit reported on the audited statement to that of the operating budget.

2021 Audited Statement Surplus	\$467,063
Less Debt Principal Payments for 2021	(\$805,389)
Plus Transfer from Reserves	<u>250,000</u>
2021 Adjusted Deficit	(\$88,326)

The 2021 budgeted surplus was \$30,413. In 2021 there was a mid-year authorization for \$144,000 for a valve repair north of the Blindman River. This expenditure resulted in a year-end deficit of \$88,326.

In 2021, the Commission had a remaining debt capacity of \$2.9 million, giving the Commission the ability to borrow if required.

FINANCIAL IMPLICATIONS:

An increased transfer from reserves can offset the 2021 adjusted deficit. Amortization is included as the budgeted expense. It is recommended that the Commission approve an amount equal to the 2021 amortization of \$454,592 to be transferred to the Capital Reserves.

LEGISLATIVE AUTHORITY:

- Section 5(3) of Commission Bylaw 1
- Section 602.33 of the Municipal Government Act, RSA 2000, c M-26

ALTERNATIVES:

The Commission may choose to:

1. THAT the Commission approve the North Red Deer River Water Services Commission 2021 Audited Financial Statement as presented.
AND
2. THAT the Commission approve the \$454,592 transfer to the Capital Reserve
AND
3. THAT the Commission approve increase of \$88,326 rate transfer from the Operating Reserve.
OR
4. Direct Administration how it wishes to proceed.

ATTACHMENTS:

- Draft – 2021 Audited Financial Statement – North Red Deer River Water Services Commission. (included earlier in the agenda)