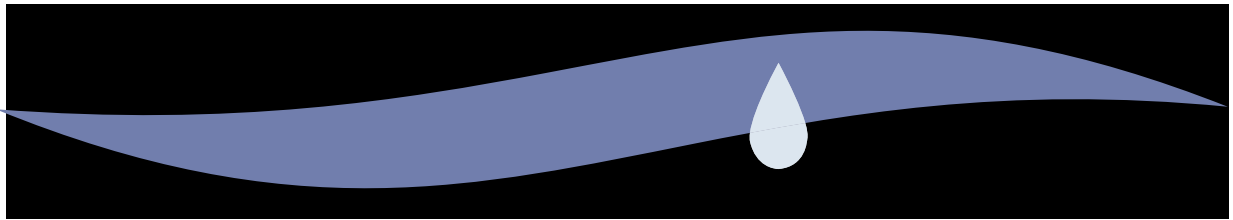


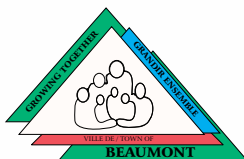
Annual Report

2014

CRSWSC



Capital Region Southwest
Water Services Commission





● Table of Contents

BOARD

Letter from the chairman	2
Membership and governance structure	2
Organization and administration	3
Strategic partnerships	4
Water rates	5

OPERATIONS

Introduction	5
Management & operations report	6
Operational philosophy	8
History of CRSWSC	10
Financial report	12

BOARD

Chairman's Message



Bruce LeCren | board chair

On behalf of the Capital Region Southwest Water Services Commission (CRSWSC), the Operations and Management staff as well as the Commissioners, I am pleased to deliver the 2014 Chairman's message.

2014 saw many highlights, chief among them the extension of our water distribution system to the Hamlet of Armena in Camrose County. Our Operations and Management staff also worked to negotiate and complete the water transmission main realignment and vault access project at the 41st Ave interchange, and a new water licensing agreement with the Regional Water Customers' Group (RWCG).

The Commission updated our master plan in 2014, with technical committee recommendations for future long term growth projects, and these were presented to all member Councils.

Our Operations staff were diligent throughout the year in ensuring all the Commission infrastructure performed reliably to ensure we fully met our mandate of safe and reliable delivery of potable water to our member communities Leduc County, City of Leduc, Town of Calmar, Town of Beaumont, Village of Hay Lakes, and Camrose County, as well as the Edmonton International Airport.

In 2014 we were pleased to welcome representatives from the Town of Millet as observers of the Commission, pending their full membership upon completion of the water line extension to their community.

2014 was, however, not without challenges. The Commission was disappointed to learn the RWCG was unsuccessful in our latest rate dispute with EPCOR, forcing us to pass on a one time charge to our members for the retroactive higher cost of water.

We were also disappointed to learn of the departure of our Manager, Mr. Kevin Cole, and we thank him for his service as we wish him every success pursuing new opportunities.

The CRSWSC is looking ahead with optimism to 2015, although this year continues to bring challenges. Hard work will be necessary to lobby the Province to maintain the water for life funding in the face of their fiscal realities. The Commission must continue to work with our member municipalities to find fair and equitable funding as we build our reserves for future Capital growth projects. Continued work is also required with EPCOR to ensure timely and fair pricing so all RWCG members can budget responsibly.

I want to express my thanks and appreciation to the Commission Management and Operations staff for their hard work and the many dedicated hours they give to deliver our mandate to our members, and to the Commissioners for their service to the Board.

Organization & Administration

The Capital Region Southwest Water Services Commission requires respective municipal councils to appoint two members to the board. They may also appoint one or more council members as an alternate. The board annually elects a chairman and vice-chairman from among its membership. In 2014, Bruce LeCren was chairman and John Schonewille was vice-chairman.



Board of Directors
Back row (L. to R.): Coun. Clay Stumph (alt) (Leduc County), Coun. Bill McNamara (Beaumont), Mayor Todd Skaret (Hay Lakes), Mayor John Whaley (alt) (Leduc County), Coun. Wally Yachimetz (Calmar), Deputy Mayor Shannon Yearwood (Hay Lakes)
Front row (L. to R.): Coun. Doug Lyseng (Camrose County), Coun. Beverly Beckett (Leduc), Coun. Bruce LeCren (Beaumont), Coun. Anne Donovan (Calmar), Coun. Ken Krause (alt) (Camrose County)

Membership & Governance Structure

Alberta Regulation, AR 292/84 created this commission and was amended in 2009 by Order in Council 279/2009 to include new members, and that services be supplied 'as required,' and that fees charged are based on full recovery of capital and operating costs, and that all members be charged a uniform rate. Section 15.1 of the Municipal Government Act (SA 194, Chapter 26.1) is legislation which governs Region Services Commissions.

The Capital Region Southwest Water Services Commission membership was expanded in 2009 to include the new members' municipalities and provide water transmission services to its members listed below:

- » Beaumont
- » Calmar
- » Camrose County
- » Hay Lakes
- » City of Leduc
- » Leduc County



2014 Board Members

- » **Town of Beaumont:**
 - Coun. Bruce LeCren (chair)
 - Coun. Bill McNamara
- » **Town of Calmar:**
 - Coun. Wally Yachimetz
 - Coun. Anne Donovan
- » **Camrose County:**
 - Coun. Doug Lyseng
 - Coun. Greg Gillespie
- » **Village of Hay Lakes:**
 - Mayor Todd Skaret
 - Deputy Mayor Shannon Yearwood
- » **City of Leduc:**
 - Coun. Bob Young
 - Coun. Beverly Beckett
- » **Leduc County:**
 - Coun. Rick Smith
 - Coun. John Schonewille (vice chair)

OPERATIONS



Incoming Board of Directors

Back row (L. to R.): Coun. Bill McNamara (Beaumont), Coun. Bob Young (Leduc), Coun. Rick Smith (Leduc County), Coun. Greg Gillespie (Camrose County), Coun. Tony Wadsworth (observer from Millet)

Front row (L. to R.): Coun. Clay Stumph (alt) (Leduc County), Coun. Anne Donovan (Calmar), Coun. Bruce LeCren (Beaumont), Coun. Doug Lyseng (Camrose County), Deputy Mayor Shannon Yearwood (Hay Lakes)

In the Fall of 2014, the incoming Board of Directors was appointed:

- » **Town of Beaumont:**
 - Coun. Bruce LeCren (vice-chair)
 - Coun. Bill McNamara
- » **Town of Calmar:**
 - Coun. Anne Donovan
 - Coun. Wally Yachimetz
- » **Camrose County:**
 - Coun. Doug Lyseng
 - Coun. Greg Gillespie
- » **Village of Hay Lakes:**
 - Mayor Todd Skaret
 - Deputy Mayor Shannon Yearwood
- » **City of Leduc:**
 - Coun. Beverly Beckett
 - Coun. Bob Young
- » **Leduc County:**
 - Coun. Rick Smith
 - Coun. John Schonewille (chair)

Strategic Partnerships

Management and operating services

Management Services is contracted by the City of Leduc for provision of management services to the commission:

Commission manager	Kevin Cole (director of Engineering) City of Leduc
Operations manager	Rick Sereda (director of Public Services) City of Leduc
Treasurer	Carol Hounsell (manager of Accounting Services) City of Leduc
Financial agency	Alberta Treasury Branch
Auditor	Hawkins Epp Dumont LLP
Engineering services	Associated Engineering Alberta Ltd.
Solicitor	Brownlee LLP
Investment agency	CIBC Wood Gundy

2014 Meeting dates

Feb. 13, 2014	regular meeting	June 12, 2014	regular meeting
April 3, 2014	regular meeting	Sept. 11, 2014	regular meeting
April 24, 2014	Annual General Meeting (AGM)	Nov. 20, 2014	organizational meeting

Water Rates

The 2014 water rates established by the commission are as follows:

- » Customers who are identified as major or wholesale customers are: Leduc County, Town of Beaumont, Town of Calmar, City of Leduc, and Edmonton Regional Airport Authority.
- » Wholesale water rates: \$0.96 per m³ (cubic metre) for all member communities

The 2014 management and operations contact rates established by the commission are as follows:

» Management contract fees	\$ 133,641
» Operations contract fees	\$ 395,130
» TOTAL	\$ 528,771

Introduction

The Capital Region Southwest Water Services Commission (CRSWSC) was established on Sept. 1, 1984 and today is a regional co-operation providing clean, safe drinking water to Leduc, Leduc County, Beaumont, the Edmonton International Airport (EIA), Calmar, Hay Lakes and Camrose County. The commission purchases its water directly from EPCOR Water Services in coordination with the Regional Water Customers Group.

CRSWSC is one of nine members that form the Regional Water Customers Group. All nine members work closely together to ensure all communications and transactions with EPCOR Water Services are of a united front. The commission works closely with the Regional Water Customers Group for long-range planning, rate negotiation and coordination of water supply.

The commission works diligently to ensure clean, safe drinking water is provided to all customers. It closely monitors and controls flow rates and reservoir levels for each of its customers. The commission endeavours to comply with all regulations and standards set out by Canadian regulatory agencies. It's the goal of the commission to set standards and guidelines for each of its customers to model themselves after.



Management & Operations Report

Safe, reliable and responsible operations are integral to our success. The CRSWSC experienced unprecedented growth in 2014. Development and construction in the area continues to be a primary focus. Some of the 2014 highlights for CRSWSC are as follows:

- » Administration has worked with Alberta Transportation on a suitable solution for the valve access vault near the 41st Avenue overpass. The primary concern of Alberta Transportation is to ensure the safety of both the workers and the motorists, therefore leaving the access on the roadway was not a viable option. Administration proposed creating a vault access from the side slope of the roadway, which the concept was deemed acceptable by Alberta Transportation and subsequently design and construction was completed.
- » A membership and trust agreement pursuant to a new water diversion license was ratified and executed by the Regional Water Customers Group. The water diversion license is issued by the Province of Alberta, to permit the extraction of water from the North Saskatchewan River for the general usage of its members.
- » The CRSWSC Board had requested that the CRSWSC administration present the draft Master Plan to the Councils of all member Municipalities, to better understand the rate increases required to support the growth of our region over the next twenty years. Subsequently, administration presented an executive summary and power point

presentation to all member municipalities which was well received.

- » Edmonton International Airport provided the CRSWSC "as-built drawings" for the new realigned section of the commission transmission main on airport property. This project was required due to significant growth located on airport property and is now completed.
- » The Town of Millet will be formally joining the CRSWSC in the near future and currently sits on the board as an observer. Select Engineering Ltd. has been contracted to design and provide an acceptable alignment for the new Millet supply transmission line. Select Engineering has obtained all the necessary survey information and is currently working with Government of Alberta departments finalizing appropriate approvals.
- » In an effort to be more environmentally responsible, all the lights outside of the boundary station were changed to LED lights. This change will result in more efficient lighting as well reducing the requirement for frequent light replacements.
- » It was with mixed emotions that Kevin Cole tendered his resignation as the CRSWSC Manager near the end of 2014. Mr. Cole has provided exemplary leadership to the commission over the last four years.

Proper operations and maintenance is essential to ensure that safe drinking water is effectively and efficiently delivered to the member municipalities. A preventative maintenance program is followed by the operations team that maximizes the endurance and longevity of CRSWSC assets. Our preventative maintenance program follows good engineering practices, which includes following the manufacturer's instructions, specifications, applicable safety codes and other safety standards.

The CRSWSC operations team is pleased to report that no safety related incidents occurred in 2014. CRSWSC staff participates in ongoing regular monitoring and review of our health & safety performance to monitor the effectiveness of OHS actions and ensure our health & safety objectives and targets are being met. As with previous Annual Reports, the successes of the past year are the result of collaboration and commitment by everyone involved with CRSWSC. Our management and operations team have enjoyed serving the commission over the past four years and look forward to a continued future.



Kevin Cole
commission manager



Rick Sereda
operations manager



Operational Philosophy

Water from Edmonton is boosted by electrically-driven pumps at the boundary pumping station along Highway 2 south, roughly 1 km south of the City of Edmonton.

The transmission main from the boundary pump station supplies water to the City of Leduc with lateral mains feeding Beaumont, Calmar, Leduc County, New Sarepta, Hay Lakes, Armena and the EIA. The amount of pressure supplied by the booster pumps depends upon demand which varies based on reservoir levels at the different municipalities.

The SCADA control system is designed to provide operating information and control capability for the water transmission system. This is performed through a communication system link between the 11 PLCs (Programmable Logic Controllers) located at each of the fill station sites, the booster station and the boundary station.

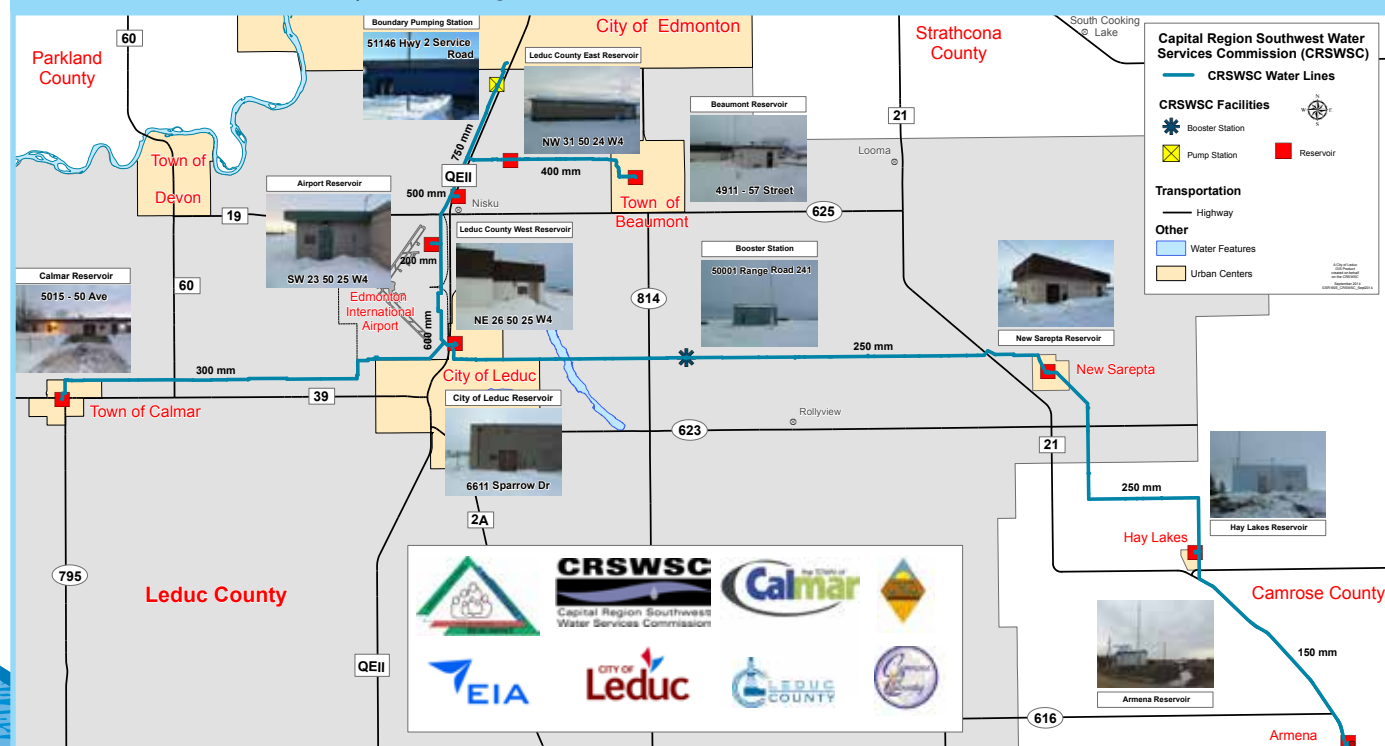
The host PLC, located at the boundary pumping station,

collects data from each site and transfers new data to the PLCs as required. Endpoint adjustment, such as starting of pumps and modulating of valves, are performed by the on site PLCs upon receipt of command from the host PLC.

Communication between all 11 water commission sites is performed by a Ultra High Frequency radio system installed within each station. There is nearly a constant feedback of information occurring between the radios and host PLC. Examples of information being transmitted include:

- » Present pressures
- » Flow rates
- » Flow totaling
- » Alarms when occurring
- » Control valve positions
- » Reservoir levels
- » Chlorine residuals

The CRSWSC transmission system (see figure 1.1)



The host PLC receives commands from the human machine interface (HMI) located at the boundary pumping facility. The HMI displays all SCADA related events for commission operators.

Total flow received from Edmonton is compiled by the EPCOR master meter, which is situated in the boundary station. This meter is owned by EPCOR and is serviced on site.

A magnetic flow meter keeps a record of water leaving the boundary station into the commission's supply line. Each fill station contains magnetic flow meters which relay pressures and flow totals instantaneously to the main controlling facility.



Capital Region Service Map (see figure 1.2)



History of the CRSWSC

DATE	
April 6, 1959	The Strathcona-Leduc Water Board originally formed as a partnership between the Municipal Districts of Strathcona and Leduc, and the Town of Leduc. Board formation was in response to the federal government's need for potable water to the then proposed Edmonton International Airport. The original Edmonton to Leduc water transmission system was constructed in 1959 – 60 due to the financial contributions of the federal government and debenture borrowing by the three municipalities. The original waterline had a 300 mm diameter, asbestos cement from within the then City of Edmonton limits to the airport tie-in and a 250 mm diameter cast iron water main from the airport tie-in to the Town of Leduc. Two pump stations; No. 1 at 23 Avenue, in the City of Edmonton, and No. 2 at Nisku provided the transmission capability.
Late 1970s	Capacity of the original system was reached.
1978 - 79	A new steel pipeline was constructed as Phase 1 with telescopic diameters; 750 mm, 600 mm and 500 mm, from the City of Edmonton (9 Avenue) to the City of Leduc.
1982 - 83	Phase 2 was constructed
1985	Full operation of Phase 2. It consisted of the Boundary Pump Station and Fill Stations for the Airport, County of Leduc-Nisku and City of Leduc. Phase 3 was to be the On-line Storage Facility and Re-pump Facility for Calmar, however it was not constructed. Phase 4 was the Leduc to Calmar waterline, complete with a Fill Station at Calmar. This was implemented by the Town of Calmar and was subsequently transferred to the Commission.
Sept. 1, 1984	The Capital Region Southwest Water Services Commission was established and assumed ownership, operation and maintenance of all the Strathcona-Leduc Water Board facilities, as well as the Leduc-to-Calmar waterline, and the Nisku-to-Beaumont water supply line.
Fall 1986	An agreement was finalized for the sale of the commission's system inside the Edmonton city limits to the City of Edmonton.
1987	An agreement was made between the commission and the County of Leduc to transfer ownership, operation and maintenance of the original 300 mm water main to the county, with exception of Nisku Pump House No. 2. The 300 mm diameter main now serves as a county distribution main with pressurization from the county's Nisku reservoir.
1988	The commission completed the construction of a 400 mm diameter lateral from the commission's main line to Beaumont and a fill station at the Beaumont reservoir. The original Nisku-to-Beaumont waterline was transferred to the County of Leduc.
1993 - 95	The Supervisory Control and Data Acquisition (SCADA) system was upgraded to new technology and radio communication with the five fill stations.
1994	The AGT Communication Telemetry was replaced with a UHF Radio communication system.

DATE	
1999	The SCADA system was replaced with Year 2000 capabilities, and Wonderware Software was installed.
2001	The EIA 200 mm cast iron lateral was twinned with a 200 mm PVC line from the main line to the airport fill station.
2002	The Beaumont 300 mm pipeline was twinned with a 400 mm line from the west edge of the town boundary into the Beaumont fill station.
2004	Associated Engineering was hired to carry out a supply system review. Based on this study and the years of service of VSP 102, the commission installed a new motor, pump, and Variable Frequency Drive.
2005	Based on the 2004 review, VSP 102 and 103 were replaced. The computer was replaced and the SCADA system was updated. Landscaping with low maintenance and drought-resistant design was completed at the boundary pump station.
2006	The commission upgraded its radio system for all fill stations to improve communications via the boundary pump station HMI (Human Machine Interface). Leduc County constructed a new reservoir and fill station. Ownership of the fill station was turned over to the water commission.
2007	The commission acquired a revocable license by the Department of Transport (federal government) for the commission's water lines on EIA property (exclusive of the east/west water line at the south end of airport property).
2008 - 10	The commission entered into a review of the proposed Highway 21 Water Pipeline expansion project to service the Villages of New Sarepta, Hay Lakes and Camrose County. As a result, the commission voted to expand the membership. Under the 'Water for Life Strategy,' the commission partnered with Alberta Transportation to construct the south Highway 21 water line. The new 250 mm water line ties into the commission's line within the City of Leduc boundary and heads east through Leduc County to New Sarepta and Hay Lakes. The line will eventually head into Camrose County.
2011 - 12	The City of Leduc took over the operation of the commission. In 2012 the Boundary station CRSWSC owned 14" Foxboro magnetic flow meter was upgraded to a 16" ABB magnetic flow meter. Millet requested to join the commission, engineering for the new transmission main is underway. Hamlet of Armena extension engineering contract awarded.
2013	EPCOR realigned a segment of the 762 mm steel main for the 41st Ave Interchange. Edmonton International Airport realigned a segment of the 600 mm steel main for commercial development on their property. All SCADA controls were upgraded with the exception of the Boundary HMI. The south Highway 21 water main asset transferred to the CRSWSC from Strathcona County.
2014	Water distribution system to the Hamlet of Armena in Camrose County. Completion of the water transmission main realignment and vault access project at the 41st Ave interchange. New water licensing agreement with the Regional Water Customers' Group (RWCG).

● Financial Report

**CAPITAL REGION SOUTHWEST
WATER SERVICES COMMISSION**
LEDUC, ALBERTA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board Members of the Capital Region Southwest Water Services Commission
Leduc, Alberta

We have audited the accompanying financial statements for the Capital Region Southwest Water Services Commission, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Region Southwest Water Services Commission, as at December 31, 2014, and the results of its operations, the changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Hawkings Epp Dumont LLP

Edmonton, Alberta
April 23, 2015

HAWKINGS EPP DUMONT LLP
Chartered Accountants

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014

DRAFT

	2014	2013 (Restated) (Note 11)
FINANCIAL ASSETS		
Cash	\$ 499,722	\$ 371,531
Accounts receivable	1,016,978	527,739
Investments (Note 3)	<u>1,099,149</u>	<u>1,328,145</u>
	<u>2,615,849</u>	<u>2,227,415</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,581,088	692,763
Deferred revenue (Note 4)	343,254	265,892
Long-term debt (Note 5)	<u>893,452</u>	<u>920,268</u>
	<u>2,817,794</u>	<u>1,878,923</u>
NET FINANCIAL ASSETS	(201,945)	348,492
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule I)	<u>15,668,463</u>	<u>13,594,700</u>
ACCUMULATED SURPLUS (Note 6)	<u>\$ 15,466,518</u>	<u>\$ 13,943,192</u>

ON BEHALF OF THE COMMISSION:

Chairman

Treasurer

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

3.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

DRAFT

	2014 (Budget) (Note 12)	2014 (Actual)	2013 (Actual) (Restated) (Note 11)
Revenues			
Water sales	\$ 5,162,483	\$ 5,536,897	\$ 4,654,456
Provincial government transfers	4,988,936	1,922,638	269,528
Contributions from members	83,983	68,742	68,742
Return on investments	<u>39,000</u>	<u>28,174</u>	<u>45,843</u>
	<u>10,274,402</u>	<u>7,556,451</u>	<u>5,038,569</u>
Expenses			
Water purchases	4,115,500	4,895,968	4,271,292
Operating contract	395,130	395,130	383,622
Management contract	133,641	133,641	129,748
Utilities	125,860	122,795	111,099
Repairs and maintenance	71,000	39,292	88,481
Interest on long-term debt	50,287	41,916	43,083
Professional fees	38,900	22,871	31,399
Engineering fees	30,000	11,784	26,752
Insurance	20,000	20,251	19,599
Office and annual meeting	15,374	18,278	11,049
Honoraria and travel	21,840	10,654	9,748
Amortization	-	320,545	260,216
	<u>5,017,532</u>	<u>6,033,125</u>	<u>5,386,088</u>
Excess (Deficiency) of Revenue over Expenses	<u>5,256,870</u>	<u>1,523,326</u>	<u>(347,519)</u>
Accumulated Surplus, Beginning of Year, As Previously Stated	13,943,192	13,967,000	14,329,910
Correction of an error (Note 11)	-	(23,808)	(39,199)
Accumulated Surplus, Beginning of Year, As Restated	-	<u>13,943,192</u>	<u>14,290,711</u>
Accumulated Surplus, End of Year	<u>\$19,200,062</u>	<u>\$15,466,518</u>	<u>\$13,943,192</u>

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

4.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION **DRAFT**
 STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u> (Restated) (Note 11)
Excess (Deficiency) of Revenue Over Expenses	\$ 1,523,326	\$ (347,519)
Acquisition of tangible capital assets	(2,394,308)	(996,497)
Amortization of tangible capital assets	<u>320,545</u>	<u>260,216</u>
Increase (Decrease) in Net Financial Assets	(550,437)	(1,083,800)
Net Financial Assets, Beginning of Year	<u>348,492</u>	<u>1,432,292</u>
Net Financial Assets, End of Year	<u>\$ (201,945)</u>	<u>\$ 348,492</u>

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

5.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION **DRAFT**
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u> (Restated) (Note 11)
Operating Activities		
Excess (deficiency) of revenue over expenses	\$ 1,523,326	\$ (347,519)
Amortization expense	320,545	260,216
Change in non-cash working capital balances related to operations:		
Change in accounts receivable	(489,239)	(142,705)
Change in accounts payable and accrued liabilities	888,324	330,285
Change in deferred revenue	<u>77,362</u>	<u>(181,315)</u>
	<u>2,320,318</u>	<u>(81,038)</u>
Financing Activities		
Long-term debt repaid	<u>(26,815)</u>	<u>(25,626)</u>
Investing Activities		
Acquisition of tangible capital assets	(2,394,308)	(996,497)
Change in investments	<u>228,996</u>	<u>461,632</u>
	<u>(2,165,312)</u>	<u>(534,865)</u>
Change in Cash During the Year	128,191	(641,529)
Cash, Beginning of Year	<u>371,531</u>	<u>1,013,060</u>
Cash, End of Year	<u>\$ 499,722</u>	<u>\$ 371,531</u>

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

6.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE I

	Land	Buildings	Engineered Structures	Equipment	2014	2013
COST:						
Balance, Beginning of Year	\$ 221,637	\$ 1,784,247	\$ 15,468,256	\$ 41,507	\$ 17,515,647	\$ 16,519,150
Acquisition of tangible capital assets	-	929,931	1,464,377	-	2,394,308	996,497
Balance, End of Year	221,637	2,714,178	16,932,633	41,507	19,909,955	17,515,647
ACCUMULATED AMORTIZATION:						
Balance, Beginning of Year	-	1,229,148	2,660,040	31,759	3,920,947	3,660,731
Annual amortization	-	60,315	256,832	3,398	320,545	260,216
Balance, End of Year	-	1,289,463	2,916,872	35,157	4,241,492	3,920,947
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 221,637	\$ 1,424,715	\$ 14,015,761	\$ 6,350	\$ 15,668,463	\$ 13,594,700

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

7.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

DRAFT

1. NATURE OF THE ORGANIZATION

The Capital Region Southwest Services Commission is constituted under the *Municipal Government Act* and was established by Alberta Regulation 292/84. The Commission's main purpose is to supply water to its members. The Commission is exempt from income tax under section 149 of the *Income Tax Act*.

2. ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for local governments established by the Canadian Public Sector Accounting Board.

(b) Revenue Recognition

Service fees are recognized as revenue in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenue.

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.

Investment income is recognized as revenue when earned.

(c) Investments

All investments are classified as held-to-maturity and are recorded at cost or amortized cost, adjusted to recognize other than a temporary impairment in the underlying value.

Interest income is recorded as earned and gains and losses on the sale of investments are recorded in income on disposition. Investment premiums and discounts are amortized proportionately over the term of the respective investments.

(d) Tangible Capital Assets

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Engineered structures	15 - 75 years
Buildings	45 years
Equipment	10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(e) Measurement Uncertainty

The preparation of the financial statements in accordance with Canadian public sector accounting standards, requires management to make estimates regarding significant items such as allowances for uncollectible receivables, amounts relating to impairment assessments and amortization of tangible capital assets that affect the reported amounts 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 expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

8.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2014

DRAFT

3. INVESTMENTS

	2014	2013 (Restated) (Note 11)
Bonds and Treasury Bills - at cost	\$ 1,112,717	\$ 1,345,868
Accrued interest	8,611	5,565
Unamortized premium	<u>(22,179)</u>	<u>(23,288)</u>
	<u>\$ 1,099,149</u>	<u>\$ 1,328,145</u>

Market value at December 31, 2014 is \$1,108,060 (2013 - \$1,328,668). The investments consist of a mix of bonds with rates of return between 0.8% and 3.0%, maturing between 2015 and 2019. The income from these investments is being reinvested as received.

4. 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.

	2014	2013
Provincial government conditional grants	<u>\$ 343,254</u>	<u>\$ 265,892</u>

5. LONG-TERM DEBT

	2014	2013
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$34,371 including interest at 4.589%; due December 15, 2034.	<u>\$ 893,452</u>	<u>\$ 920,268</u>

Future principal and interest repayments are as follows:

	Principal	Interest	Total
2015	\$ 28,060	\$ 40,682	\$ 68,742
2016	29,362	39,380	68,742
2017	30,725	38,017	68,742
2018	32,151	36,591	68,742
2019	33,644	35,098	68,742
Thereafter	<u>739,510</u>	<u>291,623</u>	<u>1,031,133</u>
	<u>\$ 893,452</u>	<u>\$ 481,391</u>	<u>\$ 1,374,843</u>

Debenture debt is repayable to Alberta Capital Finance Authority and is issued on the credit and security of the Commission at large.

9.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2014

DRAFT

5. LONG-TERM DEBT (CONTINUED)

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

	2014	2013
Total debt limit	\$11,267,626	\$ 9,538,082
Total debt	<u>893,452</u>	<u>920,268</u>
Total debt limit remaining	<u>\$10,374,174</u>	<u>\$ 8,617,814</u>
Debt servicing limit	\$ 1,971,835	\$ 1,669,164
Debt servicing	<u>68,742</u>	<u>68,742</u>
Total debt servicing remaining	<u>\$ 1,903,093</u>	<u>\$ 1,600,422</u>

The debt limit is calculated as 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.

6. ACCUMULATED SURPLUS

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

	2014	2013 (Restated) (Note 11)
Unrestricted surplus	\$ 398	\$ 306,233
Restricted surplus (Note 7)	691,109	962,527
Equity in tangible capital assets (Note 8)	<u>14,775,011</u>	<u>12,674,432</u>
	<u>\$ 15,466,518</u>	<u>\$ 13,943,192</u>

7. RESTRICTED SURPLUS

Reserves are established at the discretion of the Board of Directors to set aside funds for future operating and capital purposes.

	2014	2013
Capital equipment	\$ 312,971	\$ 236,961
Emergency operations	200,000	200,000
Pump upgrades	136,638	-
Rate stabilization	31,500	120,000
General	10,000	16,500
Contingency	<u>-</u>	<u>389,066</u>
	<u>\$ 691,109</u>	<u>\$ 962,527</u>

10.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2014

DRAFT

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule I)	\$ 19,909,955	\$ 17,515,647
Accumulated amortization (Schedule I)	(4,241,492)	(3,920,947)
Long-term debt (Note 5)	<u>(893,452)</u>	<u>(920,268)</u>
	<u>\$ 14,775,011</u>	<u>\$ 12,674,432</u>

9. RELATED PARTY TRANSACTIONS

a) Members' Charges

Included in water sales revenue are charges to participating municipalities based upon usage by respective residents in the following amounts:

	<u>2014</u>	<u>2013</u>
City of Leduc	\$ 2,972,742	\$ 2,570,862
Town of Beaumont	1,219,356	987,610
Leduc County	783,453	659,990
Edmonton International Airport	305,169	229,132
Town of Calmar	217,507	176,108
Village of Hay Lakes	38,606	30,754
Camrose County	<u>64</u>	<u>-</u>
	<u>5,536,897</u>	<u>4,654,456</u>

b) Contributions from Members

Contributions were received from members to cover annual debenture payments in the following amounts:

	<u>2014</u>	<u>2013</u>
Leduc County	\$ 34,027	\$ 34,027
Village of Hay Lakes	24,472	24,472
County of Camrose	<u>10,243</u>	<u>10,243</u>
	<u>\$ 68,742</u>	<u>\$ 68,742</u>

c) Management and Operating Contract Fees

During the year, the Commission paid \$133,641 (2013 - \$129,748) in management fees and \$395,130 (2013 - \$383,621) in operating fees to the City of Leduc.

d) Accounts Receivable

The year end accounts receivable balance includes a total of \$874,909 (2013 - \$447,825) receivable from member municipalities. All amounts were current.

e) Accounts Payable and Accrued Liabilities

The year end accounts payable and accrued liabilities balance includes a total of \$95,212 (2013 - \$92,028) owing to the City of Leduc.

These transactions are in the normal course of operations and are measured at the exchange amounts as established and agreed to by the related parties.

11.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2014

DRAFT

10. 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 interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

11. CORRECTION OF AN ERROR

Investments and return on investment income were incorrectly recorded in prior periods due to bond premiums not being amortized correctly.

Comparative figures have been restated to correct this matter.

The effect on the financial statements has been to increase 2013 excess of revenues over expenditures by \$15,391 for additional investment income and decrease investments by \$23,808. The 2013 opening investments and accumulated surplus decreased by \$39,199.

12. BUDGET INFORMATION

The budget figures are provided for information purposes only, and have not been audited.

Budget reconciliation:

	<u>2014</u>
Excess of revenue over expenses	\$ 5,256,870
Tangible capital asset purchases	(5,195,631)
Transfers from accumulated surplus	(61,239)
Debenture principal repayments	<u>(25,626)</u>
	<u>-</u>

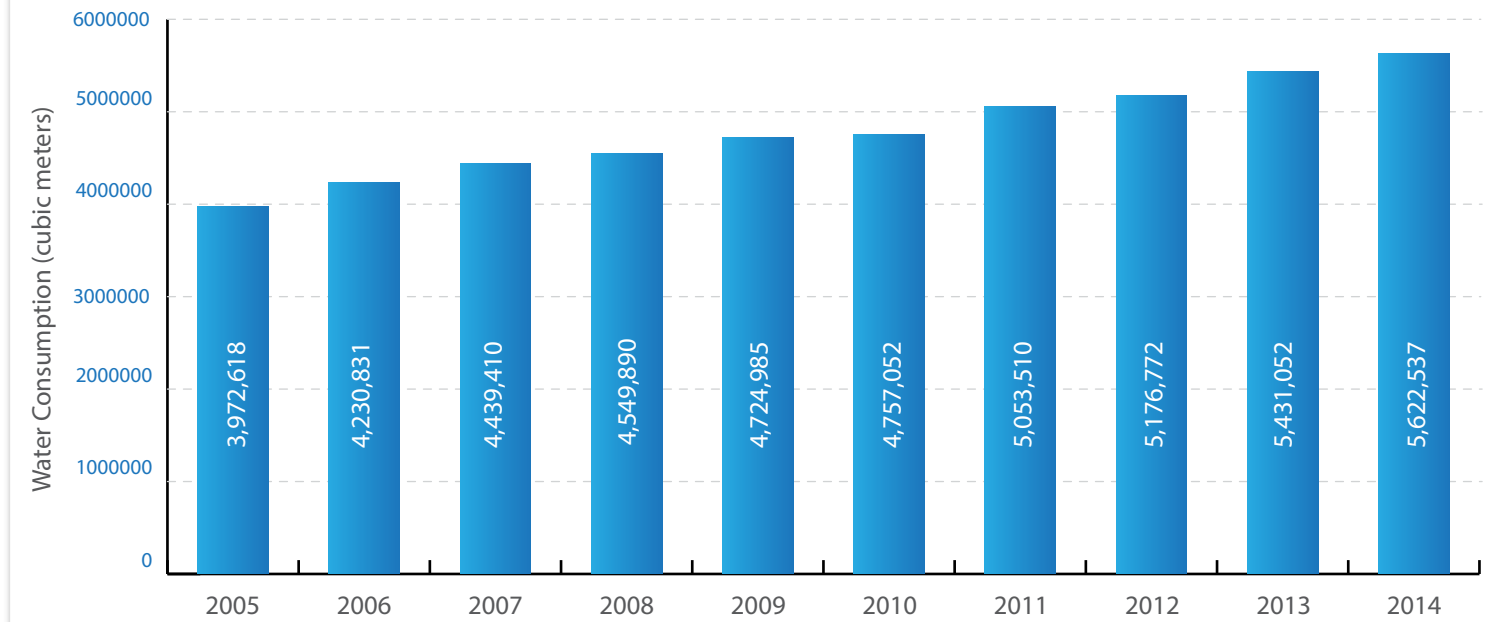
12.

2014 Quantity of Water Sales to Purchases

Water Sales Percent										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Purchases	3,972,618	4,230,831	4,439,410	4,549,890	4,724,985	4,757,052	5,053,510	5,176,772	5,431,052	5,622,537
City of Leduc	2,194,661	2,311,964	2,403,911	2,522,606	2,640,576	2,619,184	2,784,215	2,841,830	2,989,374	2,929,991
percentage	54.1%	53.0%	53.7%	53.5%	54.8%	55.1%	55.2%	55.1%	55.2%	53.6%
Town of Beaumont	812,231	886,552	943,913	996,372	1,052,362	1,018,321	1,071,211	1,103,036	1,148,384	1,205,832
percentage	20.0%	20.3%	21.1%	21.1%	21.9%	21.4%	21.2%	21.4%	21.2%	22.1%
Leduc County	603,869	694,478	637,231	664,984	607,477	585,403	704,122	715,710	767,430	773,719
percentage	14.9%	15.9%	14.2%	14.1%	12.6%	12.3%	14.0%	13.9%	14.2%	14.2%
Town of Calmar	203,404	213,911	210,831	215,392	226,433	203,572	190,481	194,065	204,777	215,174
percentage	5.0%	4.9%	4.7%	4.6%	4.7%	4.3%	3.8%	3.8%	3.8%	3.9%
International Airport	239,758	255,168	278,423	312,836	288,387	275,431	262,791	271,026	266,433	302,528
percentage	5.9%	5.8%	6.2%	6.6%	6.0%	5.8%	5.2%	5.3%	4.9%	5.5%
Village of Hay Lakes						22,737	31,397	34,498	35,760	38,207
percentage						0.5%	0.6%	0.7%	0.7%	0.7%
New Sarepta						32,404	n/a	n/a	n/a	n/a
percentage						0.7%				
Camrose County										67
percentage										0.0%
Total Sales	4,053,923	4,362,073	4,474,309	4,712,190	4,815,235	4,757,052	5,044,217	5,160,165	5,412,158	5,465,518
% Year Increase	2.4%	7.6%	2.6%	5.3%	2.2%	-1.2%	6.0%	2.3%	4.9%	5.9%

Average increase of 4.04% per year, over a ten year period *Note: All volumes are reflected in cubic meters. Percent increases are reflective of previous year sales.

Regional Water Consumption Annual Water Consumption (2005 - 2014)

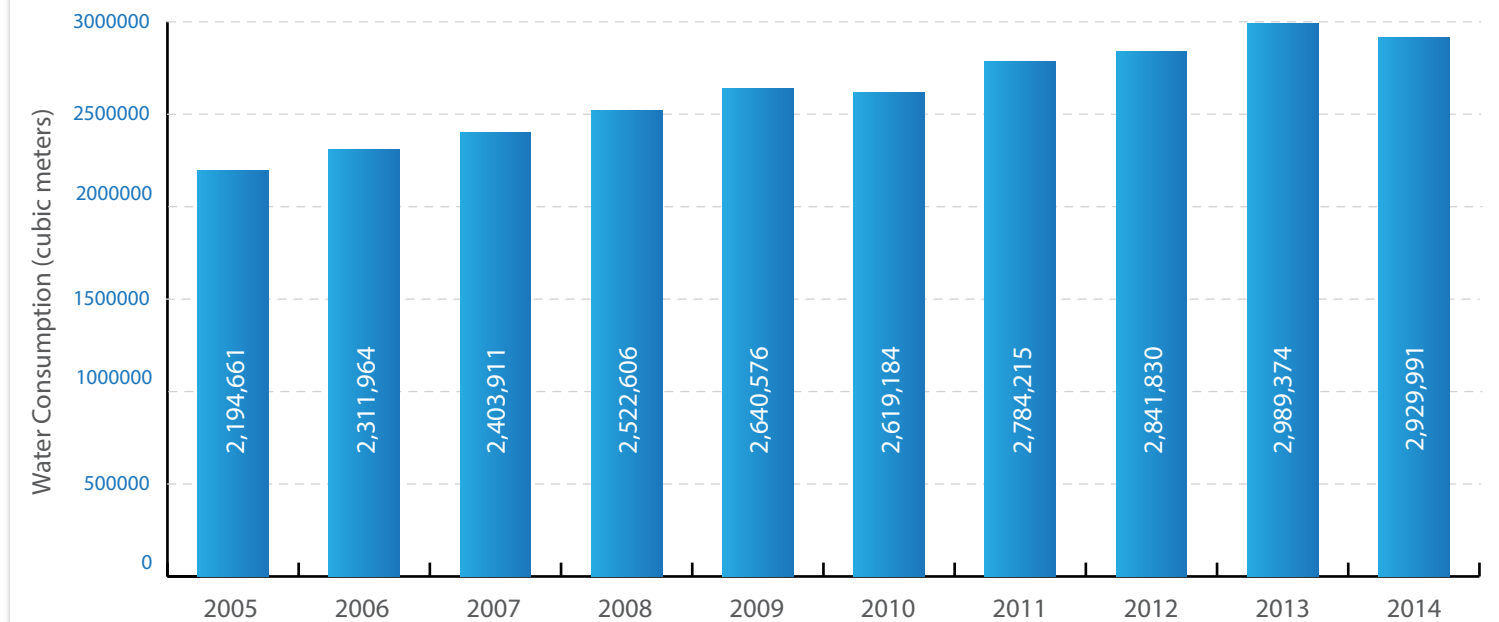


2014 Water Sales

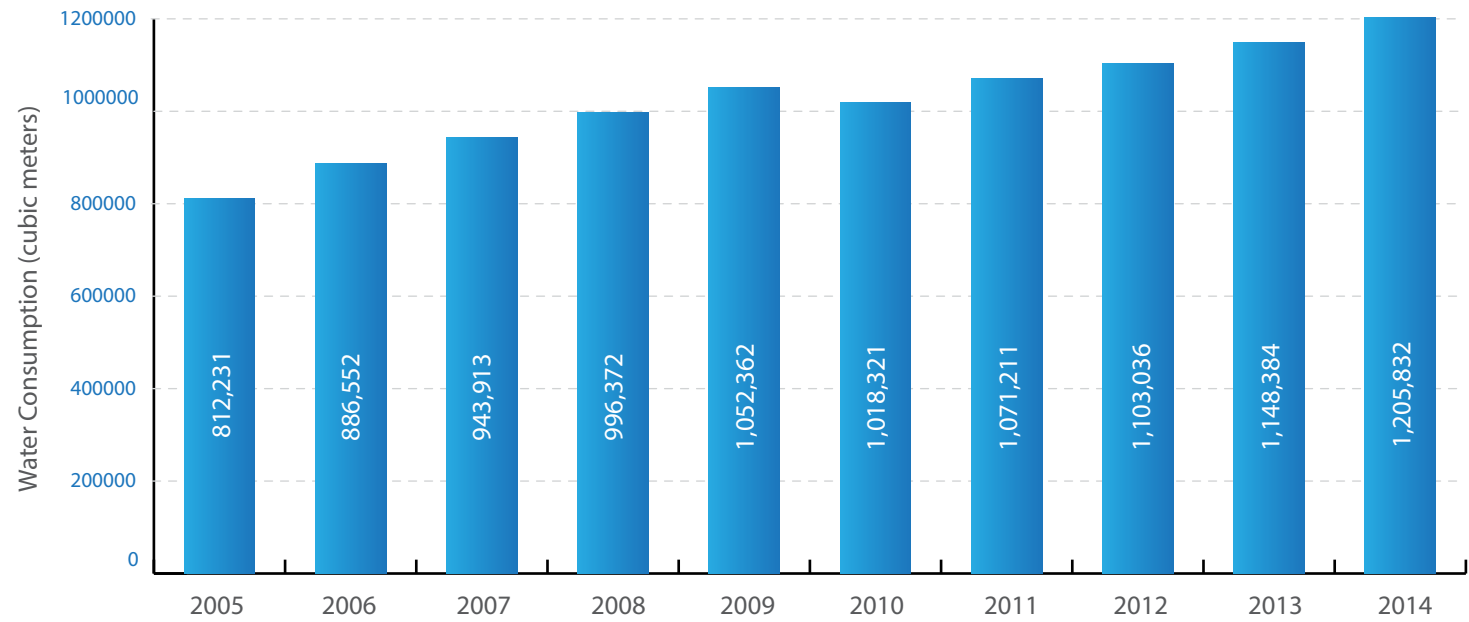
Customers	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
City of Leduc	227,987	208,755	226,769	237,996	243,103	249,792	287,749	265,185	274,577	256,597	209,058	242,423	2,929,991
Town of Beaumont	90,501	82,264	86,085	93,885	108,475	108,151	130,184	116,589	107,704	97,122	83,686	101,186	1,205,832
Leduc County	55,657	52,625	57,896	62,091	65,815	69,105	75,260	72,735	74,904	71,306	59,299	57,026	773,719
Town of Calmar	16,409	14,792	15,742	17,195	16,968	19,956	24,905	19,135	18,188	18,739	15,725	17,420	215,174
International Airport	19,767	18,596	20,124	23,510	26,282	25,944	35,180	30,044	30,162	26,189	21,722	25,008	302,528
Village of Hay Lakes	2,862	2,584	3,641	3,667	3,273	3,352	3,626	2,864	3,355	3,648	2,481	2,854	38,207
Camrose County	-	-	-	-	-	-	-	-	-	-	-	67	67
Total Sales	413,183	379,616	410,257	438,344	463,916	476,300	556,904	506,552	508,890	473,601	391,971	445,984	5,465,518
Master Meter Purchases	425,987	392,698	416,035	452,681	480,232	485,321	573,178	520,309	523,752	479,003	411,021	462,320	5,622,537
Water Differential	(12,804)	(13,082)	(5,778)	(14,337)	(16,316)	(9,021)	(16,274)	(13,757)	(14,862)	(5,402)	(19,050)	(16,336)	(157,019)

* Note: All values are in cubic meters.

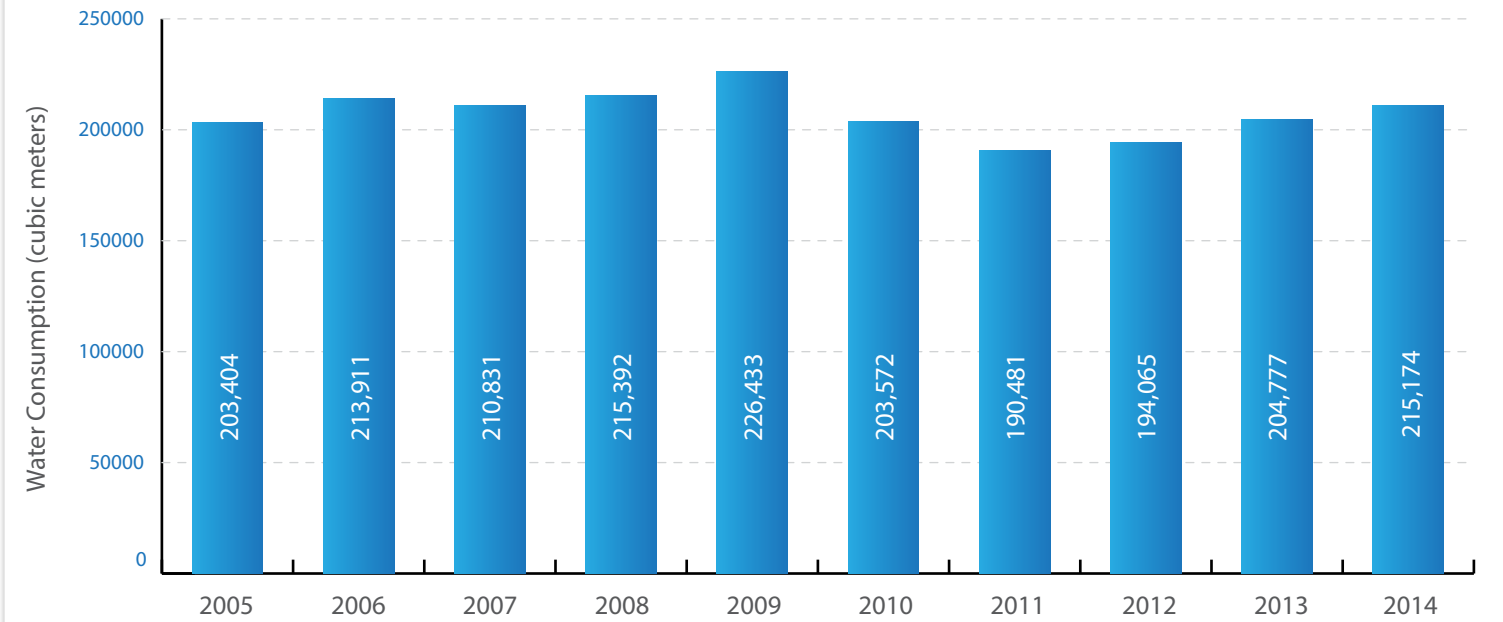
City of Leduc Annual Water Consumption (2005 - 2014)



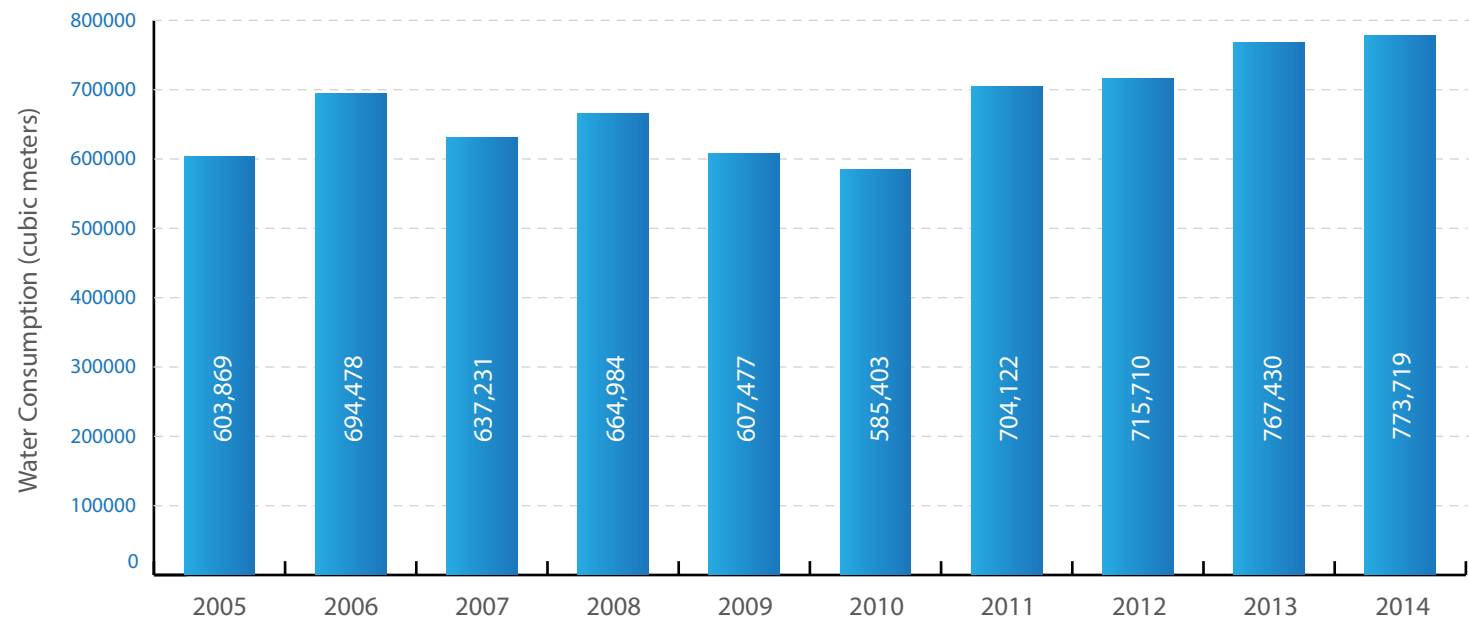
**Town of Beaumont
Annual Water Consumption (2005 - 2014)**



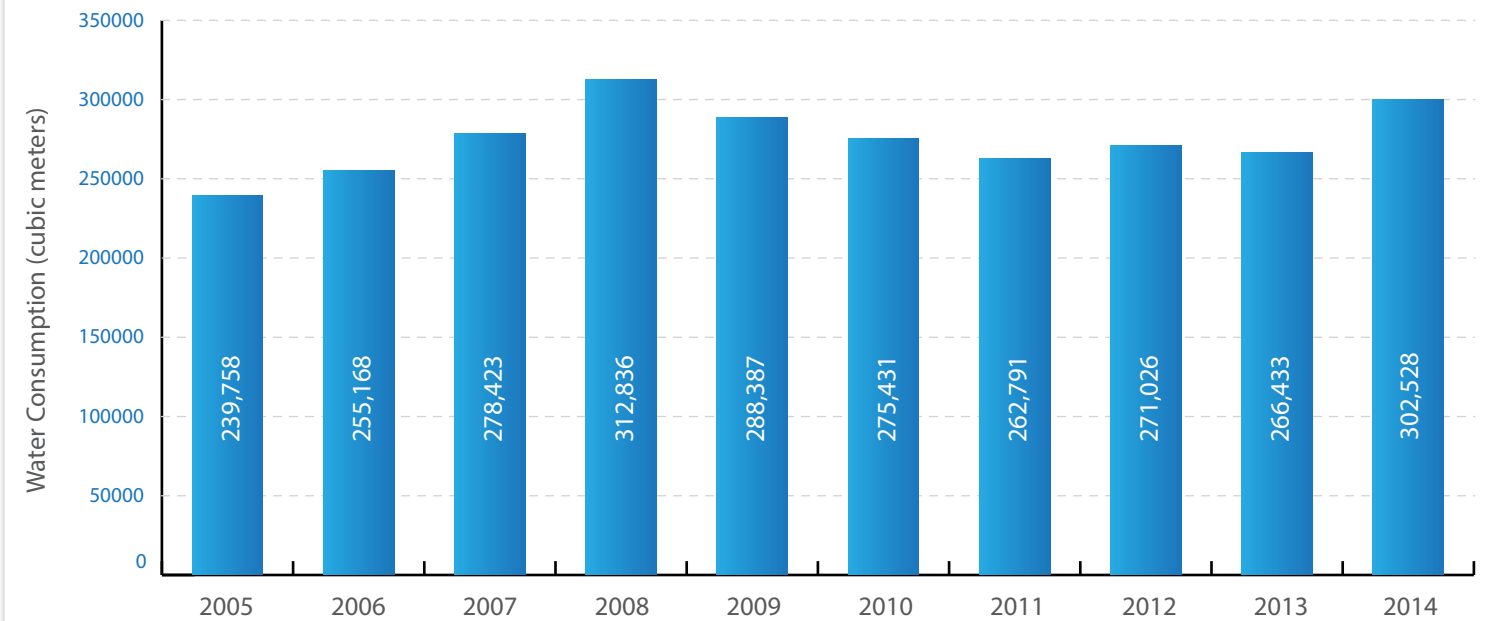
**Town of Calmar
Annual Water Consumption (2005 - 2014)**

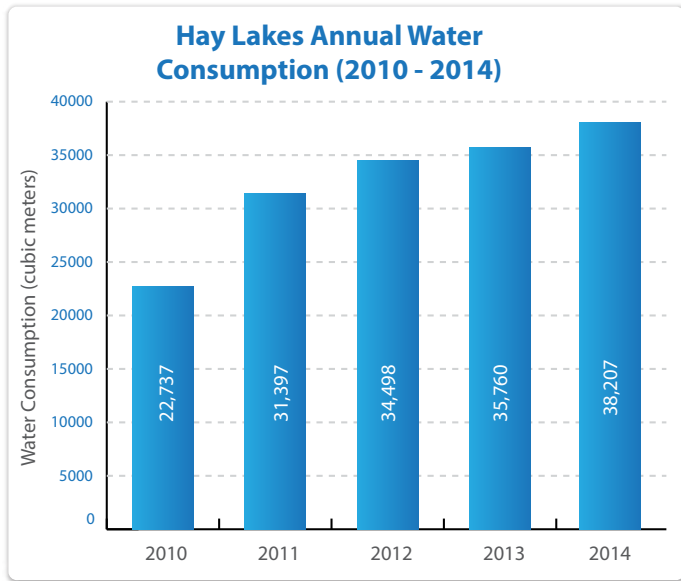


**Leduc County
Annual Water Consumption (2005 - 2014)**



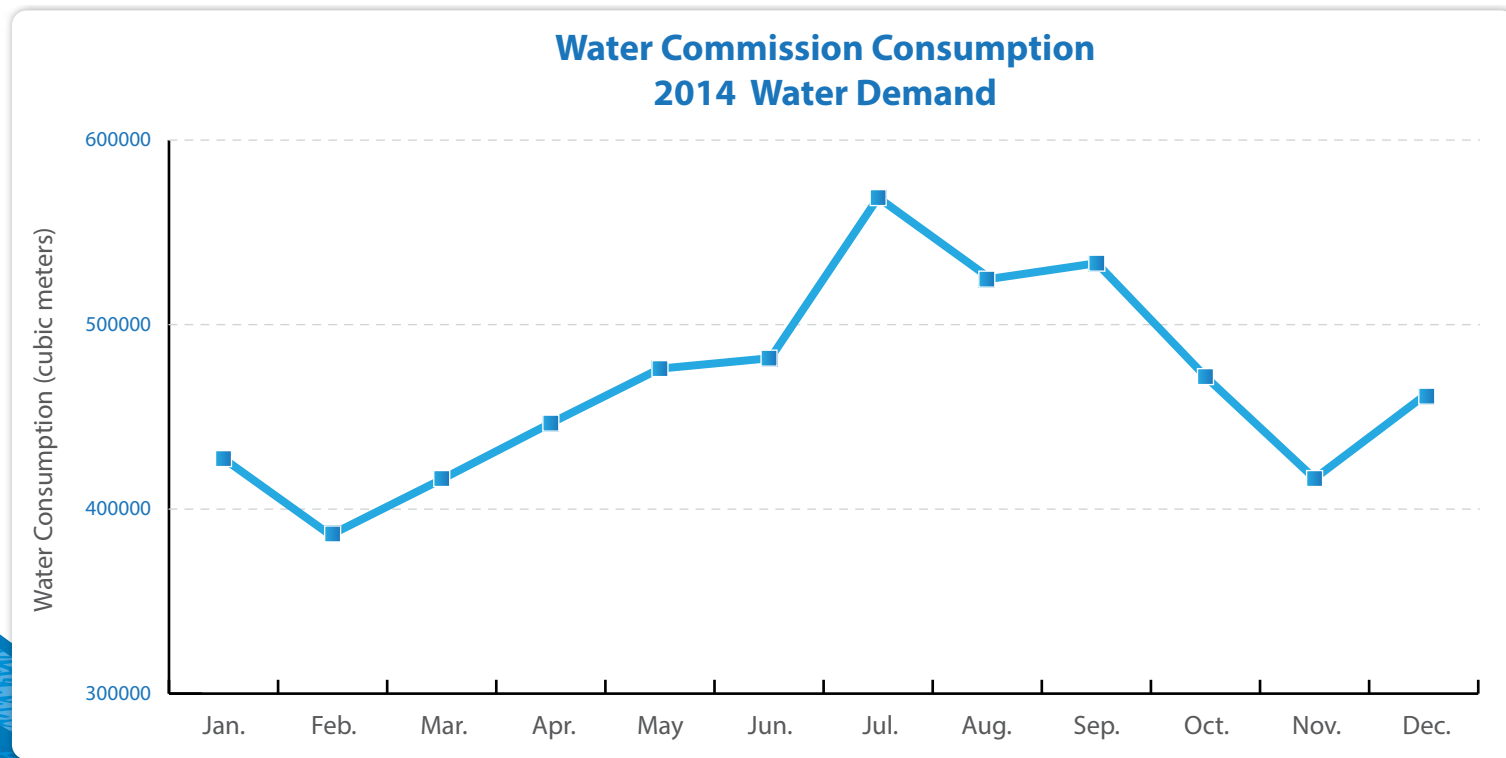
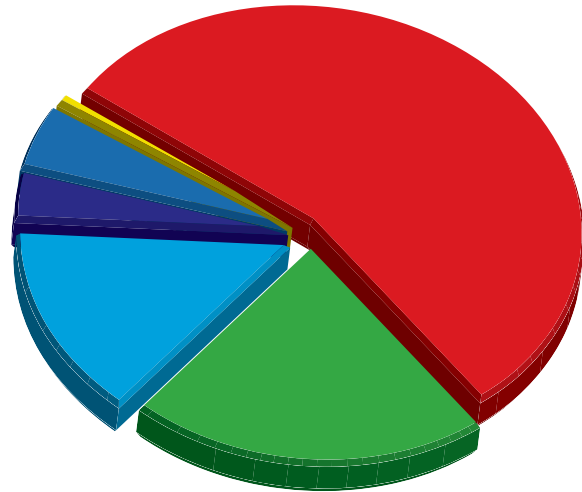
**Edmonton International Airport
Annual Water Consumption (2005 - 2014)**





2014 Customer Share of Water Sales

- City of Leduc - 55.2%
- Town of Calmar - 3.8%
- Village of Hay Lakes - 0.7%
- Leduc County - 14.2%
- International Airport - 4.9%
- Town of Beaumont - 21.2%



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