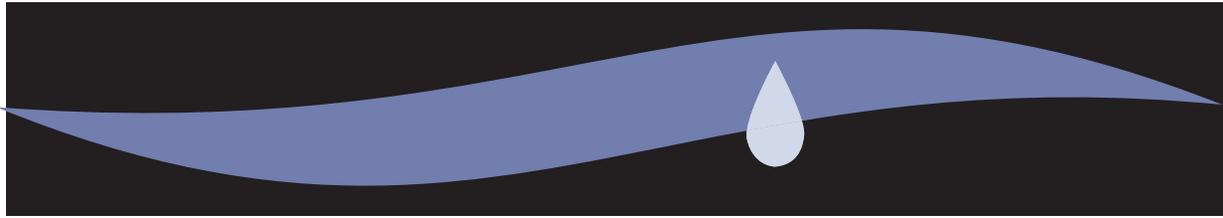
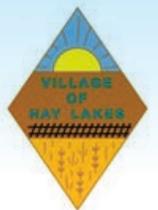


# CRSWSC



Capital Region Southwest  
Water Services Commission

# Annual Report 2016





EFFLUENT LINE  
PRESSURE TRANSMITTER  
PIT-0102



EFFLUENT LINE  
PRESSURE GAUGE  
PI-0105

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# BOARD

## ● Chairman's Message



On behalf of all Board Members of the Capital Region Southwest Water Services Commission (CRSWSC), I'm delighted to share with you some of our activities and accomplishments in 2016.

The Town of Millet residents are now one step closer to enjoying city drinking water as the CRSWSC works on extending a new water line to the

Town. The provincial "Water for Life" grant will fund 90 per cent of the costs and the Town of Millet will cover the remaining 10 per cent. Of that remaining 10 per cent, Leduc County will contribute 1 per cent towards this project.

The estimated overall cost of the project is pegged at \$10,800,000, which includes a portion of main upsizing in the City of Leduc to the tune of \$2,850,000. The City of Leduc will be 100 per cent responsible for its upsizing costs within the municipality. This is an example of a collaborative approach between the CRSWSC and the three municipalities working together in a harmonized fashion.

Administration worked closely with the electrical power retailer to lock in a new five year power supply contract, ultimately

controlling costs and minimizing risk. The CRSWSC currently utilizes over 1.02 million kWh annually, which will see an overall increase once the Millet Booster Station comes on stream.

Additionally, the CRSWSC undertook a major radio system upgrade in 2016 to ensure strong communication reliability to our geographically extended municipalities. This upgrade will provide state-of-the-art telemetry communication equipment that delivers mission critical reliability to our many remote sites. This project will be completed in the spring of 2017, upon final installation of new towers and other infrastructure.

In all aspects of its work, the CRSWSC relies wholly on the dedication and efforts of our Board members and administration. Further as the Chairman, I wish to extend my heartfelt thank you for their contribution and successful discharge of their duties.

Most importantly, we will continue to move forward with a view to serve our member municipalities and the Edmonton International Airport with reliable and efficient operations through the overall goal of delivering safe potable water to those communities.

Our vision remains focused with the adoption of best practices, fiscal responsibility, and regulatory compliance, we are poised for continued success!

**John Schonewille** | Board Chair

## ● Membership & Governance Structure

Alberta Regulation, AR 292/84 created the Capital Region Southwest Water Services Commission (CRSWSC). The regulation was amended in 2009 by Order in Council 279/2009 to include new members, that services be supplied 'as required,' that fees charged are based on a 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 CRSWSC membership was expanded in 2016 to include the

new members from the municipality of the Town of Millet and continue to provide water transmission services to its members listed below:

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



# ● Organization & Administration

The CRSWSC 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 2016, John Schonewille was chairman and Beverly Beckett was vice-chairman.



**Back row (L. to R.):** Coun. Bill McNamara (Beaumont), Mayor Tony Wadsworth (Millet), Coun. John Schonewille (Leduc County), Coun. Bruce LeCren (alt) (Beaumont), Coun. Doug Lyseng (Camrose County)

**Front row (L. to R.):** Coun. Faye Leicht (Hay Lakes), Coun. Pat Garrett (Millet), Coun. Beverly Beckett (Leduc), Deputy Mayor Shannon Yearwood (Hay Lakes), Coun. Anne Donovan (Calmar), Coun. Michele Borodawka (alt) (Calmar)

## 2016 Board Members

### » Town of Beaumont:

- Councillor Kathy Barnhart
- Councillor Bill McNamara

### » Town of Calmar:

- Mayor Wally Yachimetz
- Councillor Anne Donovan (until June 2016)
- Councillor Terry Balaban (as of September 2016)

### » Camrose County:

- Councillor Doug Lyseng
- Councillor Greg Gillespie

### » Village of Hay Lakes:

- Deputy Mayor Shannon Yearwood
- Councillor Faye Leicht

### » City of Leduc:

- Councillor Bob Young
- Councillor Beverly Beckett (Vice-Chair)

### » Leduc County:

- Councillor Rick Smith
- Councillor John Schonewille (Chair)

### » Town of Millet:

- Mayor Tony Wadsworth (Director-at-Large)
- Councillor Pat Garrett (Director-at-Large)



## Fall 2016 - Incoming Board of Directors

**Back row (L. to R.):** Coun. Terry Balaban (Calmar), Mayor Tony Wadsworth (Millet), Coun. Rick Smith (Leduc County), Coun. Dana Smith (Leduc), Coun. Bill McNamara (Beaumont), Mayor Wally Yachimetz (Calmar), Coun. Doug Lyseng (Camrose County)

**Front row (L. to R.):** Mayor John Whaley (alt) (Leduc County), Coun. Beverly Beckett (Leduc), Deputy Mayor Shannon Yearwood (Hay Lakes), Coun. Faye Leicht (Hay Lakes), Coun. Pat Garrett (Millet), Coun. Kathy Barnhart (Beaumont)

### In the Fall of 2016, the incoming Board of Directors was appointed:

- » **Town of Beaumont:**
  - Councillor Kathy Barnhart
  - Councillor Bill McNamara
- » **Town of Calmar:**
  - Mayor Wally Yachimetz
  - Councillor Terry Balaban
- » **Camrose County:**
  - Councillor Doug Lyseng
  - Councillor Greg Gillespie
- » **Village of Hay Lakes:**
  - Deputy Mayor Shannon Yearwood
  - Councillor Faye Leicht
- » **City of Leduc:**
  - Councillor Dana Smith
  - Councillor Beverly Beckett (Vice-Chair)
- » **Leduc County:**
  - Councillor Rick Smith
  - Councillor John Schonewille (chair)
- » **Town of Millet:**
  - Mayor Tony Wadsworth
  - Councillor Pat Garrett

## ● Strategic Partnerships

### Management and Operating Services

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

<b>Commission manager</b>	Shawn Olson (Director of Engineering) City of Leduc
<b>Operations manager</b>	Rick Sereda (Director of Public Services) City of Leduc
<b>Treasurer</b>	Carol Hounsell (Manager, Accounting Services) City of Leduc
<b>Financial agency</b>	Alberta Treasury Branch
<b>Auditor</b>	Hawkins Epp Dumont LLP
<b>Engineering services</b>	Associated Engineering Alberta Ltd.
<b>Solicitor</b>	Brownlee LLP
<b>Investment agency</b>	CIBC Wood Gundy

## Management and Operating Services (continued)

One of the key strategic partners for the Commission is the Edmonton International Airport and we would like to thank their team for their active participation and contributions to the success of the Commission in 2016.



(L. to R.): Steve Rumley, Mary Coyne

### 2016 Meeting dates

<b>Feb. 18, 2016</b>	Regular Meeting	<b>June 9, 2016</b>	Regular Meeting
<b>April 7, 2016</b>	Regular Meeting	<b>Sept. 8, 2016</b>	Regular Meeting
<b>May 5, 2016</b>	Annual General Meeting (AGM)	<b>Dec. 1, 2016</b>	Organizational Meeting

# OPERATIONS

## ● Water Rates

The 2016 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, Edmonton Regional Airport Authority, the Village of Hay Lakes and Camrose County.
- » Wholesale water rates: \$1.25 per m<sup>3</sup> (cubic metre) for all member communities

The 2016 management and operations contact rates established by the Commission are as follows:

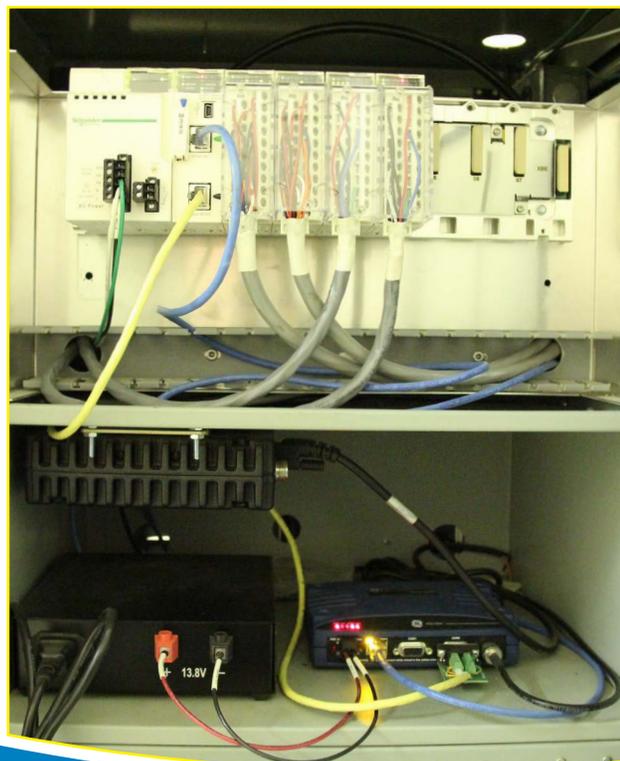
» Management contract fees	\$ 124,900
» Operations contract fees	\$ 368,155
<hr/>	
» <b>TOTAL</b>	<b>\$ 493,055</b>

## ● 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.

The 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, chlorine residuals, pressures 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 CRSWSC to set standards and guidelines for each of its customers to model themselves after.



# ● Management & Operations Report

On behalf of the City of Leduc, we would like to thank the CRSWSC Board and all of our member municipalities for an excellent year. Looking forward to 2017, it is important to reflect on the progress made in 2016. Some noteworthy items include:

- » Installation of a waterline to the Town of Millet. This has been an excellent example of collaboration in our region and has resulted in substantial cost savings for all involved, in comparison to what it would have cost any individual member to build a line for their own needs. The Commission managed this project on behalf of their members and received outstanding assistance during construction from Leduc County, Wetaskiwin County, the City of Leduc and the Town of Millet.
- » Following approval by Alberta Municipal Affairs, the status of the Town of Millet was changed from Director-at-Large to a formal Board member of the Commission.
- » In 2016, it was determined that a new water allocation methodology was required to ensure that the Commission is providing water services for its members into the future and not constraining development by allocations. This has been worked on over the past year and drafts have now been sent out to the municipalities to review and discuss with a new allocation bylaw to be voted on in 2017.
- » The CRSWSC completed a radio investigation study for the entire commission system due to the inability of Camrose County's new fill station in Armena to communicate via radio network. This study incorporated the new line to the Town of Millet as well as the impending connection to the Discovery Park reservoir to ensure that there is adequate communication with all commission facilities. As a result of the study, the Commission is realigning all radio paths in the commission network to target the booster station rather than the boundary station (better "line of sight"). The towers to support that are being erected in 2017.
- » The Commission renewed its contract with Enmax to take advantage of the low pricing for electricity that the province is currently experiencing. We were able to renegotiate our rate, reducing the price we pay from 8.318 cents per kWh to 5.473 cents per kWh, which represents a savings of approximately 35 per cent. In terms of actual dollars, this is forecasted to save the commission \$20,000 in operating expenses.

Suitable 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.

The 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 2016.

The CRSWSC staff participates in ongoing regular monitoring and review of the 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. Our Management and Operations team have enjoyed serving the commission and look forward to a prosperous and fruitful 2017.



**Shawn Olson**  
Commission Manager



**Rick Sereda**  
Operations Manager

# ● Millet Water Line Extension

As previously mentioned, the project has been a great example of collaboration amongst commission members. The Commission agreed to take over management of the Town of Millet waterline construction on behalf of its members towards the end of 2015.

The project was tendered in May 2016, with Weaver Welding being the successful proponent. Construction commenced in June. The original estimate was in the realm of \$14.7 million, however, due to the economic conditions and competition for work in the underground market, the forecasted total cost for completion is \$10.8 million.

Once started, the project quickly took off and more than 27 km of HDPE pipeline was installed from the City of Leduc to the Town of Millet. Of note, 500 m of that pipeline was installed through directional drilling under Telford Lake.

A booster station was constructed just south of Telford Lake, which increases the pressure of the water supply out to the Town of Millet. At the time of this report, all infrastructure has been installed and commissioning is underway. A grand opening for this project is planned for late April 2017, in the Town of Millet.





# 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.

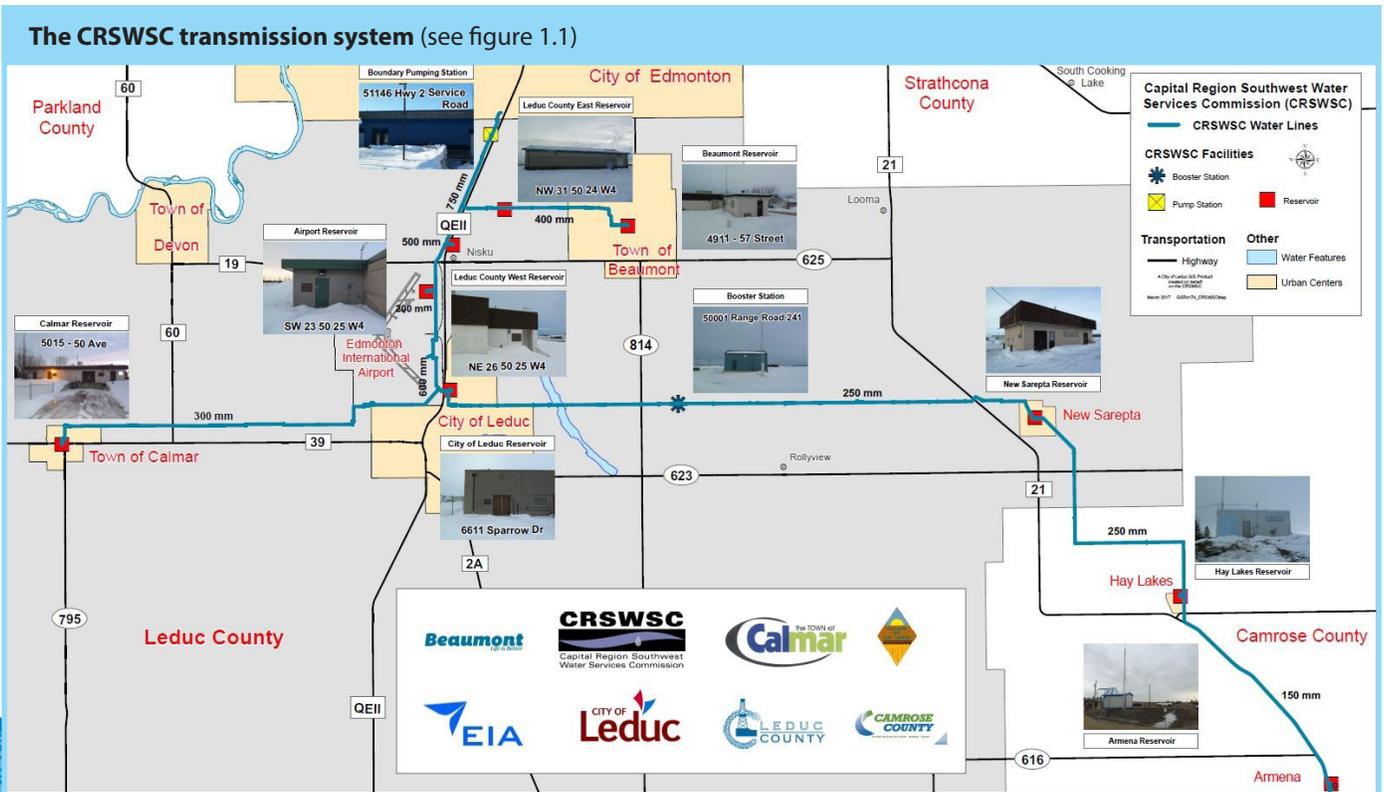
The transmission main from the boundary pump station supplies water to the City of Leduc with lateral mains feeding Beaumont, Calmar, Leduc County, New Sarepta, Hay Lakes, Armena, the EIA, and Camrose County. The amount of pressure supplied by the booster pumps depends upon demand which varies based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

The Supervisory Control and Data Acquisition (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 Programmable Logic Controllers (PLC) 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 other PLCs, as required. Endpoint adjustment, such as starting of pumps and modulating of valves, are performed by the onsite PLCs upon receipt of command from the host PLC.

Communication between all 11 water commission sites is performed by a UHF radio system installed within each station. There is almost 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



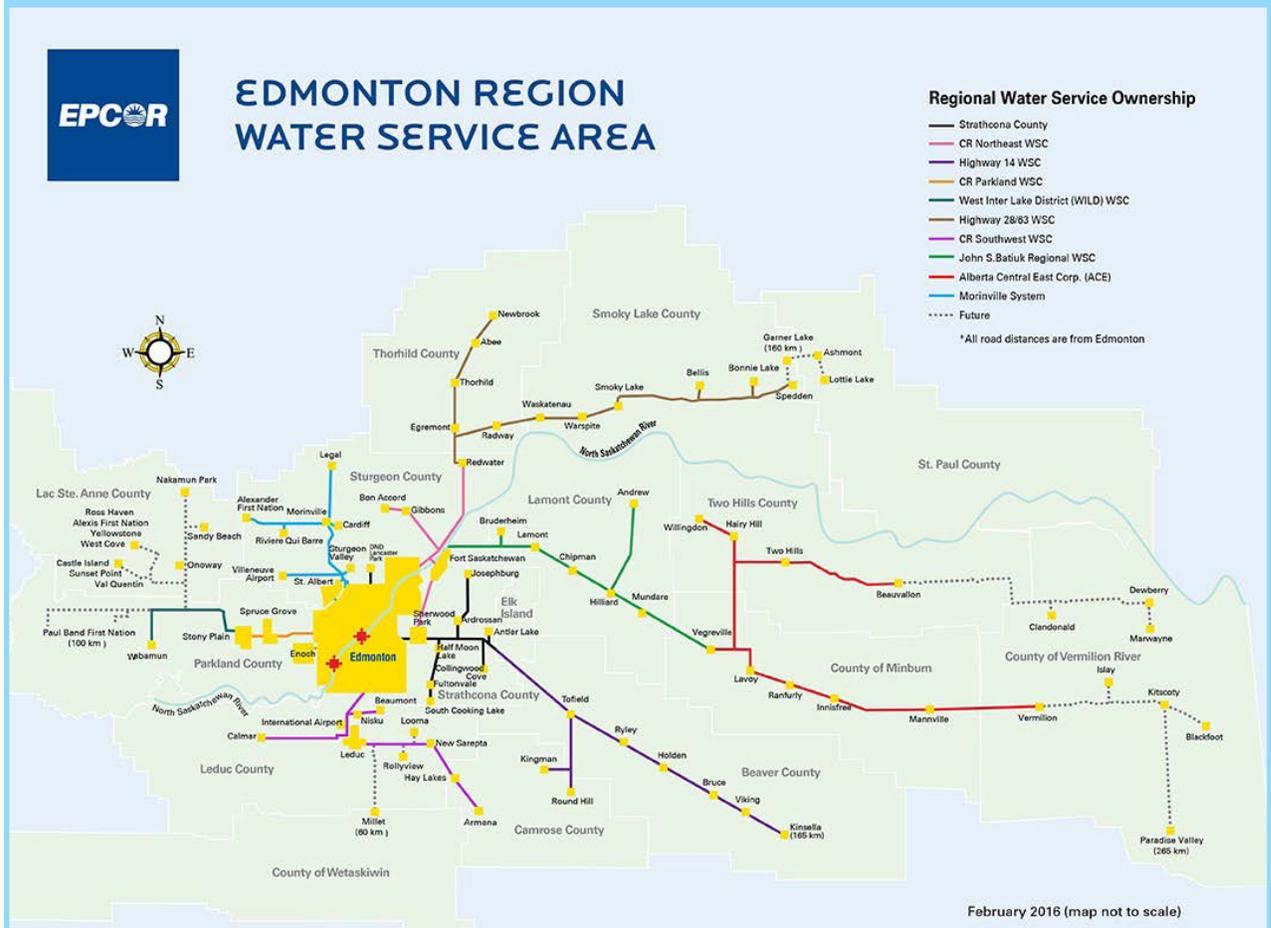
The host PLC receives commands from the human machine interface (HMI) located at the boundary pumping facility. The HMI displays and communicates all SCADA related events for commission operators.

Total flow received from Edmonton is compiled by EPCOR's 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 a magnetic flow meter which relays flow rates and totals instantaneously to the main controlling facility.



### Capital Region Service Map (see figure 1.2)



# ● History of the CRSWSC

DATE	
<b>April 6, 1959</b>	<p>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.</p> <p>The original waterline had a 300 mm diameter, asbestos cement water main 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.</p>
<b>Late 1970s</b>	Capacity of the original system was reached.
<b>1978 - 79</b>	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.
<b>1982 - 83</b>	Phase 2 was constructed
<b>1985</b>	<p>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.</p> <p>Phase 3 was to be the On-line Storage Facility and Re-pump Facility for Calmar, however it was not constructed.</p> <p>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.</p>
<b>Sept. 1, 1984</b>	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.
<b>Fall 1986</b>	An agreement was finalized for the sale of the Commission's system inside the Edmonton city limits to the City of Edmonton.
<b>1987</b>	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.
<b>1988</b>	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.
<b>1993 - 95</b>	The Supervisory Control and Data Acquisition (SCADA) system was upgraded to new technology and radio communication with the five fill stations.
<b>1994</b>	The AGT Communication Telemetry was replaced with a UHF Radio communication system.
<b>1999</b>	The SCADA system was replaced with Year 2000 capabilities, and Wonderware Software was installed.
<b>2001</b>	The EIA 200 mm cast iron lateral was twinned with a 200 mm PVC line from the main line to the airport fill station.
<b>2002</b>	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.

DATE	
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	<p>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.</p> <p>Under the 'Water for Life Strategy,' the Commission partnered with Alberta Transportation to construct the south Highway 21 water line. The new 250mm 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.</p>
2011 - 12	<p>The City of Leduc took over the operation of the Commission.</p> <p>In 2012, the 14" Foxboro magnetic flow meter was upgraded to a 16" ABB magnetic flow meter at the Boundary Station.</p> <p>Millet requested to become a member of the Commission, which they will become after the completion of the transmission main extension to the Town of Millet.</p> <p>Hamlet of Armena extension design work was completed for the main extension.</p>
2013	<p>EPCOR realigned a segment of the 762 mm steel main for the 41st Ave Interchange.</p> <p>Edmonton International Airport realigned a segment of the 600 mm steel main for commercial development on their property.</p> <p>The SCADA system was upgraded to replace the PLC's, programming and associated hardware modifications.</p> <p>The south Highway 21 water main asset transferred to the CRSWSC from Strathcona County.</p>
2014	<p>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.</p> <p>New water licensing agreement with the Regional Water Customers' Group (RWCG)</p>
2015	<p>The Commission took over construction management of the Town of Millet Water Supply Line Project.</p> <p>The Town of Millet was welcomed to join the board as directors at large.</p> <p>The Water Master Plan was completed which identified key required long term improvements to the existing Commission infrastructure.</p> <p>The City of Leduc was the successful proponent for the CRSWSC operations and management contract with a three year term expendable to five years.</p>
2016	<p>Construction on the Millet Water Supply Line Project began in early Summer with anticipated completion early 2017.</p> <p>The Commission Radio System project to upgrade and modify existing infrastructure to better service the further out municipalities began in mid-2016. Project completion is expected in Spring 2017.</p>

## ● Financial Report



(L. to R.): Carol Hounsell, Amber Ouellette

### CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

LEDUC, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016, 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, 2016, 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.

Edmonton, Alberta  
April 20, 2017

  
Hawkings Epp Dumont LLP  
Chartered Accountants

**EDMONTON**

10476 Mayfield Road  
Edmonton, AB T5P 4P4  
1.877.489.9606  
T: 780.489.9606  
F: 780.484.9689

**LLOYDMINSTER**

5102 – 48 Street  
PO Box 10099  
Lloydminster, AB T9V 3A2  
T: 780.875.7433  
F: 780.875.5304

**WHITECOURT**

4927 – 51 Avenue  
PO Box 328  
Whitecourt, AB T7S 1N5  
T: 780.778.3091  
F: 780.778.3072

**HAWKINGS.COM**



CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 403,834	\$ 789,652
Accounts receivable	2,904,593	741,820
Goods and Services Tax receivable	239,661	59,555
Investments (Note 3)	<u>1,431,525</u>	<u>1,411,396</u>
	<u>4,979,613</u>	<u>3,002,423</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,788,565	1,185,441
Deferred revenue (Note 4)	360,403	321,873
Long-term debt (Note 5)	<u>836,030</u>	<u>865,393</u>
	<u>2,984,998</u>	<u>2,372,707</u>
<b>NET FINANCIAL ASSETS</b>	1,994,615	629,716
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Schedule I)	<u>24,292,612</u>	<u>15,439,197</u>
<b>ACCUMULATED SURPLUS (Note 6)</b>	<u>\$ 26,287,227</u>	<u>\$ 16,068,913</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, 2016**

	<u>2016</u> (Budget) (Note 12)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
Revenues			
Government transfers	\$14,857,636	\$ 9,148,465	\$ 54,362
Water sales	7,174,661	6,707,675	6,218,904
Contributions from members	80,431	68,742	68,739
Return on investments	<u>22,500</u>	<u>26,010</u>	<u>16,520</u>
	<u>22,135,228</u>	<u>15,950,892</u>	<u>6,358,525</u>
Expenses			
Water purchases	4,852,142	4,541,355	4,521,286
Operating contract	368,155	368,155	406,984
Management contract	124,900	124,900	137,650
Utilities	160,400	121,171	131,874
Repairs and maintenance	143,250	80,763	87,500
Professional fees	48,900	67,092	19,905
Interest on long-term debt	41,573	39,321	40,578
Insurance	20,000	20,752	19,284
Office and annual meeting	17,350	16,982	13,841
Engineering fees	30,000	16,119	35,870
Honorarium and travel	49,870	15,676	19,373
Amortization	<u>-</u>	<u>320,292</u>	<u>321,985</u>
	<u>5,856,540</u>	<u>5,732,578</u>	<u>5,756,130</u>
Excess of Revenue over Expenses	<u>16,278,688</u>	<u>10,218,314</u>	<u>602,395</u>
Accumulated Surplus, Beginning of Year	<u>16,068,913</u>	<u>16,068,913</u>	<u>15,466,518</u>
Accumulated Surplus, End of Year	<u>\$ 32,347,601</u>	<u>\$ 26,287,227</u>	<u>\$ 16,068,913</u>

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

4.

**CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION**

**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Excess of Revenue Over Expenses	\$ 10,218,314	\$ 602,395
Acquisition of tangible capital assets	(9,173,707)	(92,719)
Amortization of tangible capital assets	<u>320,292</u>	<u>321,985</u>
Increase (Decrease) in Net Financial Assets	1,364,899	831,661
Net Financial Assets, Beginning of Year	<u>629,716</u>	<u>(201,945)</u>
Net Financial Assets, End of Year	<u>\$ 1,994,615</u>	<u>\$ 629,716</u>

DRAFT

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

5.

**CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Operating Activities		
Excess of revenue over expenses	\$10,218,314	\$ 602,395
Amortization expense	320,292	321,985
Change in non-cash working capital balances related to operations:		
Change in accounts receivable	(2,162,773)	133,089
Change in accounts payable and accrued liabilities	603,124	(395,647)
Change in deferred revenue	38,530	(21,381)
Change in Goods and Services Tax receivable	<u>(180,106)</u>	<u>82,514</u>
	<u>8,837,381</u>	<u>722,955</u>
Financing Activities		
Long-term debt repaid	<u>(29,363)</u>	<u>(28,059)</u>
Investing Activities		
Acquisition of tangible capital assets	(9,173,707)	(92,719)
Change in investments	<u>(20,129)</u>	<u>(312,247)</u>
	<u>(9,193,836)</u>	<u>(404,966)</u>
Change in Cash During the Year	(385,818)	289,930
Cash, Beginning of Year	<u>789,652</u>	<u>499,722</u>
Cash, End of Year	\$ <u>403,834</u>	\$ <u>789,652</u>

DRAFT

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, 2016**

**SCHEDULE I**

	<u>Land</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Equipment</u>	<u>2016</u>	<u>2015</u>
<b>COST:</b>						
Balance, Beginning of Year	\$ 221,637	\$ 2,714,178	\$ 17,025,352	\$ 41,507	\$ 20,002,674	\$ 19,909,955
Acquisition of tangible capital assets	-	-	9,173,707	-	9,173,707	92,719
Balance, End of Year	<u>221,637</u>	<u>2,714,178</u>	<u>26,199,059</u>	<u>41,507</u>	<u>29,176,381</u>	<u>20,002,674</u>
<b>ACCUMULATED AMORTIZATION:</b>						
Balance, Beginning of Year	-	1,349,778	3,175,143	38,556	4,563,477	4,241,492
Annual amortization	-	60,315	259,239	738	320,292	321,985
Balance, End of Year	-	<u>1,410,093</u>	<u>3,434,382</u>	<u>39,294</u>	<u>4,883,769</u>	<u>4,563,477</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 221,637</u>	<u>\$ 1,304,085</u>	<u>\$ 22,764,677</u>	<u>\$ 2,213</u>	<u>\$ 24,292,612</u>	<u>\$ 15,439,197</u>

Cost includes construction in progress of \$9,211,072 (2015 - \$56,738). These amounts are not amortized until the asset is completed and in use.

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

7.

# CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 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.

**CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2016**

**3. INVESTMENTS**

	<u>2016</u>	<u>2015</u>
Bonds	\$ 1,406,790	\$ 1,374,959
Accrued interest	14,821	12,668
Unamortized premium	<u>9,914</u>	<u>23,769</u>
	<u>\$ 1,431,525</u>	<u>\$ 1,411,396</u>

Market value at December 31, 2016 is \$1,431,687 (2015 - \$1,425,252). The investments consist of a mix of bonds with rates of return between 0.9% and 2.3%, maturing between 2017 and 2020. 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.

	<u>2016</u>	<u>2015</u>
Provincial government conditional grants	\$ 360,403	\$ 321,873
Local government conditional grants	<u>91,356</u>	<u>-</u>
	<u>\$ 451,759</u>	<u>\$ 321,873</u>

**5. LONG-TERM DEBT**

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>2016</u>	<u>2015</u>
	<u>\$ 836,030</u>	<u>\$ 865,393</u>

Future principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,725	\$ 38,017	\$ 68,742
2018	32,151	36,591	68,742
2019	33,644	35,098	68,742
2020	35,205	33,537	68,742
2021	36,839	31,903	68,742
Thereafter	<u>667,466</u>	<u>226,183</u>	<u>893,649</u>
	<u>\$ 836,030</u>	<u>\$ 401,329</u>	<u>\$ 1,237,359</u>

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

**CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2016**

**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:

	<u>2016</u>	<u>2015</u>
Total debt limit	\$13,604,854	\$12,608,326
Total debt	<u>836,030</u>	<u>865,393</u>
Total debt limit remaining	<u>\$12,768,824</u>	<u>\$11,742,933</u>
Debt servicing limit	\$ 2,380,849	\$ 2,206,457
Debt servicing	<u>68,742</u>	<u>68,742</u>
Total debt servicing remaining	<u>\$ 2,312,107</u>	<u>\$ 2,137,715</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:

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 155,336	\$ 350
Restricted surplus (Note 7)	2,675,309	1,494,759
Equity in tangible capital assets (Note 8)	<u>23,456,582</u>	<u>14,573,804</u>
	<u>\$ 26,287,227</u>	<u>\$ 16,068,913</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.

	<u>2016</u>	<u>2015</u>
Water system expansion	\$ 876,188	\$ 285,914
Capital equipment	700,926	513,111
Pump upgrades	580,015	365,369
General operations	206,188	98,865
Emergency operations	200,000	200,000
Rate stabilization	<u>111,992</u>	<u>31,500</u>
	<u>\$ 2,675,309</u>	<u>\$ 1,494,759</u>

**CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2016**

**8. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule I)	\$ 29,176,381	\$ 20,002,674
Accumulated amortization (Schedule I)	(4,883,769)	(4,563,477)
Long-term debt (Note 5)	<u>(836,030)</u>	<u>(865,393)</u>
	<u>\$ 23,456,582</u>	<u>\$ 14,573,804</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>2016</u>	<u>2015</u>
City of Leduc	\$ 3,512,325	\$ 3,287,201
Town of Beaumont	1,606,260	1,423,814
Leduc County	849,082	874,849
Edmonton International Airport	399,124	350,237
Town of Calmar	286,625	236,026
Village of Hay Lakes	46,294	40,934
Camrose County	<u>7,965</u>	<u>5,843</u>
	<u>6,707,675</u>	<u>6,218,904</u>

**b) Contributions from Members**

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

	<u>2016</u>	<u>2015</u>
Leduc County	\$ 34,027	\$ 34,027
Village of Hay Lakes	24,472	24,469
County of Camrose	<u>10,243</u>	<u>10,243</u>
	<u>\$ 68,742</u>	<u>\$ 68,739</u>

**c) Management and Operating Contract Fees**

During the year, the Commission paid \$124,900 (2015 - \$137,650) in management fees and \$368,155 (2015 - \$406,984) in operating fees to the City of Leduc.

**d) Accounts Receivable**

The year end accounts receivable balance includes a total of \$1,565,075 (2015 - \$741,820) 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 \$10,616 (2015 - \$145,939) owing to member municipalities.

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.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2016

**10. COMMITMENTS**

The Millet water supply line was approved in 2016 at a total cost of \$10,796,191. The project is funded by the Province of Alberta \$7,159,312, Town of Millet \$715,931, Leduc County \$79,549. The City of Leduc is funding \$2,841,399 of the project for oversizing. \$9,128,620 has been spent to December 31, 2016.

**11. 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.

**12. BUDGET INFORMATION**

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

Budget reconciliation:

	<u>2016</u>
Excess of revenue over expenses	\$ 16,278,688
Tangible capital asset purchases	(15,009,319)
Transfers to accumulated surplus	(1,230,511)
Debenture principal repayments	<u>(38,858)</u>
	<u>          -</u>

## 2016 Quantity of Water Sales to Purchases

Water Sales Percent										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Water Purchases</b>	4,439,410	4,549,890	4,724,985	4,757,052	5,053,510	5,176,772	5,431,052	5,622,537	5,884,617	5,538,887
<b>City of Leduc</b>	2,403,911	2,522,606	2,640,576	2,619,184	2,784,215	2,841,830	2,989,374	2,929,991	3,024,774	2,809,860
<i>percentage</i>	53.7%	53.5%	54.8%	55.1%	55.2%	55.1%	55.2%	53.6%	52.9%	52.4%
<b>Town of Beaumont</b>	943,913	996,372	1,052,362	1,018,321	1,071,211	1,103,036	1,148,384	1,205,832	1,307,363	1,285,008
<i>percentage</i>	21.1%	21.1%	21.9%	21.4%	21.2%	21.4%	21.2%	22.1%	22.9%	23.9%
<b>Leduc County</b>	637,231	664,984	607,477	585,403	704,122	715,710	767,430	773,719	804,621	679,266
<i>percentage</i>	14.2%	14.1%	12.6%	12.3%	14.0%	13.9%	14.2%	14.2%	14.1%	12.7%
<b>Town of Calmar</b>	210,831	215,392	226,433	203,572	190,481	194,065	204,777	215,174	217,182	229,300
<i>percentage</i>	4.7%	4.6%	4.7%	4.3%	3.8%	3.8%	3.8%	3.9%	3.8%	4.3%
<b>International Airport</b>	278,423	312,836	288,387	275,431	262,791	271,026	266,433	302,528	321,527	319,299
<i>percentage</i>	6.2%	6.6%	6.0%	5.8%	5.2%	5.3%	4.9%	5.5%	5.6%	6.0%
<b>Village of Hay Lakes</b>				22,737	31,397	34,498	35,760	38,207	37,686	37,035
<i>percentage</i>				0.5%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%
<b>New Sarepta</b>				32,404	n/a	n/a	n/a	n/a	n/a	n/a
<i>percentage</i>				0.7%						
<b>Camrose County</b>								67	518	6,372
<i>percentage</i>								0.0%	0.1%	0.1%
<b>Total Sales</b>	4,474,309	4,712,190	4,815,235	4,757,052	5,044,217	5,160,165	5,412,158	5,465,518	5,718,271	5,366,140
<b>% Year Increase</b>	2.6%	5.3%	2.2%	-1.2%	6.0%	2.3%	4.9%	1.0%	4.6%	-1.8%

*Average increase of 2.59% per year, over a ten year period*

*\*Note: All volumes are reflected in cubic meters. Percent increases are reflective of previous year sales.*

## 2016 Water Sales

Customers	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
<b>City of Leduc</b>	206,792	210,614	236,306	222,732	290,450	255,763	228,941	265,570	229,477	214,743	233,116	215,356	2,809,860
<b>Town of Beaumont</b>	92,496	90,222	103,216	100,995	146,727	121,810	111,344	114,987	106,887	93,901	103,036	99,387	1,285,008
<b>Leduc County</b>	46,782	48,798	57,876	61,601	68,898	65,125	55,371	62,774	59,649	49,202	54,085	49,105	679,266
<b>Town of Calmar</b>	16,854	15,177	17,707	16,841	22,213	20,632	18,689	19,597	19,305	20,296	20,155	21,834	229,300
<b>International Airport</b>	21,694	22,577	25,448	22,975	28,208	30,969	30,264	34,126	30,207	27,406	23,030	22,395	319,299
<b>Village of Hay Lakes</b>	2,733	2,668	3,083	3,078	4,089	3,545	2,912	3,281	2,790	2,790	3,025	3,041	37,035
<b>Camrose County</b>	377	342	342	480	745	912	376	529	842	505	409	513	6,372
<b>Total Sales</b>	387,728	390,398	443,978	428,702	561,330	498,756	447,897	500,864	449,157	408,843	436,856	411,631	5,366,140
<b>Master Meter Purchases</b>	399,559	401,601	457,781	441,511	580,728	513,353	465,897	517,003	463,893	417,985	454,642	424,934	5,538,887
<b>Water Differential</b>	(11,831)	(11,203)	(13,803)	(12,809)	(19,398)	(14,597)	(18,000)	(16,139)	(14,736)	(9,142)	17,786)	(13,303)	(172,747)

*\* Note: All values are in cubic meters.*

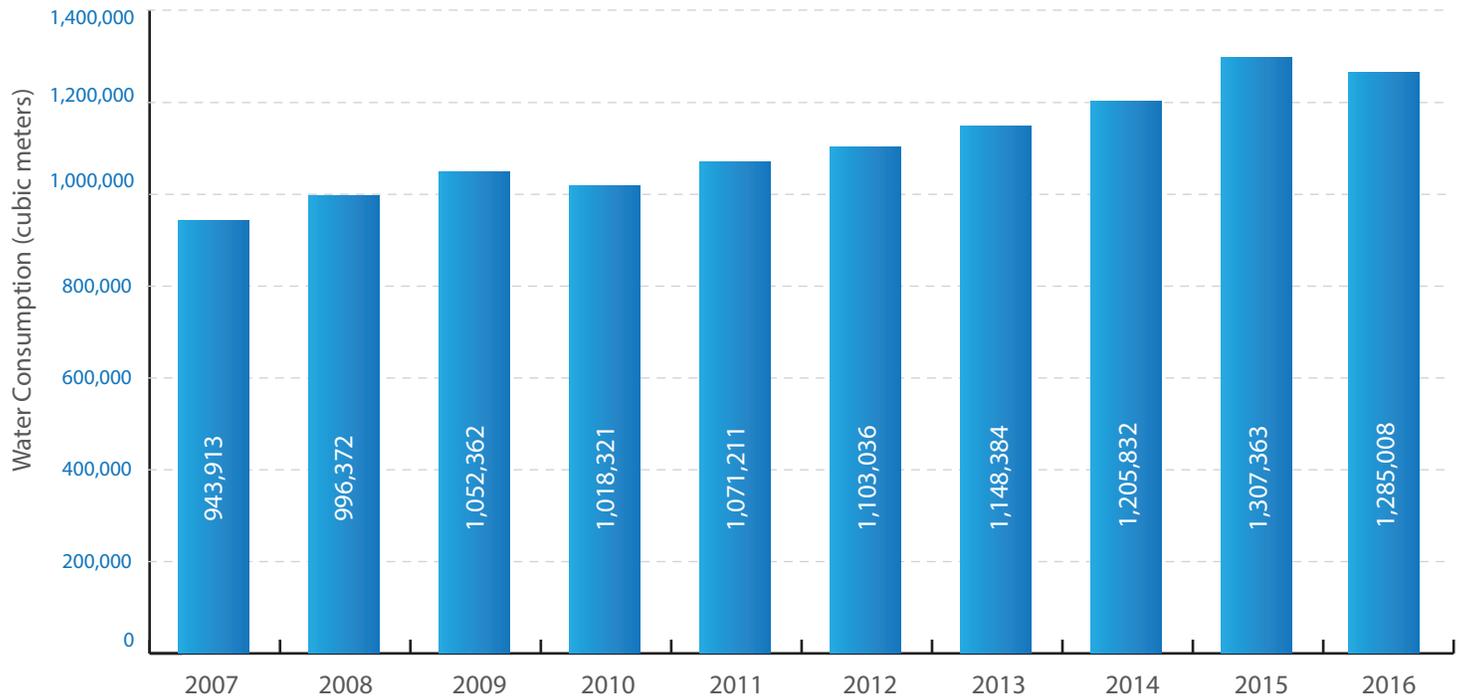
## Regional Water Consumption Annual Water Consumption (2007 - 2016)



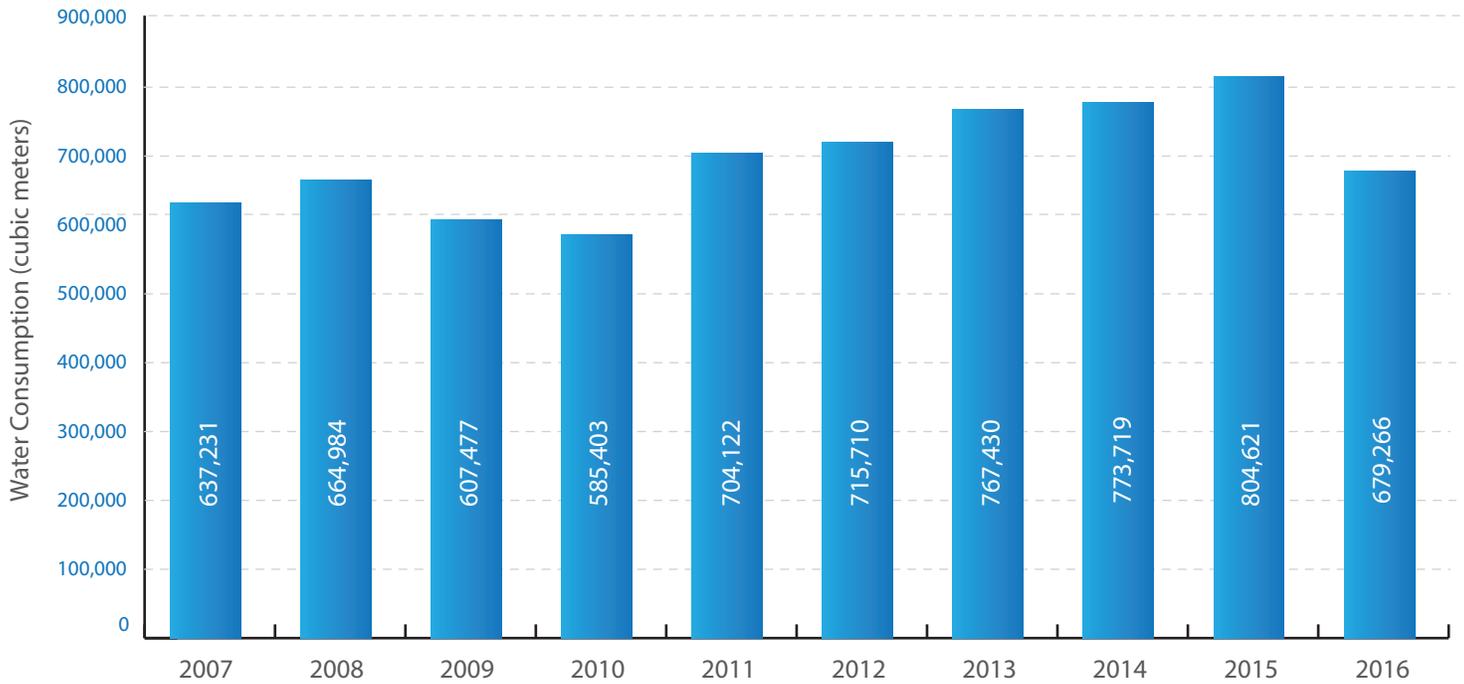
### City of Leduc Annual Water Consumption (2007 - 2016)



### Town of Beaumont Annual Water Consumption (2007 - 2016)



### Leduc County Annual Water Consumption (2007 - 2016)



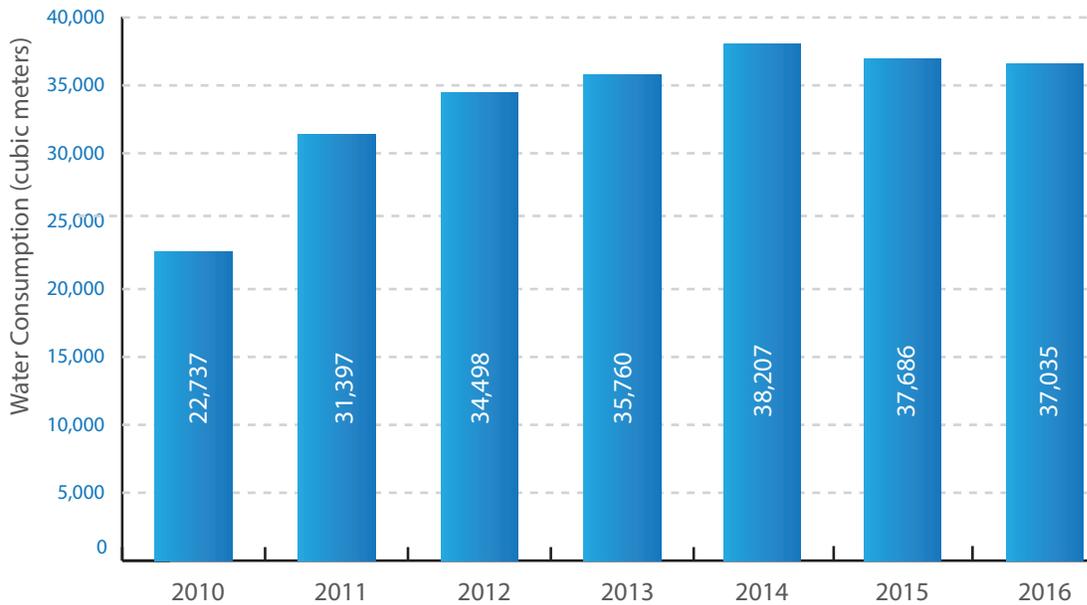
### Town of Calmar Annual Water Consumption (2007 - 2016)



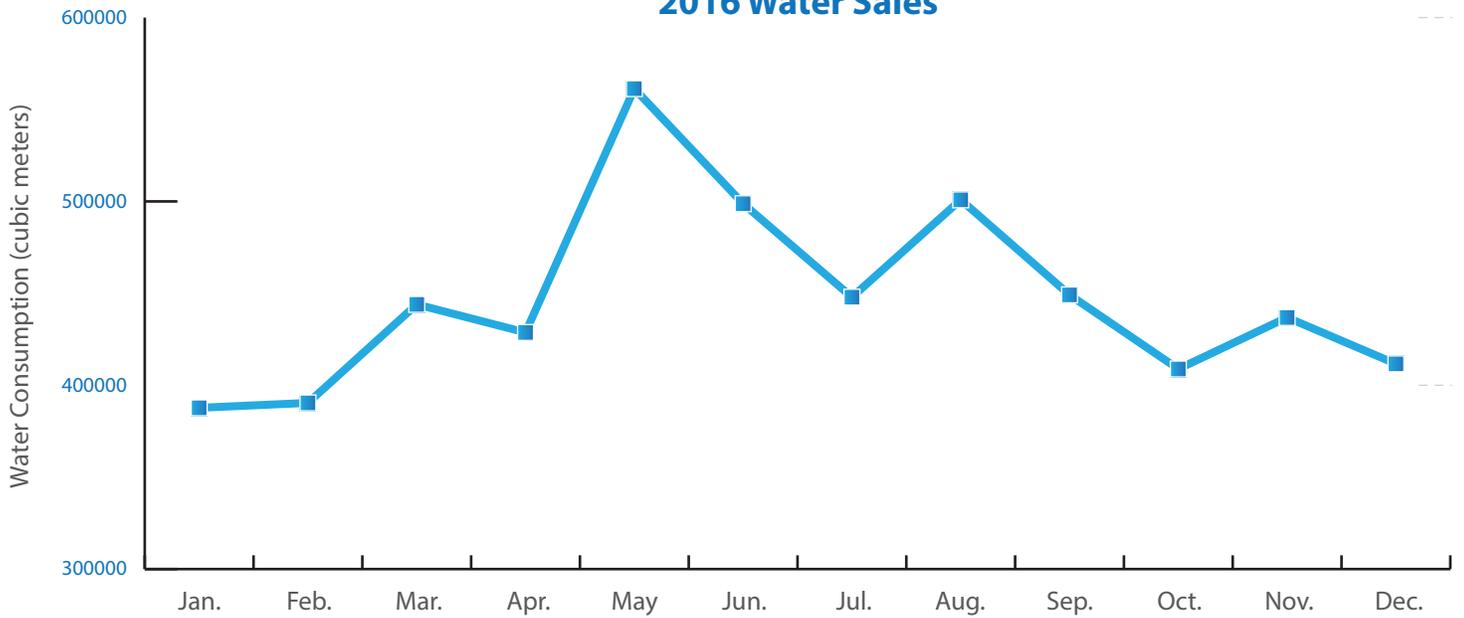
### Edmonton International Airport Annual Water Consumption (2007 - 2016)



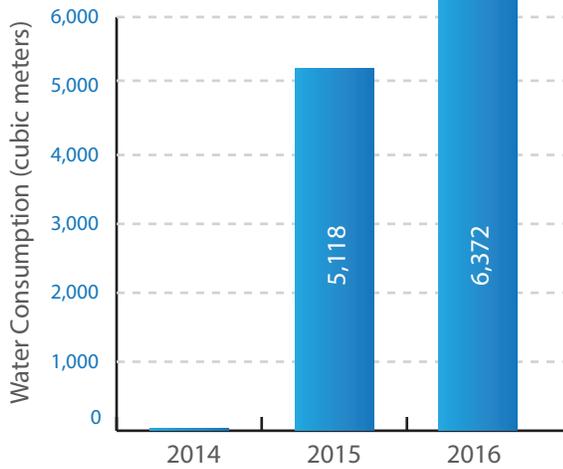
### Hay Lakes Annual Water Consumption (2010 - 2016)



### Water Commission Consumption 2016 Water Sales

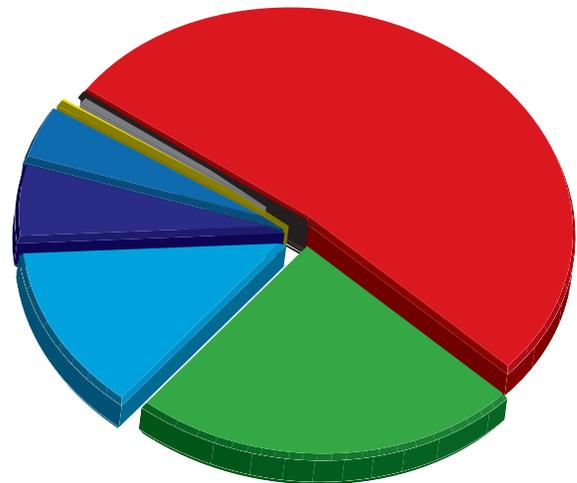


### Camrose County Annual Water Consumption (2014 - 2016)



### 2016 Customer Share of Water Sales

- City of Leduc - 52.4%
- Town of Beaumont - 23.9%
- Leduc County - 12.7%
- International Airport - 6.0%
- Village of Hay Lakes - 0.7%
- Town of Calmar - 4.3%
- Camrose County - 0.1%





## Operating Team

(L to R): Shawn Tooth, James Sew, Darrell Claydon, Pat Martin, Randy Plican, Jason Lindbeck, Keung Lee



## Management Team

Back row (L. to R.): Shawn Tooth, Shawn Olson, Rick Sereda Front row (L. to R.): Shannon Bremner, Carol Hounsell, Amber Ouellette Regrets: Samantha Folster



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