

CRSWS

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

2017 ANNUAL REPORT



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BOARD

Chairman's Message



Rick Smith • Board Chair

On behalf of the Capital Region Southwest Water Services Commission (CRSWSC), I am pleased to accept the role as the new Chairman of the Board and deliver the 2017 Chairman's message.

I would like to take this opportunity to formally thank Mr. John Schonewille for his dedicated service as the Chairman of the Board from 2014 to 2017 and Vice-Chairman of the Board from 2011 to 2014. On behalf of the Board, we appreciate his wise leadership and many contributions to the CRSWSC prior to his retirement from Council and the CRSWSC Board.

In 2017 our Board of Directors experienced a notable change in elected members as municipal elections were held. I would like to acknowledge and thank our other outgoing Board members for their dedication and diligence in delivering one of the most valuable natural resources to all of our member municipalities. We welcome our new Board members and look forward to working together in 2018 to ensure the Commission continues to provide a safe, sustainable water supply to our member municipalities.

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

The Commission prudently continues to save towards future infrastructure requirements, including the twinning of the main line. The upcoming master planning exercise will review the revised short and long term water demands and identify any upgrades that may be required to meet these growth projections. This will assist the Commission with ensuring that we continue to save towards future infrastructure and examine the existing water rate plan to ensure it meets the Commission's future needs, while balancing reasonable water rates.

As we look forward into 2018, I am confident it will be another rewarding year with all of the hard work from our Commission Members and the dedicated Operation and Management staff.

Membership and Governance Structure

Alberta Regulation, AR 292/84 created the Capital Region Southwest Water Services Commission. The Regulation was most recently amended in 2016 by Order in Council 141/2016 to include a new member. Similar amendments have previously been made to add members in 2009 and 2011. The Regulation mandates that services be supplied 'as required,' that fees charged are based on full recovery of capital and operating costs, and that all members be charged a uniform rate. Part 15.1 of the Municipal Government Act (SA 194, Chapter 26.1) is the legislation which governs Region Services Commissions.

The Capital Region Southwest Water Services Commission membership now includes:

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



Organization and 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 2017, John Schonewille was chairman and Beverly Beckett was vice-chairman.



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)

2017 Board Members			Alternates
Town of Beaumont	Councillor Kathy Barnhart	Councillor Bill McNamara	Councillor Bruce LeCren
Town of Calmar	Mayor Wally Yachimetz	Councillor Terry Balaban	Councillor Michele Borodawka
Camrose County	Councillor Doug Lyseng	Councillor Greg Gillespie	Councillor Ken Krause
Village of Hay Lakes	Deputy Mayor Shannon Yearwood	Councillor Faye Leicht	Councillor Dawn Pauls
City of Leduc	Councillor Dana Smith	Councillor Beverly Beckett (Vice-Chair)	Councillor David MacKenzie
Leduc County	Councillor Rick Smith	Councillor John Schonewille (Chair)	Mayor John Whaley & Councillor Clay Stumph
Town of Millet	Mayor Tony Wadsworth	Councillor Pat Garrett	Councillor Mike Storey



Top rows (L. to R., top to bottom) Coun. Ron These (alt) (Village of Hay Lakes), Coun. Rick Smith (Leduc County), Coun. Greg Gillespie (Camrose County)

Middle rows (L. to R., top to bottom) Coun. Bill Daneluik (Beaumont), Mayor Tony Wadsworth (Millet), Mayor Wally Yachimetz (Calmar), Coun. Kelly Vandenberghe (Leduc County), Coun. Doug Lyseng (Camrose County), Coun. Pat Garrett (Millet)

Front row (L. to R.) Coun. Lars Hansen (alt) (Leduc), Coun. Dave Vallee (Village of Hay Lakes), Coun. Beverly Beckett (Leduc), Coun. Terry Balaban (Calmar)

In the Fall of 2017, the incoming Board of Directors was appointed.			Alternates
Town of Beaumont	Councillor Sam Munckhof-Swain	Councillor Bill Daneluik	Councillor Steven vanNieuwkerk
Town of Calmar	Mayor Wally Yachimetz	Councillor Terry Balaban	Councillor Lin Rehn
Camrose County	Councillor Doug Lyseng	Councillor Greg Gillespie	Councillor Cindy Trautman
Village of Hay Lakes	Mayor Dawn Pauls	Councillor David Vallee	Councillor Faye Leicht
City of Leduc	Mayor Bob Young	Councillor Beverly Beckett (Vice-Chair)	Councillor Lars Hansen
Leduc County	Councillor Rick Smith (Chair)	Councillor Kelly Vandenberghe	Mayor Tanni Doblanko & Councillor Kelly-Lynn Lewis
Town of Millet	Mayor Tony Wadsworth	Councillor Pat Garrett	Councillor Mike Storey

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	Shawn Olson (Director, Engineering) City of Leduc
Operations manager	Rick Sereda (Director, Public Services) City of Leduc
Treasurer	Carol Hounsell (Manager, Accounting Services) City of Leduc
Financial agency	Alberta Treasury Branch
Auditor	Metrix Group LLP
Engineering services	Associated Engineering Alberta Ltd.
Solicitor	Brownlee LLP
Investment agency	CIBC Wood Gundy

One of the key strategic partners for the CRSWSC is the Edmonton International Airport. We would like to thank their team for their active participation and contributions to the success of the Commission in 2017.



Edmonton International Airport Team:
(L. to R.) Steve Rumley, Mary Coyne



2017 Meeting dates

Feb. 16, 2017	Regular Meeting
Mar. 30, 2017	Regular Meeting
Apr. 20, 2017	Annual General Meeting (AGM)
Jun. 8, 2017	Regular Meeting
Sept. 7, 2017	Regular Meeting
Nov. 30, 2017	Organizational & Regular Meeting

Water Rates

The 2017 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, Camrose County and the Town of Millet
- Wholesale water rates: \$1.33 per m³ (cubic metre) for all member communities

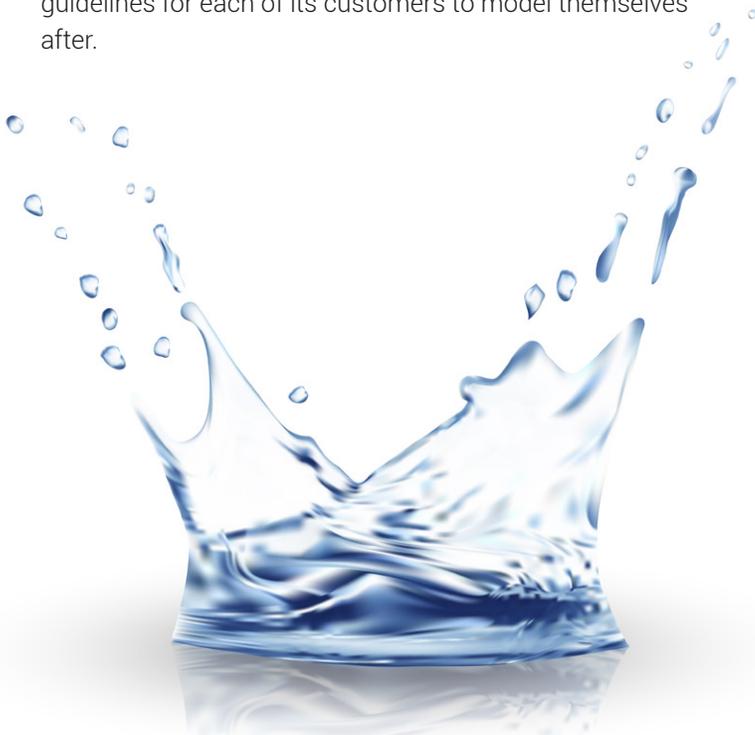
MANAGEMENT & OPERATIONS

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, Camrose County and Millet. 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 is the goal of the Commission 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 their ongoing support in 2017. Here is a review of some of the highlights from 2017.

- At the end of 2017 the CRSWSC welcomed 5 new Board members and 6 new alternate Board members. The Commission would like to specifically welcome the new members to the Board, while also recognizing our new Chairman, Mr. Rick Smith.
- With the installation of the Millet water line being complete, 2017 focused on completing deficiencies and reclaiming land which continues for two years following construction. The Commission is actively working on an application for the 17th annual Minister's Awards for Municipal Excellence in the Partnership category, which is due March 31, 2018. As a reminder, this collaboration 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.
- The CRSWSC worked with the Discovery Park developers during the construction of a new reservoir, which will service the new industrial-commercial development in the region.
- The Commission was made aware of new growth planned for Camrose County which will require an upgrade to the Highway 21 Booster Station. That analysis has started with expansion planned for 2018.
- In response to a request by the City of Edmonton and EPCOR, the CRSWSC agreed to working collaboratively to determine how annexation may impact future servicing requirements. That analysis will be undertaken in 2018 through the Commission's upcoming Master Plan initiative. This master planning exercise

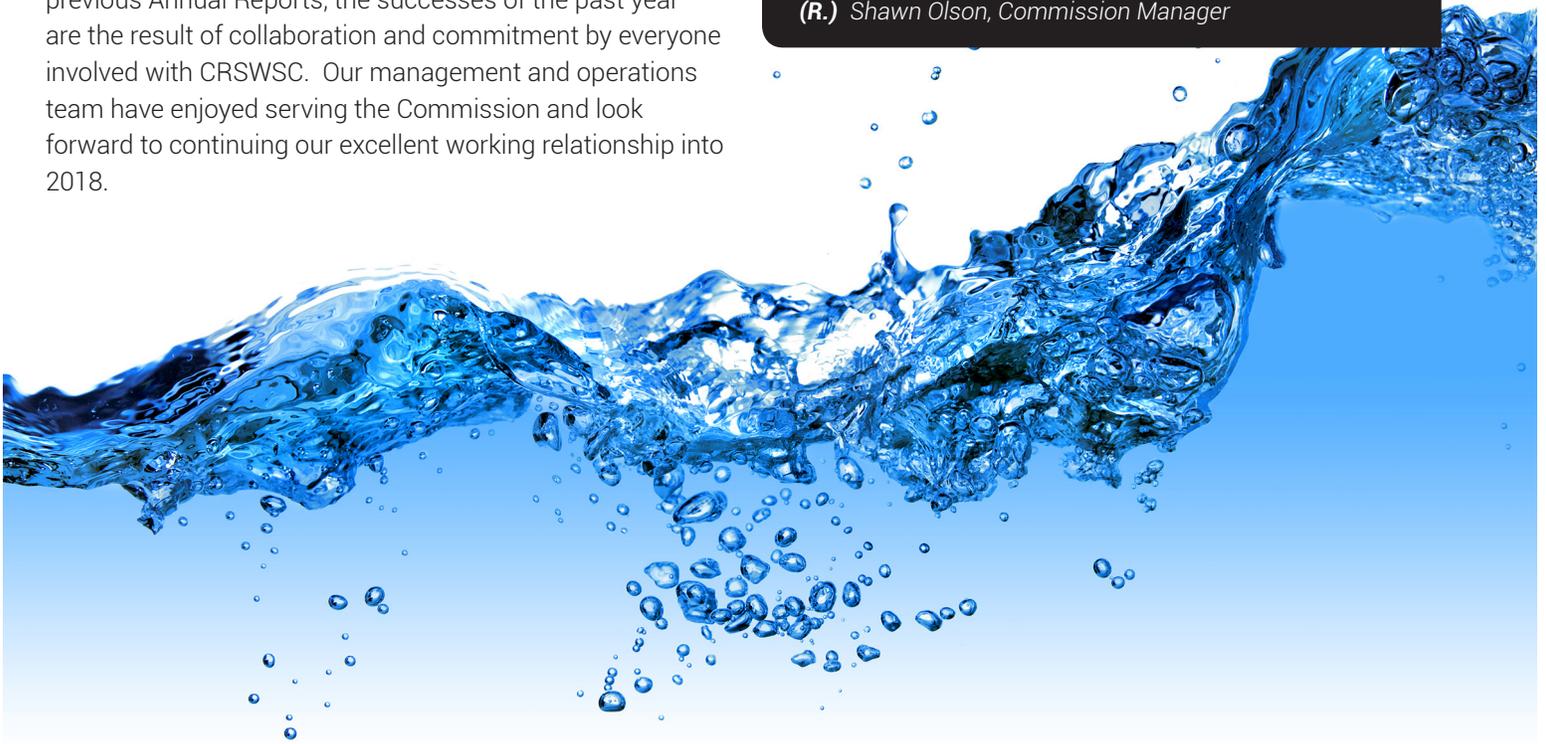
will consider how annexation may impact future infrastructure requirements and the impact that those scenarios could have on future water rates. Master planning occurs every 5 years by the Commission, with the last Master Plan being completed in 2013.

- Work continues with the Edmonton International Airport on the Airports' site development. As part of those ongoing reviews and modifications in support of the developments, licensing agreements are being drafted to speak to the interactions between the Commission infrastructure and the properties.

Effective management and operations are essential to ensure that safe drinking water is effectively and efficiently delivered to the region. The Commission continues to follow a preventative maintenance program to ensure the long term sustainability of our 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 2017. 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 with CRSWSC. Our management and operations team have enjoyed serving the Commission and look forward to continuing our excellent working relationship into 2018.



*(L.) Rick Sereda, Operations Manager
(R.) Shawn Olson, Commission Manager*





CRSWSC
Capital Region Southwest
Water Services Commission

*Presents this commemoration
to the Town of Millet*

Millet
Proud to be

*in recognition of the successful
installation of a waterline to Millet,
which demonstrates the successful
collaboration in our region.*

April 2017



Millet Water Line Grand Opening Ceremony

The most noteworthy success of the Commission in 2017 was the commissioning of the Millet water line. The Town of Millet proudly celebrated the successful installation of the water line at a grand opening ceremony, held at Griffiths-Scott School in Millet on April 21, 2017.

Students of the Griffiths-Scott School were invited to share special water themed presentations that they had prepared, which focussed on water conservation and the importance of water as a necessary resource. Mr. Bruce Hinkley, MLA for Wetaskiwin-Camrose, attended the grand opening ceremony to share in the celebration. Mr. Hinkley kindly donated small trees to the Griffiths-Scott students to plant in memory of the opening of the water line.

In honor of the grand opening, Chairman John Schonewille proudly presented Mayor Tony Wadsworth with a commemorative plaque for the Town of Millet to display, as well as a piece of pipe from the project. Overall, 27 km of pipe was installed from the City of Leduc to the Town of Millet.

This project was made possible by the collaborative work of the Town of Millet, the Commission members and the provincial "Water for Life" grant funding. Construction of the Millet water line first began in June 2016 and was completed by Weaver Welding.

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, Millet 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 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 14 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 PLCs as required. Endpoint adjustment, such as starting of pumps and modulating of valves, is performed by the onsite PLCs upon receipt of command from the host PLC.

Communication between all 14 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 the 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.





The CRSWSC transmission system (figure 1.1)

CRSWSC Water Lines
 Highway

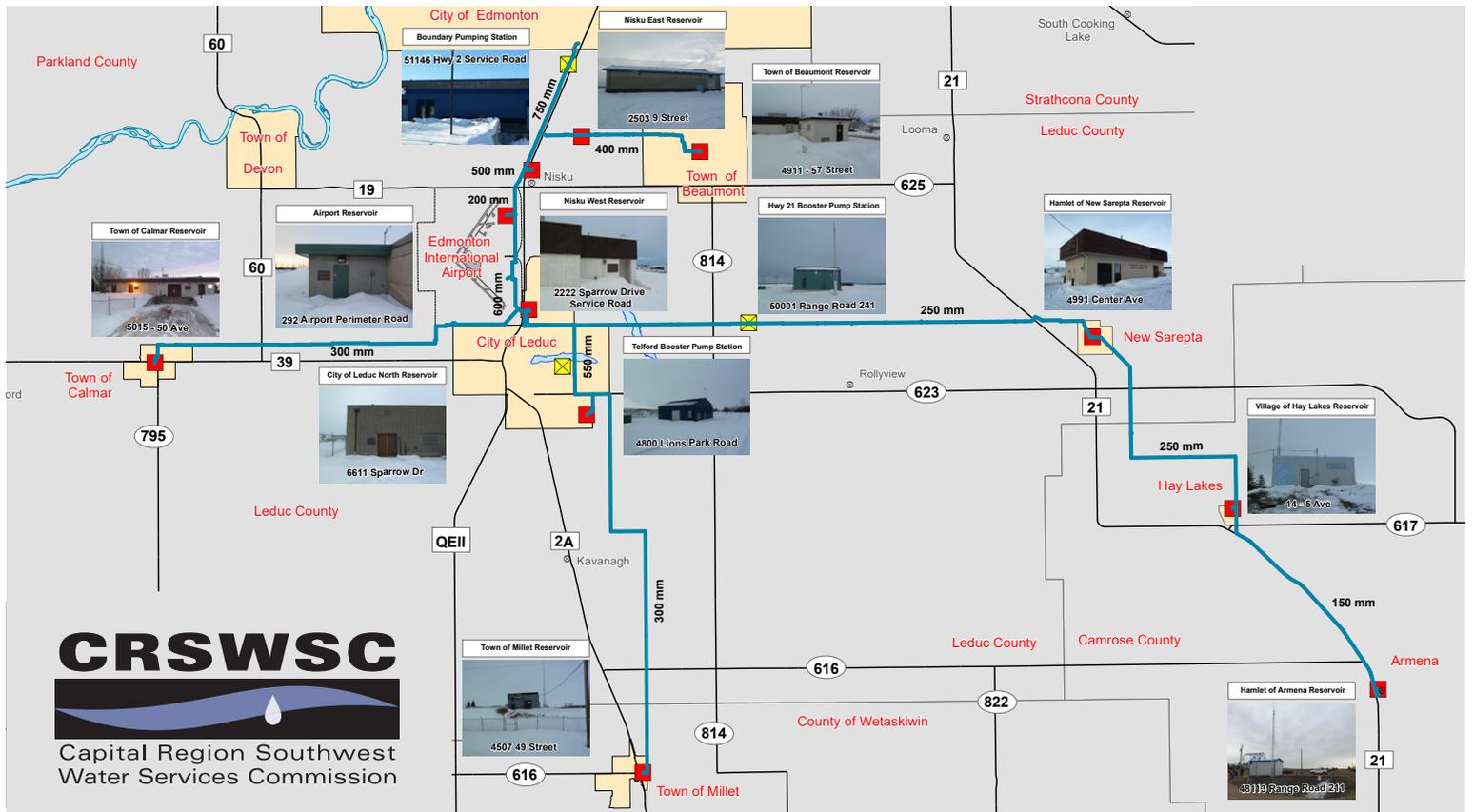
A City of Leduc GIS Product created on behalf of the CRSWSC
 March 2018 GSR4719_CRSWSCMapV9

CRSWSC Facilities

- Pump Station
- Reservoir

Other

- Water Features
- Urban Centers
- Rural Centers

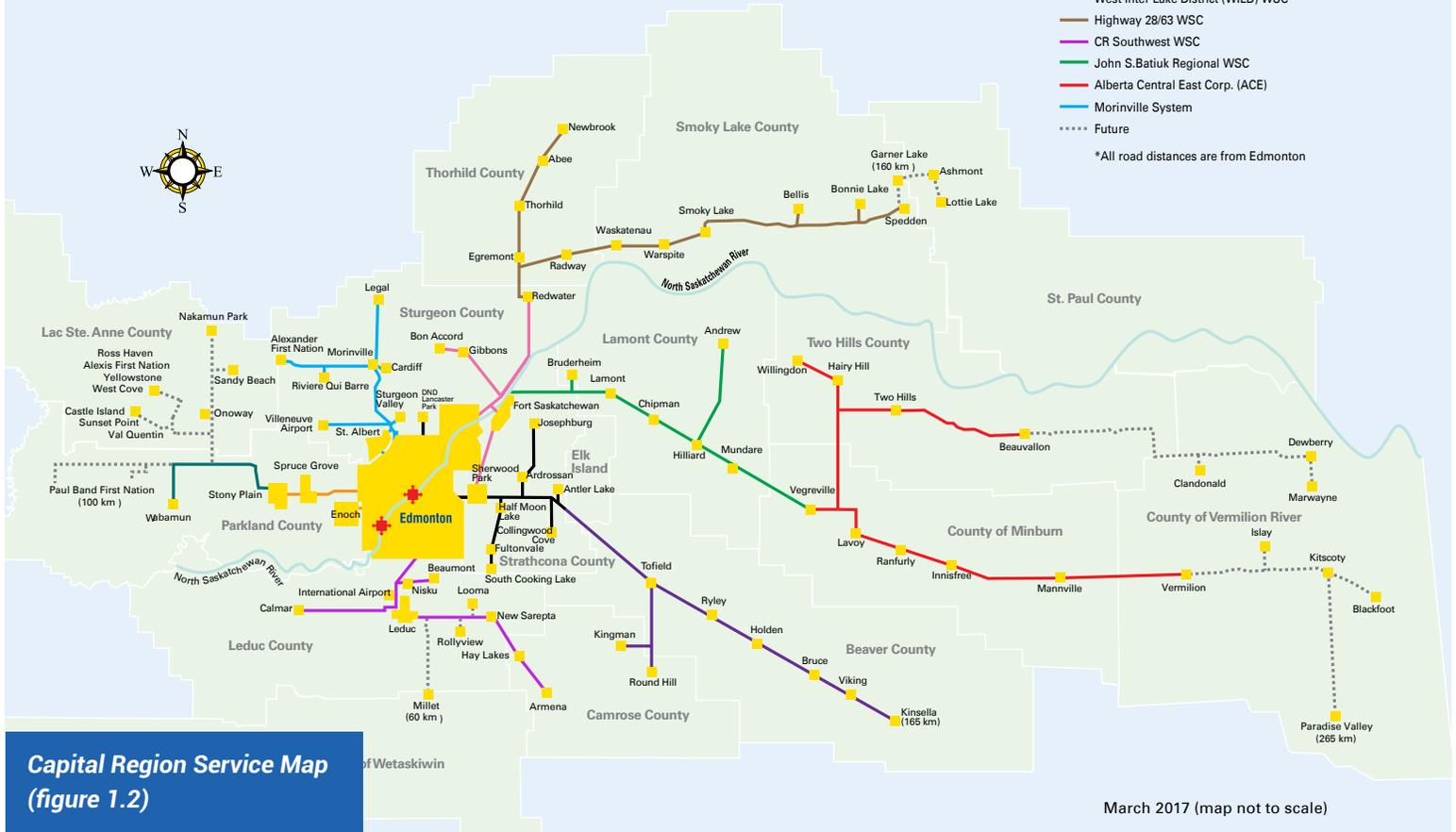


EDMONTON REGION WATER SERVICE AREA

Regional Water Service Ownership

- Strathcona County
- CR Northeast WSC
- Highway 14 WSC
- CR Parkland WSC
- West Inter Lake District (WILD) WSC
- Highway 28/63 WSC
- CR Southwest WSC
- John S. Batiuk Regional WSC
- Alberta Central East Corp. (ACE)
- Morinville System
- Future

*All road distances are from Edmonton



Capital Region Service Map (figure 1.2)

March 2017 (map not to scale)



History of the CRSWSC

► 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.

► 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 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.

► **2011-12**

The City of Leduc took over the operation of the Commission.

In 2012, the 14" Foxboro magnetic flow meter was upgraded to a 16" ABB magnetic flow meter at the Boundary Station.

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.

Hamlet of Armenia extension design work was completed for the main extension.

► **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.

The SCADA system was upgraded to replace the PLC's, programming and associated hardware modifications.

The south Highway 21 water main asset transferred to the CRSWSC from Strathcona County.

► **2014**

Water distribution system to the Hamlet of Armenia 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)

► **2015**

The Commission took over construction management of the Town of Millet Water Supply Line Project.

The Town of Millet was welcomed to join the board as directors at large.

The Water Master Plan was completed which identified key required long term improvements to the existing Commission infrastructure.

The City of Leduc was the successful proponent for the CRSWSC operations and management contract with a three year term expendable to five years.

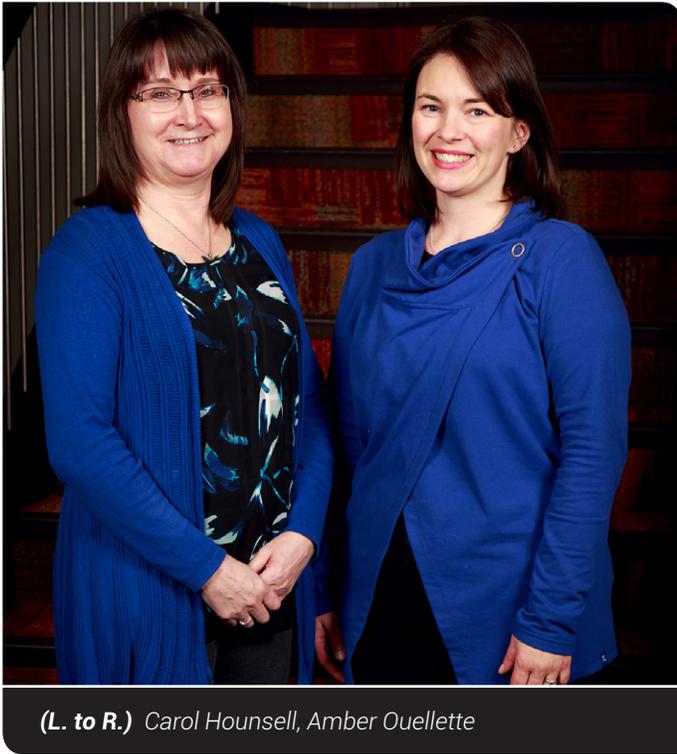
► **2016-17**

Construction on the Millet Water Supply Line Project began in early Summer 2016 and the grand opening ceremony was celebrated in April 2017.

The Commission's radio communication network was upgraded including the re-alignment of all antennas, the installation of four new towers and a signal transmission modification. The radio system upgrades signaled the end of the Hamlet of Armenia's extension project.



Financial Reports



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



CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

LEDUC, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, 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, 2017, 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 19, 2018

EDMONTON

LLOYDMINSTER

WHITECOURT

METRIXGROUP.CA



CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 1,024,649	\$ 403,834
Accounts receivable	1,015,843	2,904,593
Goods and Services Tax receivable	105,802	239,661
Investments (Note 3)	<u>3,704,376</u>	<u>1,431,525</u>
	<u>5,850,670</u>	<u>4,979,613</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,629,981	1,788,565
Deferred revenue (Note 4)	3,523	360,403
Long-term debt (Note 5)	<u>805,305</u>	<u>836,030</u>
	<u>2,438,809</u>	<u>2,984,998</u>
NET FINANCIAL ASSETS	3,411,861	1,994,615
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule I)	<u>24,597,113</u>	<u>24,292,612</u>
ACCUMULATED SURPLUS (Note 6)	<u>\$ 28,008,974</u>	<u>\$ 26,287,227</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, 2017

	<u>2017</u> (Budget) (Note 11)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
Revenues			
Water sales	\$ 7,654,670	\$ 7,275,504	\$ 6,707,675
Government transfers	2,016,408	1,706,149	9,148,465
Contributions from members	80,299	68,742	68,742
Return on investments	40,000	31,754	26,010
Other	<u>-</u>	<u>26,655</u>	<u>-</u>
	<u>9,791,377</u>	<u>9,108,804</u>	<u>15,950,892</u>
Expenses			
Water purchases	5,043,384	4,803,339	4,541,355
Repairs and maintenance	186,500	476,873	80,763
Operating contract	379,936	379,936	368,155
Utilities	125,081	142,954	121,171
Management contract	128,897	128,897	124,900
Interest on long-term debt	39,972	37,955	39,321
Professional fees	35,800	33,285	67,092
Insurance	25,000	23,673	20,752
Office and annual meeting	22,300	18,822	16,982
Honorarium and travel	49,870	11,042	15,676
Engineering fees	50,000	8,129	16,119
Amortization	-	454,217	320,292
Loss on disposal of tangible capital assets	<u>-</u>	<u>867,935</u>	<u>-</u>
	<u>6,086,740</u>	<u>7,387,057</u>	<u>5,732,578</u>
Excess of Revenue over Expenses	<u>3,704,637</u>	<u>1,721,747</u>	<u>10,218,314</u>
Accumulated Surplus, Beginning of Year	<u>26,287,227</u>	<u>26,287,227</u>	<u>16,068,913</u>
Accumulated Surplus, End of Year	\$ <u>29,991,864</u>	\$ <u>28,008,974</u>	\$ <u>26,287,227</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, 2017

	<u>2017</u>	<u>2016</u>
Excess of Revenue Over Expenses	\$ 1,721,747	\$ 10,218,314
Acquisition of tangible capital assets	(1,626,653)	(9,173,707)
Amortization of tangible capital assets	454,217	320,292
Loss on disposal of tangible capital assets	<u>867,935</u>	<u>-</u>
Increase (Decrease) in Net Financial Assets	1,417,246	1,364,899
Net Financial Assets, Beginning of Year	<u>1,994,615</u>	<u>629,716</u>
Net Financial Assets, End of Year	<u>\$ 3,411,861</u>	<u>\$ 1,994,615</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, 2017

	<u>2017</u>	<u>2016</u>
Operating Activities		
Excess of revenue over expenses	\$ 1,721,747	\$10,218,314
Amortization expense	454,217	320,292
Loss on disposal of tangible capital assets	867,935	-
Change in non-cash working capital balances related to operations:		
Change in accounts receivable	1,888,750	(2,162,773)
Change in accounts payable and accrued liabilities	(158,584)	603,124
Change in deferred revenue	(356,880)	38,530
Change in Goods and Services Tax receivable	<u>133,859</u>	<u>(180,106)</u>
	<u>4,551,044</u>	<u>8,837,381</u>
Financing Activities		
Long-term debt repaid	<u>(30,725)</u>	<u>(29,363)</u>
Investing Activities		
Acquisition of tangible capital assets	(1,626,653)	(9,173,707)
Change in investments	<u>(2,272,851)</u>	<u>(20,129)</u>
	<u>(3,899,504)</u>	<u>(9,193,836)</u>
Change in Cash During the Year	620,815	(385,818)
Cash, Beginning of Year	<u>403,834</u>	<u>789,652</u>
Cash, End of Year	\$ <u>1,024,649</u>	\$ <u>403,834</u>

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

6.

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

SCHEDULE I

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Land	Buildings	Engineered Structures	Equipment	2017	2016
COST:						
Balance, Beginning of Year	\$ 221,637	\$ 2,714,178	\$ 26,199,059	\$ 41,507	\$ 29,176,381	\$ 20,002,674
Acquisition of tangible capital assets	-	-	1,626,653	-	1,626,653	9,173,707
Disposal of tangible capital assets	-	(929,931)	-	-	(929,931)	-
Balance, End of Year	<u>221,637</u>	<u>1,784,247</u>	<u>27,825,712</u>	<u>41,507</u>	<u>29,873,103</u>	<u>29,176,381</u>
ACCUMULATED AMORTIZATION:						
Balance, Beginning of Year	-	1,410,093	3,434,382	39,294	4,883,769	4,563,477
Annual amortization	-	39,650	413,829	738	454,217	320,292
Accumulated amortization on disposals	-	(61,996)	-	-	(61,996)	-
Balance, End of Year	-	<u>1,387,747</u>	<u>3,848,211</u>	<u>40,032</u>	<u>5,275,990</u>	<u>4,883,769</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 221,637	\$ 396,500	\$ 23,977,501	\$ 1,475	\$ 24,597,113	\$ 24,292,612

Cost includes construction in progress of \$nil (2016 - \$9,211,072). 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, 2017

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, 2017

3. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Bonds	\$ 3,668,710	\$ 1,406,790
Accrued interest	31,703	14,821
Unamortized premium	<u>3,963</u>	<u>9,914</u>
	<u>\$ 3,704,376</u>	<u>\$ 1,431,525</u>

Market value at December 31, 2017 is \$3,662,358 (2016 - \$1,431,687). The investments consist of a mix of bonds with rates of return between 0.9% and 2.3%, maturing between 2018 and 2022. 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>2017</u>	<u>2016</u>
Provincial government conditional grants	\$ -	\$ 269,047
Local government conditional grants	<u>3,523</u>	<u>91,356</u>
	<u>\$ 3,523</u>	<u>\$ 360,403</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>2017</u>	<u>2016</u>
	<u>\$ 805,305</u>	<u>\$ 836,030</u>

Future principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022	38,549	30,193	68,742
Thereafter	<u>628,917</u>	<u>195,990</u>	<u>824,907</u>
	<u>\$ 805,305</u>	<u>\$ 363,312</u>	<u>\$ 1,168,617</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, 2017

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>2017</u>	<u>2016</u>
Total debt limit	\$14,805,310	\$13,604,854
Total debt	<u>805,305</u>	<u>836,030</u>
Total debt limit remaining	<u>\$14,000,005</u>	<u>\$12,768,824</u>
Debt servicing limit	\$ 2,590,929	\$ 2,380,849
Debt servicing	<u>68,742</u>	<u>68,742</u>
Total debt servicing remaining	<u>\$ 2,522,187</u>	<u>\$ 2,312,107</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>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 57,804	\$ 155,336
Restricted surplus (Note 7)	4,159,362	2,675,309
Equity in tangible capital assets (Note 8)	<u>23,791,808</u>	<u>23,456,582</u>
	<u>\$ 28,008,974</u>	<u>\$ 26,287,227</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>2017</u>	<u>2016</u>
Water system expansion	\$ 1,888,194	\$ 876,188
Pump upgrades	798,827	580,015
Capital equipment	749,447	700,926
General operations	369,875	206,188
Emergency operations	200,000	200,000
Rate stabilization	<u>153,019</u>	<u>111,992</u>
	<u>\$ 4,159,362</u>	<u>\$ 2,675,309</u>

CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2017

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets (Schedule I)	\$ 29,873,103	\$ 29,176,381
Accumulated amortization (Schedule I)	(5,275,990)	(4,883,769)
Long-term debt (Note 5)	<u>(805,305)</u>	<u>(836,030)</u>
	<u>\$ 23,791,808</u>	<u>\$ 23,456,582</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>2017</u>	<u>2016</u>
City of Leduc	\$ 3,690,947	\$ 3,512,325
Town of Beaumont	1,698,643	1,606,260
Leduc County	888,616	849,082
Edmonton International Airport	439,464	399,124
Town of Calmar	310,500	286,625
Town of Millet	192,518	-
Village of Hay Lakes	47,250	46,294
Camrose County	<u>7,566</u>	<u>7,965</u>
	<u>7,275,504</u>	<u>6,707,675</u>

b) Contributions from Members

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

	<u>2017</u>	<u>2016</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 \$128,897 (2016 - \$124,900) in management fees and \$379,936 (2016 - \$368,155) in operating fees to the City of Leduc.

d) Accounts Receivable

The year end accounts receivable balance includes a total of \$820,768 (2016 - \$1,565,075) 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 \$1,528 (2016 - \$10,616) 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, 2017

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. BUDGET INFORMATION

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

Budget reconciliation:

	<u>2017</u>
Excess of revenue over expenses	\$ 3,704,637
Tangible capital asset purchases	(2,383,091)
Transfers to accumulated surplus	(1,281,219)
Debenture principal repayments	<u>(40,327)</u>
	<u> -</u>

Draft

2017 Water Sales (Note : All values are in cubic meters)

Customers	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	TOTAL
City of Leduc	232,559	203,859	225,340	200,144	265,039	235,222	245,674	274,581	232,429	235,400	215,222	209,679	2,775,148
Town of Beaumont	104,118	90,460	98,480	89,319	126,597	112,114	124,202	123,384	108,448	107,081	95,615	97,357	1,277,175
Leduc County	48,193	42,011	49,373	42,904	70,772	59,913	62,208	68,425	60,560	56,282	58,419	49,072	668,132
Town of Calmar	18,922	16,750	18,276	15,947	21,048	21,968	21,908	22,531	18,902	22,136	17,865	17,206	233,459
International Airport	23,624	21,780	24,028	21,847	29,808	31,467	31,491	34,758	29,570	36,053	23,214	22,785	330,425
Village of Hay Lakes	3,078	2,737	2,952	2,518	3,528	3,277	3,107	3,048	2,834	2,862	2,893	2,692	35,526
Camrose County	403	281	288	279	606	736	759	651	511	492	291	392	5,689
Town of Millet				11,940	17,010	18,720	21,266	18,775	14,748	14,955	13,604	13,732	144,750
Total Sales	430,897	377,878	418,737	384,897	534,409	483,417	510,615	546,153	468,002	475,261	427,123	412,915	5,470,304
Master Meter Purchases	444,392	389,956	437,491	400,572	541,395	512,847	525,896	559,004	485,865	485,794	441,809	425,966	5,650,987
Water Differential	(13,495)	(12,078)	(18,754)	(15,675)	(6,986)	(29,430)	(15,281)	(12,851)	(17,863)	(10,533)	(14,686)	(13,051)	(180,683)

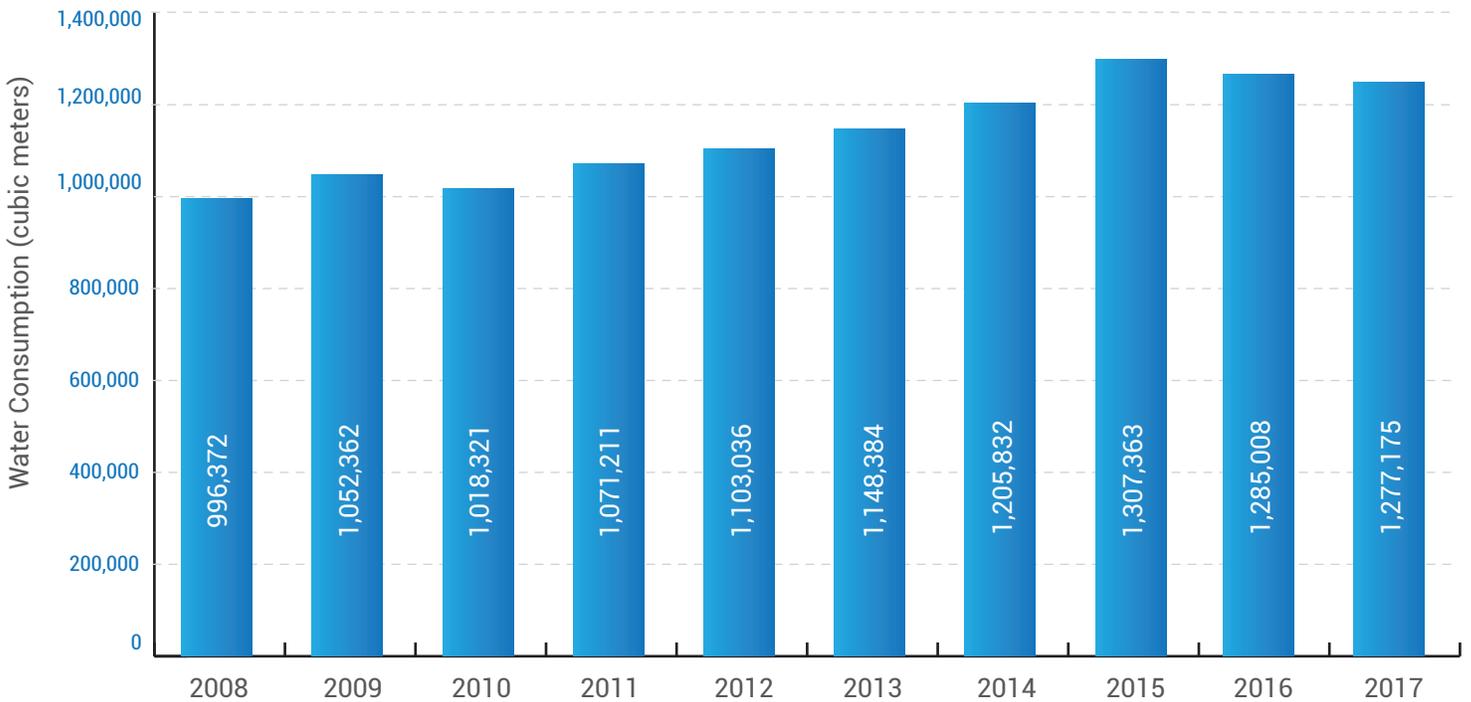
Regional Water Consumption
Annual Water Consumption (2008 - 2017)



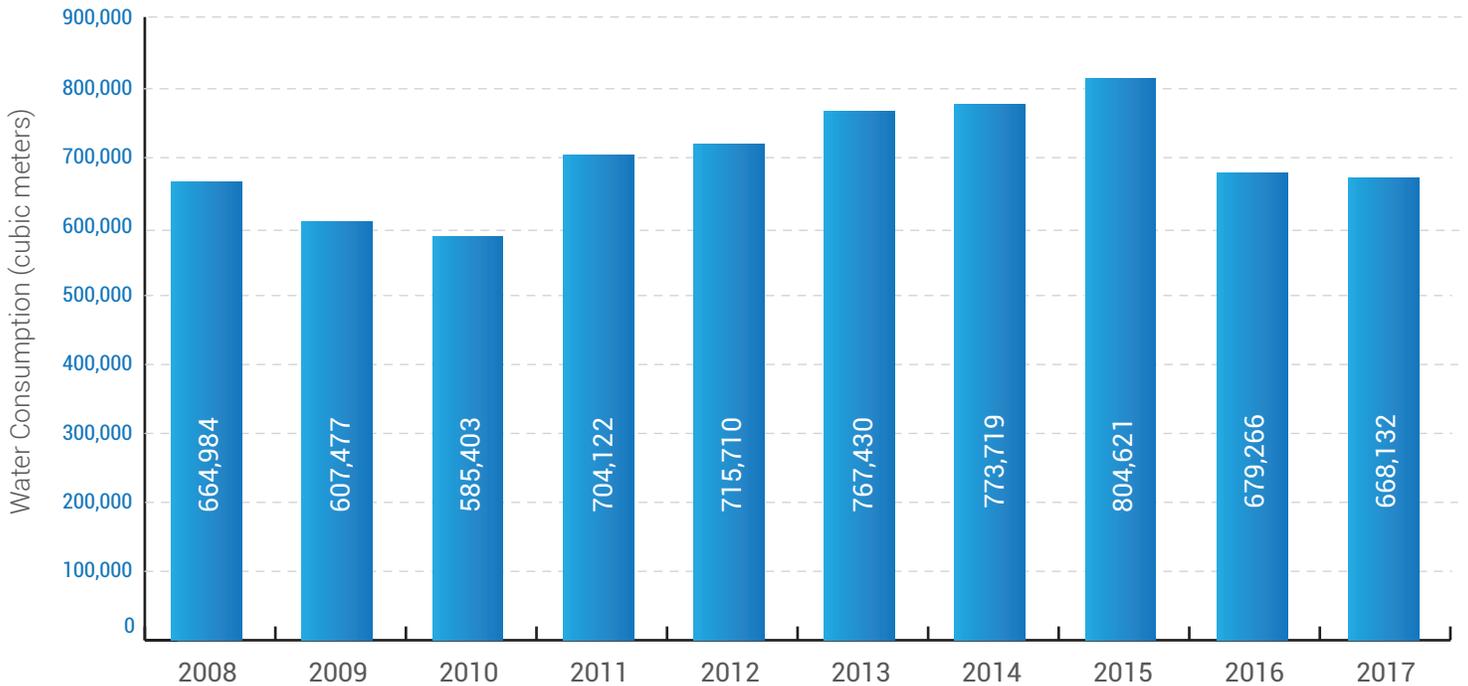
City of Leduc Annual Water Consumption (2008 - 2017)



Town of Beaumont Annual Water Consumption (2008 - 2017)



Leduc County Annual Water Consumption (2008 - 2017)



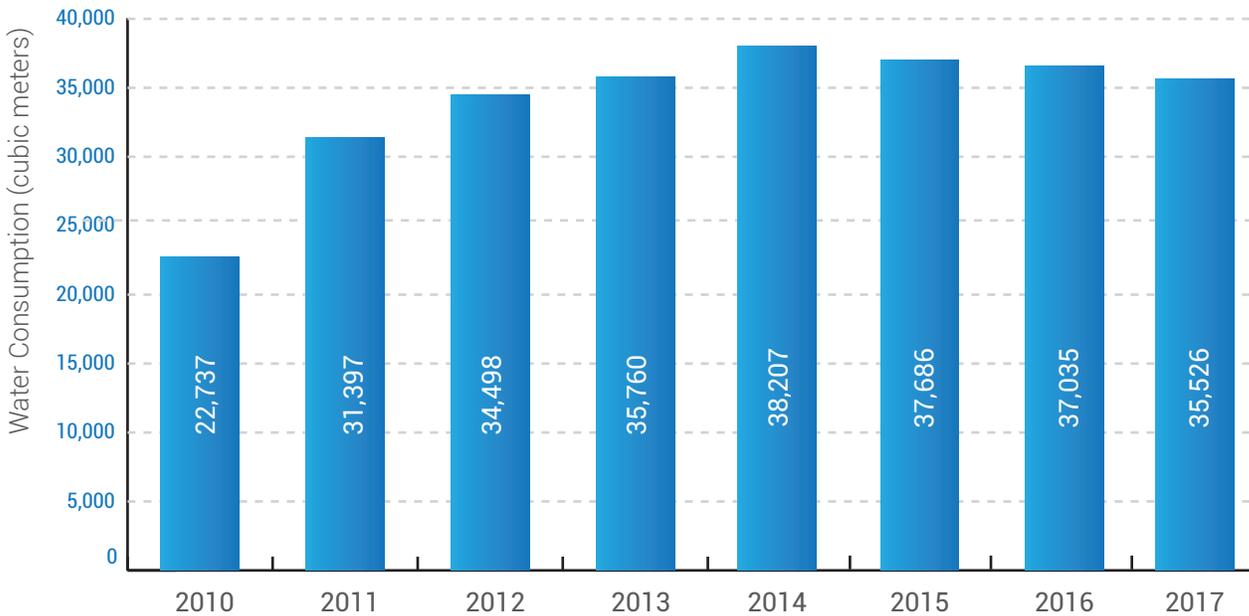
Town of Calmar Annual Water Consumption (2008 - 2017)



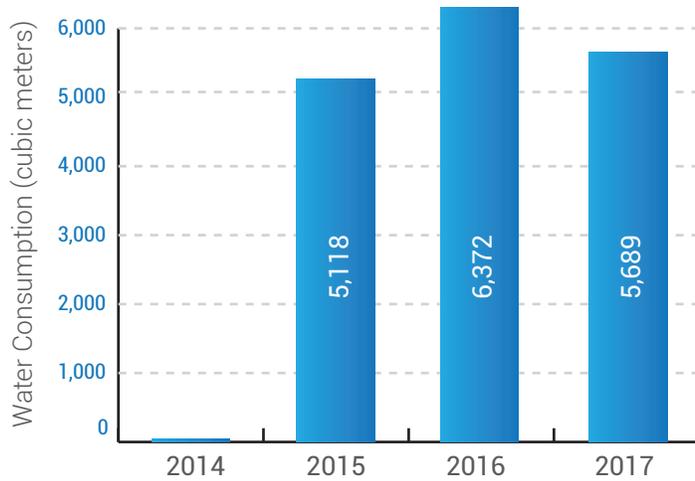
Edmonton International Airport Annual Water Consumption (2008 - 2017)



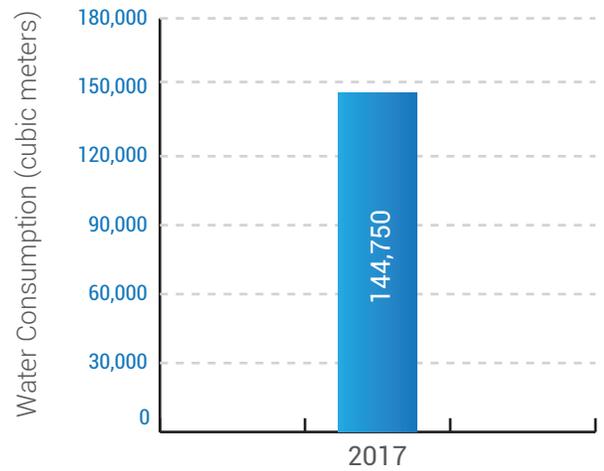
Hay Lakes Annual Water Consumption (2010 - 2017)



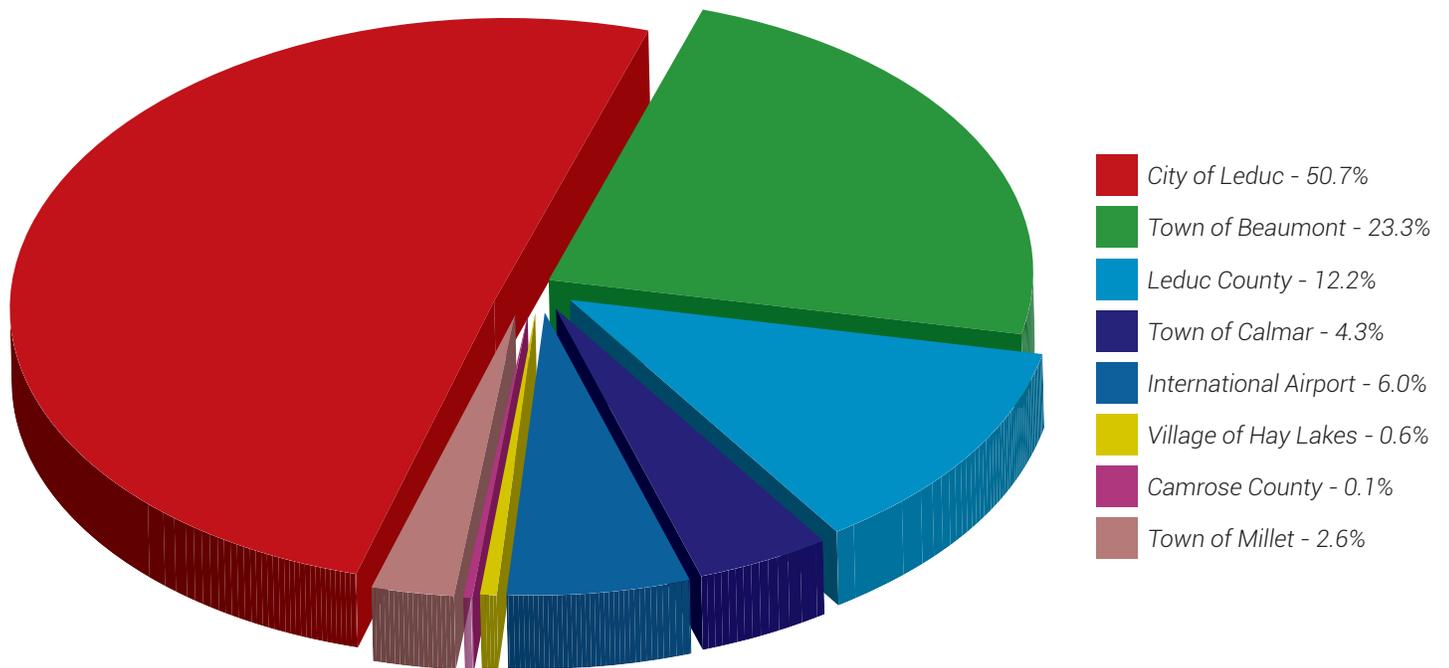
Camrose County Annual Water Consumption (2014 - 2017)

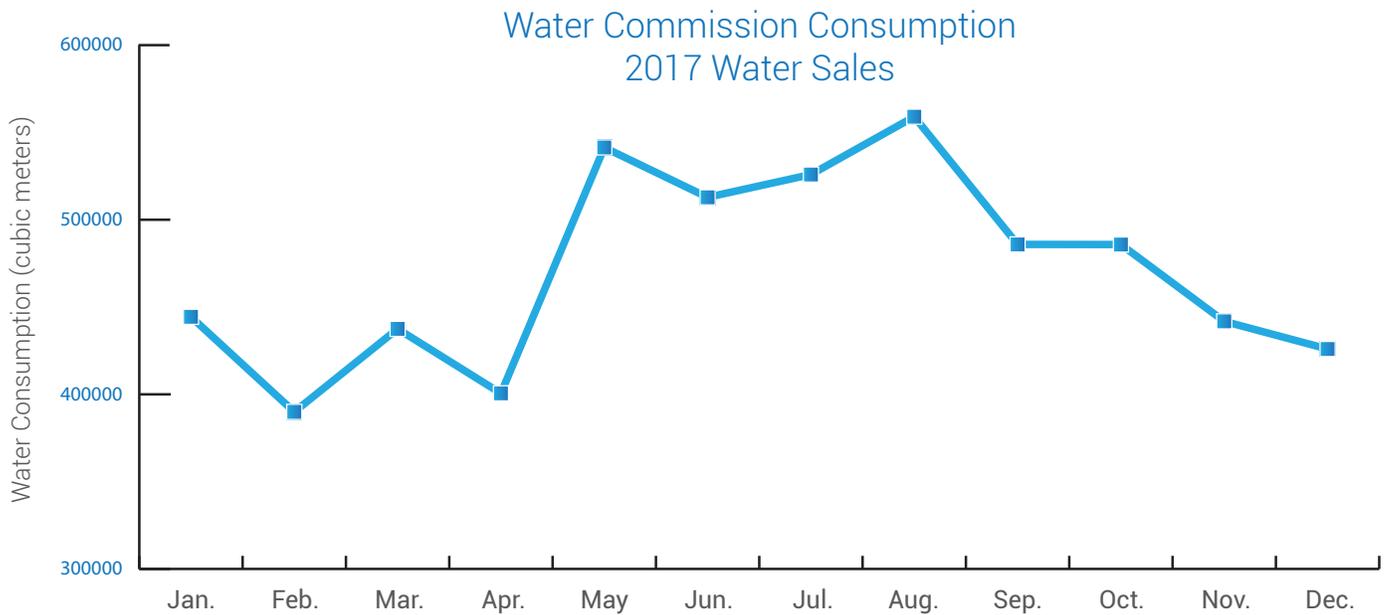


Town of Millet Annual Water Consumption (2017)



2017 Customer Share of Water Sales





Operating Team:

Back (L. to R.) Keung Lee, Jason Lindbeck, Jonn Ryane, Darrell Claydon, Randy Plican, Pat Martin
Front (L. to R.) Shawn Tooth, James Sew



Management Team:

Top Shawn Tooth **Regrets:** Pamela Regier
Middle (L. to R.) Rick Sereda, Shannon Bremner, Shawn Olson
Front (L. to R.) Carol Hounsell, Amber Ouellette

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