

# ANNUAL REPORT



2018



Alberta Capital Region  
Wastewater Commission

# Introduction

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On behalf of the Alberta Capital Region Wastewater Commission, we are pleased to share with you some of the activities and accomplishments of the ACRWC in 2018. We invite you to read the enclosed updates and reflect on how we continue to work towards ensuring that the ACRWC supports a prosperous and sustainable region.

With a turnover of ten Board members after the 2017 Municipal election, a dedicated effort to provide orientation and education for the new Board members was the focus of the first half of the year. This ensured that Directors were brought up to speed quickly about the operations of the Commission and the many opportunities and challenges we face.

Following this onboarding effort, the Board was able to develop an updated strategic direction for the organization at their Strategic Planning Workshop in May. Later in this report are details about the strategic plan.

The success of the past year is due to the commitment by the Board, our staff, our members and our partners. Thank you to everyone for their efforts in helping the ACRWC achieve its goals.

Darren McCann  
Chair

Mike Darbyshire  
General Manager

# Board of Directors

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Each of our Member Municipalities appoints one member of their Council to the Board of Directors of the Commission. They may also appoint one or more members of Council as alternate Board members.

The following were appointed to the Board by their municipalities:

<b>Municipality</b>	
<b>City of Beaumont</b>	Steven vanNieuwkerk
<b>Town of Bon Accord</b>	Lynn Bidney
<b>City of Fort Saskatchewan</b>	Gordon Harris
<b>Town of Gibbons</b>	Darren McCann (Vice-chair)
<b>City of Leduc</b>	Bill Hamilton
<b>Leduc County</b>	Rick Smith
<b>Town of Morinville</b>	Nicole Boutestein
<b>Parkland County</b>	Darrell Hollands (Chair)
<b>City of St. Albert</b>	Ken MacKay
<b>City of Spruce Grove</b>	Stuart Houston
<b>Town of Stony Plain</b>	Harold Pawlechko
<b>Strathcona County</b>	Dave Anderson
<b>Sturgeon County</b>	Wayne Bokenfohr

At the Organization Meeting in November 2018, Darren McCann was elected Chair and Wayne Bokenfohr was elected Vice-chair.

# Mission, Vision and Organizational Values

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The Alberta Capital Region Wastewater Commission was established in 1985 to provide wastewater transmission and treatment to designated municipalities surrounding the City of Edmonton.

## Vision Statement

***The Alberta Capital Region Wastewater Commission is an environmental leader in wastewater management.***

## Mission Statement

***The Alberta Capital Region Wastewater Commission provides responsible wastewater transmission and treatment for member municipalities.***

## Values

The values expressed here are the guiding principles that help determine how the Commission will operate, both in public and privately.

***Accountability:***

We are accountable to those we serve, and we will focus on integrity in our governance.

***Communication:***

We will ensure that technical information, board plans, and progress are reported to our respective member municipalities, and request that member municipalities provide information to the Commission in a timely manner.

***Continuous Improvement:***

We are committed to meeting and exceeding provincial regulatory standards, and we encourage new ideas and approaches to provide excellent service delivery.

***Leadership:***

We will provide high-value service delivery and environmental protection that inspires our regional neighbors. We will be seen as leaders in our field of expertise.

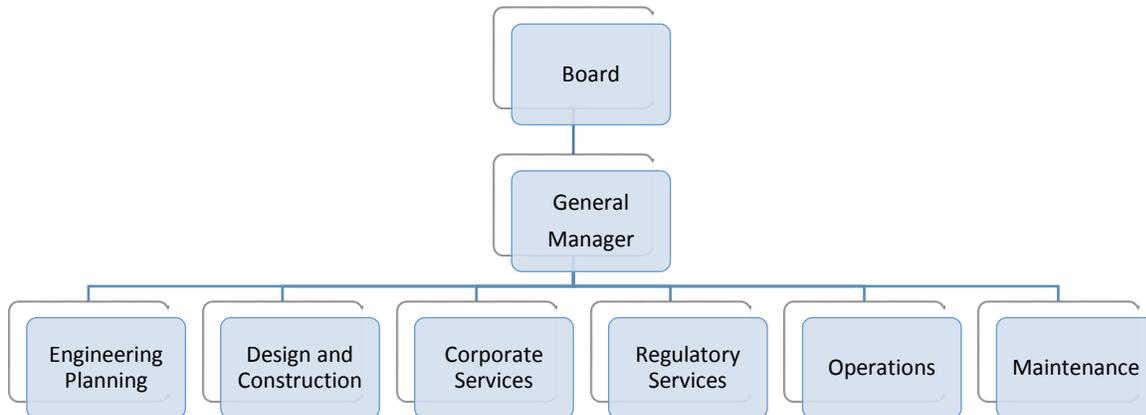
***Reliability:***

We are committed to providing dependable service to member municipalities.

# Organization

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The ACRWC employed 47 personnel in 2018. The organization is structured into six departments reporting to the General Manager who in turn reports to the Board of Directors.



# Goals and Strategies

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In its Strategic Plan, the Board has identified six *Pillars of Sustainability* to guide the goals and the strategies that flow from them.



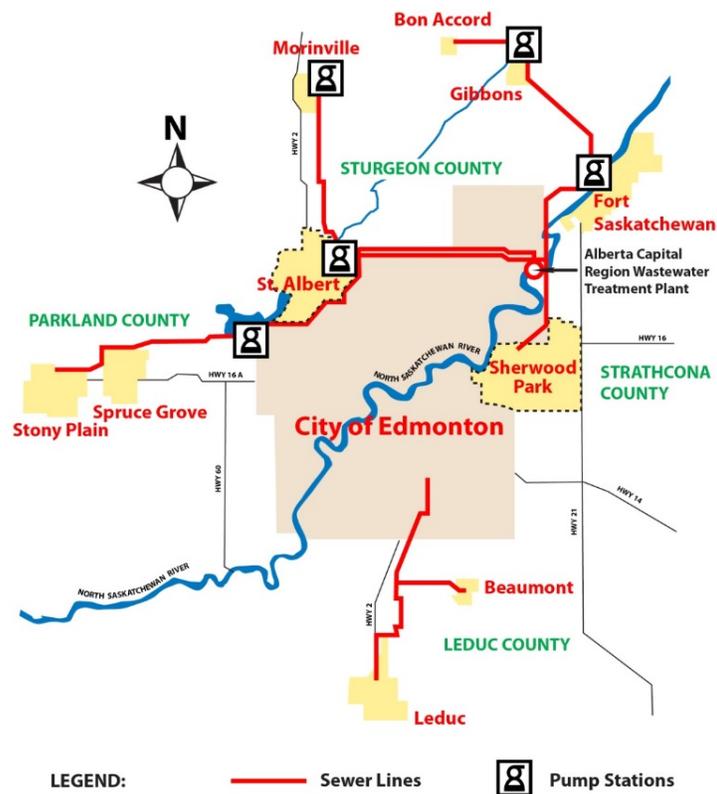
These goals are supported by specific strategies and performance measures outlined in the Strategic Plan document. Starting in 2019, the ACRWC will report on its achievements to show how the Commission is on track to meet its objectives.

# Operations

The ACRWC operates a regional trunk system consisting of 138 km of gravity sewers, five pump stations and 58 km of pressure pipelines as well as a biological nutrient removal wastewater treatment plant. Treated effluent is discharged to the North Saskatchewan River. Biosolids are trucked to the City of Edmonton's Waste Management Center where they are put to beneficial use in compost and applied to agricultural and marginal land.

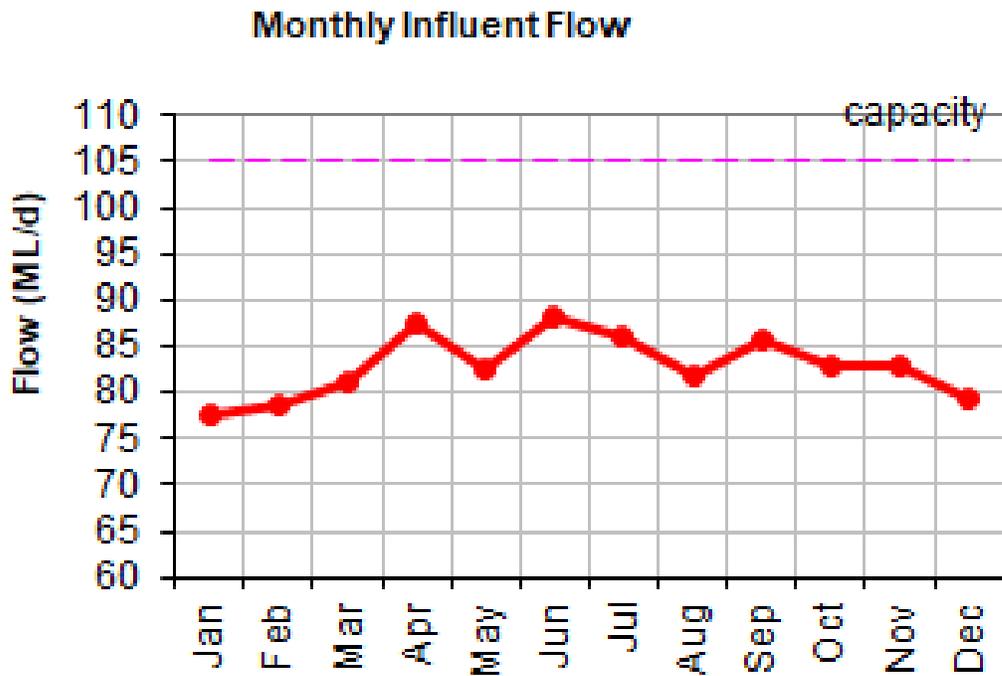
Through an agreement with the City of Edmonton Drainage Services (now run by EPCOR), our facility treats wastewater from portions of northeast Edmonton. In exchange EPCOR's Gold Bar facility treats the flow from our southern members.

## Wastewater Transmission Network

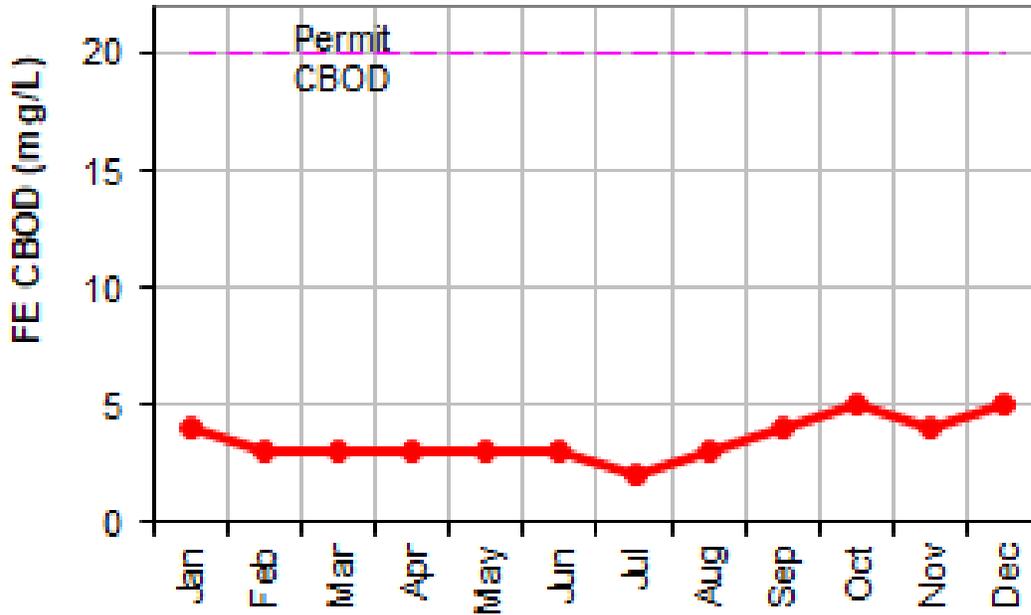


In 2018, our plant treated 82.85 million liters per day on average for a total of 30.2 billion litres over the course of the year. The wastewater treatment plant has a capacity to treat 105 million liters per day.

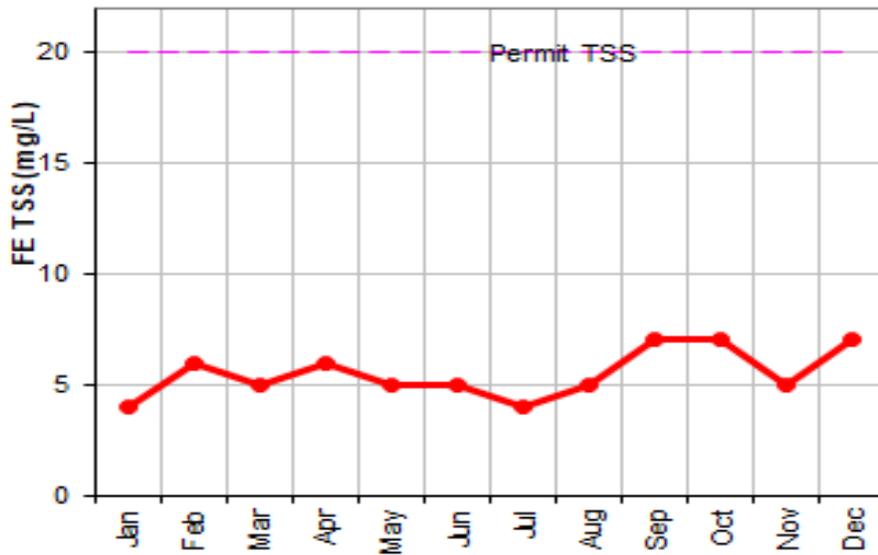
The plant treats for four wastewater components: Carbonaceous biochemical oxygen demand (CBOD), suspended solids (TSS), ammonia, and phosphorous (TP). It also disinfects the treated effluent before releasing it to the North Saskatchewan River. The plant's effluent quality met all Provincial and Federal limits in all months of 2018.



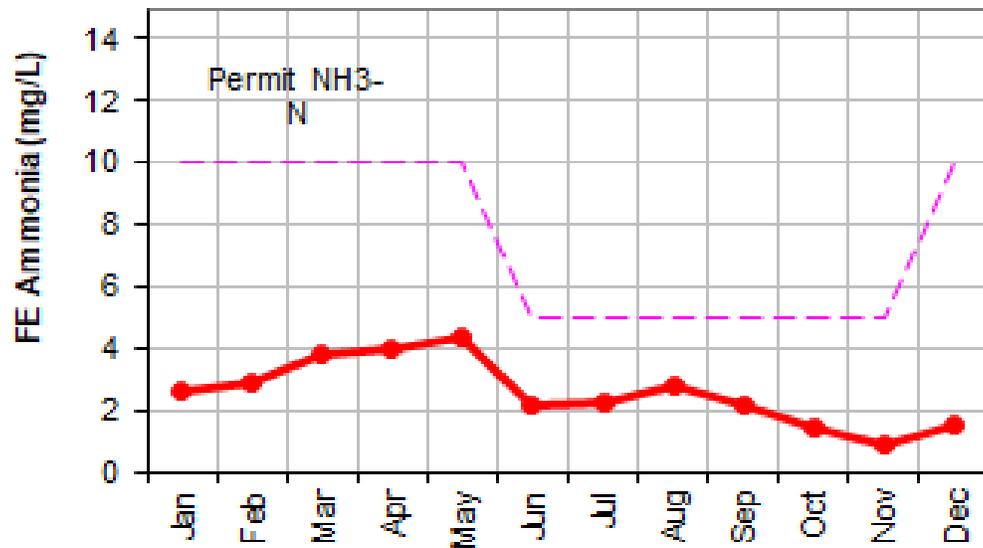
### Monthly Effluent Carbonaceous Biological Oxygen Demand



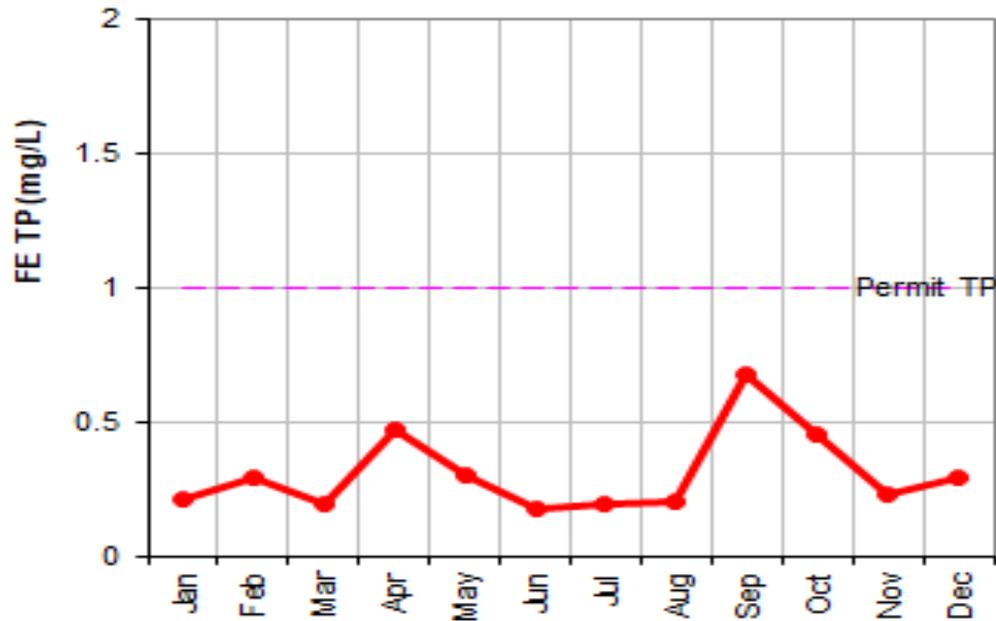
### Monthly Effluent Total Suspended Solids



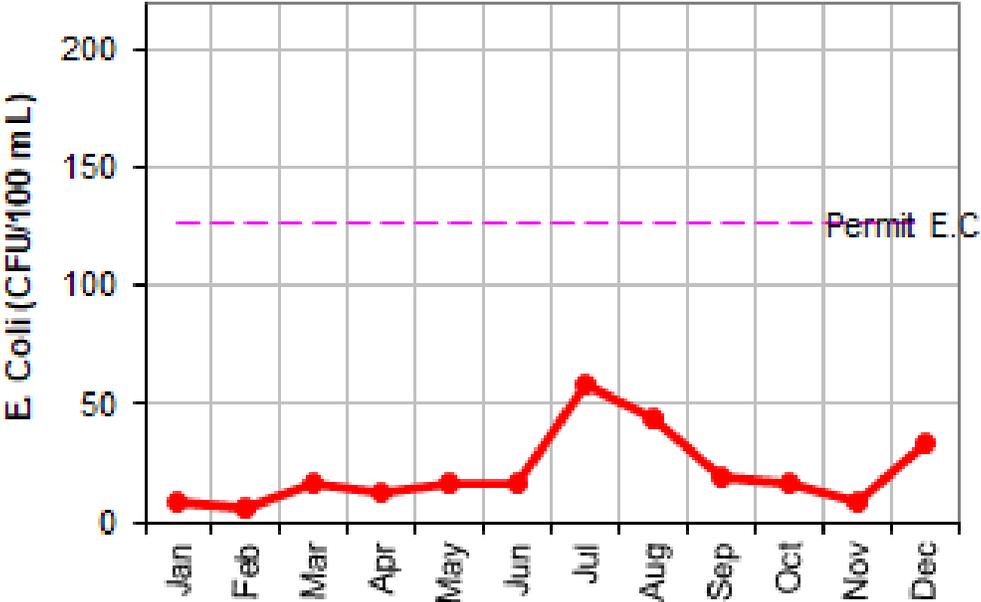
### Monthly Effluent Ammonia



### Monthly Effluent Total Phosphorus



### Monthly Effluent E. Coli



## **Operational highlights:**

- A total of 5596 dry tonnes of biosolids were transported to the waste management center and put to beneficial use as compost or onto agricultural land.
- We consumed a total of about 17.5 million kWh over the course of the year.
- As part of our asset management program, major overhauls were conducted on Sewage Pump #2 in Parkland Pump Station and Dissolved Air Flootation #2 at the Treatment Plant.
- Five gravity sewer pipe segments of the St Albert Regional Trunk collapsed due to hydrogen sulphide corrosion. There is a rehabilitation and upgrade strategy for the St Albert Regional Trunk focusing on critical sections in the near-term. Premature failure in some areas will be an ongoing issue until the entire pipeline can be replaced.
- The South East Regional Trunk and Parkland Trunk were cleaned again in accordance with our updated transmission system flushing program. By proactively flushing areas that have shown historic build of material, we can manage the problem more cost effectively and avoid overflows due to material build up.
- The ACRWC conducted a third-party audit of its Maintenance activities in 2018. The audit revealed several opportunities for improvement that have been incorporated into our Asset Management strategy.

# Regulatory Services

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## Health & Safety Management System

- Continued systematic closure of gaps within Health and Safety Management System to ensure compliance with Alberta's Occupational Health and Safety legislation. Highlights included the development and implementation of:
  - An organizational Health and Safety Policy;
  - A Competency Training program;
  - A Contractor Health and Safety Management program;
  - An Equipment, Tools and Vehicles inspection program;
  - A Hydrogen Sulphide (H<sub>2</sub>S) Code of Practice and Exposure Plan; and
  - Fall Protection plans.

## Environmental Management System (EMS)

- Maintained registration to ISO 14001:2015 by demonstrating compliance via an external audit by a third-party registrar.
- The EMS was incorporated into the organization's strategic plan.
- The management team concluded the EMS:
  - ✓ Continues to fit the organization as was demonstrated via a cost benefit analysis;
  - ✓ Continues to meet the requirements of ISO 14001:2015;
  - ✓ Continues to be effective by achieving desired results, however improvements surrounding better defining environmental objectives and tracking environmental performance are ongoing; and
  - ✓ Currently does not have any implications on the strategic direction of the organization.

## Laboratory Services

- Maintained accreditation to ISO 17025:2005 by demonstrating compliance via an external assessment conducted by the Canadian Association of Laboratory Accreditation (CALA);
- Transition plan developed to guide the transition of the Lab's Quality Management System to comply with the revised standard (ISO 17025:2017). An external assessment to the revised standard will be conducted in 2020.
- 97% of analysis conducted within 20 days of receipt of samples.

## Regional Source Control Program

- The number of businesses on the sectors of concern list increased significantly from ~1200 to ~1900 based on the updated business lists provided by member municipalities.
- 200 industrial, commercial and institutional (ICI) premises were inspected. Very similar number to previous years.
- Over 400 samples were collected and analyzed from regional ICI premises and Hauled Wastewater Septage Receiving Stations. Similar number to previous years.
- 87 recommendations provided to ICI premises or wastewater haulers to aid dischargers with achieving or maintaining compliance to regional sewer use bylaws. Up from 64 in 2017.
- 112 regional bylaw contraventions were identified via site inspections or analysis of discharged wastewater from ICI premises and wastewater haulers. Similar number to 2017.
- 64 Notices of Violation were issued to the appropriate member municipalities outlining ICI or hauled wastewater bylaw contraventions and recommended enforcement actions. Up from 44 in 2017.
- 24 new Wastewater Discharge Permits issued to manage non-compliant, seasonal or high-volume discharges. 32 permits were valid as of December 31, 2018 as compared to 28 valid permits at the end of 2017.
- Only 12 of the 38 ICI premises identified as being required to operate in adherence to the *Oil & Gas Operations and Support Services Code of Practice* (COP) have registered as required. The COP is in force as of January 1, 2019.
- Increased the sampling frequency for dischargers with annualized load-based charges >\$5000 to monthly from quarterly to provide greater statistical reliability.
- Key Performance Indicators developed for overall discharger compliance to Bylaws, Discharge Permits, and Codes of Practice. Tracking to begin in 2019.
- Two Codes of Practice in development: Sewer Flushing Solids Management and Food Services Operations.

# Engineering

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The ACRWC worked on the following projects in 2018. Current Construction Phase project updates can be found on our website at [www.acrwc.ab.ca](http://www.acrwc.ab.ca).

## Planning

- Completed the plant long term development planning study
- Conducted the plant electrical system short term and long-term upgrade analysis
- Completed the study of maintenance office and storage space expansion
- Conducted structural condition assessments for the Primary Clarifier #1, headworks channel, bioreactor #3, and Fort Saskatchewan Pump Station channel and wet well.
- Initiated a biosolids management study
- Completed root cause analysis for UV lamp cable, a manhole failure, boiler tube premature failure, and Clarifier #5 failure etc.

## Designs underway in 2018

- Morinville Forcemain Sturgeon River crossing in Sturgeon County.
- An additional 3<sup>rd</sup> Sewage Pump at the Gibbons Pump Station.
- A replacement Waste Gas Flare Facility at the treatment plant.
- The installation of an additional aeration blower at the Treatment Plant.
- Digester Conversion project

## Construction

- Began the replacement of a very deep section of South East Regional Trunk N sewer along Range Road 232 at Aurum Road using micro-tunneling techniques.
- Started the replacement of the St Albert Regional Trunk (START) sewer under Manning Drive
- Completed the START 127<sup>th</sup> and 66<sup>th</sup> Street road crossings in Sturgeon County.
- Completed the Parkland Gravity Sewer Twinning between Jennifer Heil Way and Century Road.
- Completed the Morinville and Parkland Pump Station Generator/Electrical upgrades
- Completed the replacement of the Gibbons Pump Station Heating and Ventilation system.
- Completed the installation of a Final Effluent Monitoring facility at the treatment plant.
- Replaced the treatment plant inflow meter.

# Financial

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The ACRWC funds its revenue requirements primarily through the collection of flow rates and an over strength rate from its members. Our members pay a unit rate based on their bulk water consumption and an additional rate for parameters over the residential load.

In 2018, the flow rate was \$1.11 per cubic meter.

The over strength rates were:

Chemical Oxygen Demand	\$0.3131/kg
Biological Oxygen Demand	\$0.3131/kg
Total Suspended Solids	\$0.2705/kg
Total Kjeldahl Nitrogen	\$1.7592/kg
Total Phosphorus	\$9.8385/kg
Oil and Grease	\$0.2796/kg

The revenues and expenses for 2018 with a comparison to 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Total Revenues	\$39,546,000	\$36,298,000
Total Expenses	\$33,667,000	\$31,474,000
Surplus (Deficit)	\$5,879,000	\$4,824,000

The accumulated surplus for December 31, 2018 was \$170.9 million compared to \$165.0 million at the end of 2017.

The ACRWC spent \$25.6 million on our capital program which included \$12.0 million in new debentures.

The total debentures as of December 31, 2018 were \$41.0 million. The debt to revenue ratio increased from 91% to 104%. The Municipal Government Act has a debt to revenue limit of 200% for Commissions. The ACRWC has a self-imposed debt to revenue limit of 150%.

Our audited financial statements are attached.

*Financial Statements of*  
**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
*December 31, 2018*

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Alberta Capital Region Wastewater Commission

### Opinion

We have audited the financial statements of the Alberta Capital Region Wastewater Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of change in net debt and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

### Other Matter

The financial statements of the Alberta Capital Region Wastewater Commission for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 16, 2018.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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



be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada  
March 15, 2019

*Ernst & Young LLP*

Chartered Professional Accountants



**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**  
(in 000's)

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 2,663	\$ 5,089
Receivables from Commission members	2,688	2,525
Other receivables	706	476
Investments (Note 4)	2,065	2,005
	<u>8,122</u>	<u>10,095</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	6,757	4,556
Debt (Notes 5,12)	40,960	32,985
Other liabilities	252	208
	<u>47,969</u>	<u>37,749</u>
 <b>NET DEBT</b>	<u>(39,847)</u>	<u>(27,654)</u>
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	210,132	192,160
Inventory held for consumption	463	362
Prepaid expenses	107	108
	<u>210,702</u>	<u>192,630</u>
 <b>ACCUMULATED SURPLUS (Note 8)</b>	<u>\$ 170,855</u>	<u>\$ 164,976</u>
 Contractual commitments (Note 10)		

**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
<b>REVENUES</b>			
Treatment charges	\$ 39,355	\$ 36,837	\$ 36,065
Investment income	105	42	47
Other revenue	86	83	186
Total revenues	<u>39,546</u>	<u>36,962</u>	<u>36,298</u>
<b>EXPENSES (Note 9)</b>			
Plant/pump station	29,134	27,650	27,480
Corporate services	1,984	1,993	1,841
Engineering	1,137	1,126	877
Regulatory services	1,278	1,288	1,183
Board	134	128	93
Total expenses	<u>33,667</u>	<u>32,185</u>	<u>31,474</u>
<b>Excess of revenues over expenses</b>	5,879	4,777	4,824
Accumulated surplus at beginning of year	<u>164,976</u>	<u>160,152</u>	<u>160,152</u>
<b>Accumulated surplus at end of year</b>	<u><u>\$ 170,855</u></u>	<u><u>\$ 164,929</u></u>	<u><u>\$ 164,976</u></u>

**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**STATEMENT OF CHANGE IN NET DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
<b>Excess of revenues over expenses</b>	\$ 5,879	\$ 4,777	\$ 4,824
Acquisition of tangible capital assets	(25,616)	(15,500)	(18,354)
Amortization of tangible capital assets	6,723	6,700	6,361
Loss on disposal of tangible capital assets	921	-	488
Change in inventory held for consumption	(101)	-	(37)
Change in prepaid expenses	1	-	35
Change in net debt	(12,193)	(4,023)	(6,683)
Net debt at beginning of year	(27,654)	(27,654)	(20,971)
<b>Net debt at end of year</b>	<b>\$ (39,847)</b>	<b>\$ (31,677)</b>	<b>\$ (27,654)</b>

**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating transactions</b>		
Cash receipts from members, government transfers and other	\$ 39,049	\$ 35,882
Cash paid to employees	(5,750)	(5,478)
Cash paid to suppliers	(19,003)	(17,404)
Interest received	44	48
Interest on debt	(1,006)	(955)
	<u>13,334</u>	<u>12,093</u>
<b>Cash flows from capital transactions</b>		
Aquisition of tangible capital assets	<u>(23,735)</u>	<u>(18,309)</u>
<b>Cash flows from investing</b>		
Decrease in investments	<u>-</u>	<u>4,000</u>
<b>Cash flows from financing transactions</b>		
Proceeds from debt	12,000	7,000
Repayment of debt	(4,025)	(3,503)
	<u>7,975</u>	<u>3,497</u>
<b>Increase (decrease) in cash</b>	(2,426) -	1,281
<b>Cash, beginning of year</b>	<u>5,089</u>	<u>3,808</u>
<b>Cash, end of year</b>	<u>\$ 2,663</u>	<u>\$ 5,089</u>

**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

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**1. NATURE OF THE ORGANIZATION**

The Alberta Capital Region Wastewater Commission (the "Commission") is constituted under the Municipal Government Act. Alberta Regulation 129/85 established the Commission in May 1985 for the purposes of constructing, maintaining, controlling, and managing a regional wastewater treatment system.

The members of the Commission include City of Fort Saskatchewan, City of Leduc, City of Spruce Grove, City of St. Albert, Town of Beaumont, Town of Bon Accord, Town of Gibbons, Town of Morinville, Town of Stony Plain, Leduc County, Parkland County, Strathcona County, and Sturgeon County.

The Commission is exempt from income taxation under section 149 of the Canada Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared by management in accordance with Canadian public sector accounting standards and reflect the following policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the period in which the transactions or events occur and are measurable. Expenses are recognized in the period goods and services are consumed, or a liability is incurred.

Investments

Investments consist of guaranteed investment certificates and deposits that are redeemable at the Commission's discretion. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Treatment charges, investment and other revenue are recognized as revenue when earned and collection is reasonably assured.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Engineering Structures	10 - 75
Machinery & Equipment	10

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Interest capitalization

The Commission does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(iv) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(v) Inventory held for consumption

Inventory held for consumption consists of spare parts used in the maintenance of Commission facilities and is valued at the lower of cost or net realizable value. Inventory items issued out are expensed to materials, goods and supplies. The cost of inventory is assigned by using the first-in-first-out cost formula.

**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

**3. FINANCIAL INSTRUMENTS**

The Commission's financial instruments consist of cash, investments, receivables from Commission members, other receivables, accounts payable and accrued liabilities, debt and other liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency, or credit risk arising from these financial instruments. Long term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.

**4. INVESTMENTS**

Investments consist of a notice demand account which bear an interest at rate of 2.5% (2017-1.3%) with maturity dates of 90 days' notice (2017- of February 20, 2018).

**ALBERTA CAPITAL REGION WASTEWATER COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(in 000's)

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**5. DEBT**

	<b>2018</b>	<b>2017</b>
Debenture payable to Alberta Capital Finance Authority, due in semi-annual installments of \$346 including principal and interest, bears interest at 5.375% and matures December 15, 2018.	-	328
Debenture payable to Alberta Capital Finance Authority, due in semi-annual installments of \$196 including principal and interest, bears interest at 5.387% and matures June 15, 2019.	191	558
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$238 including principal and interest, bears interest at 4.951% and matures September 15, 2019.	459	896
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$257 including principal and interest, bears interest at 4.654% and matures December 15, 2019.	496	970
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$70 including principal and interest, bears interest at 4.643% and matures March 16, 2020.	201	327
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$217 including principal and interest, bears interest at 3.569% and matures June 15, 2026.	2,830	3,153
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$246 including principal and interest, bears interest at 2.769% and matures March 15, 2027.	3,700	4,081
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$243 including principal and interest, bears interest at 2.599% and matures September 17, 2027.	3,874	4,252
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$347 including principal and interest, bears interest at 3.586% and matures September 16, 2028.	5,791	6,265
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$123 including principal and interest, bears interest at 2.814 % and matures September 15, 2029.	2,318	2,496
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$120 including principal and interest, bears interest at 2.385 % and matures September 15, 2030.	2,482	2,659

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**5. DEBT (continued)**

Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$287 including principal and interest, bears interest at 2.768 % and matures December 15, 2032.	6,618	7,000
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$209 including principal and interest, bears interest at 3.051 % and matures September 17, 2033.	5,000	-
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$84 including principal and interest, bears interest at 3.051 % and matures September 17, 2033.	2,000	-
Debenture payable to Alberta Capital Finance Authority due in semi-annual installments of \$211 including principal and interest, bears interest at 3.201 % and matures December 17, 2033.	5,000	-
	\$40,960	\$32,985

Debt principal and interest amounts in each of the next five years are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 4,279	1,218	\$ 5,497
2020	3,160	1,081	4,241
2021	3,186	985	4,171
2022	3,283	888	4,171
2023	3,384	787	4,171
Balance to Maturity	23,668	2,937	26,605
	\$40,960	\$7,896	\$48,856

The Commission has a demand operating line of credit available for use, up to a maximum of \$2,000 bearing interest at prime rate and is unsecured. As at December 31, 2018 nil (2017 - nil) was drawn against the available operating line of credit.

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**6. TANGIBLE CAPITAL ASSETS**

	<b>Land</b>	<b>Engineering Structures</b>	<b>Machinery &amp; Equipment</b>	<b>2018 Totals</b>	<b>2017 Totals</b>
<b>Cost:</b>					
Balance at beginning of year	\$ 2,207	308,697	1,222	312,126	295,429
Additions	-	25,603	13	25,616	18,354
Disposals	-	(2,254)	-	(2,255)	(1,657)
<b>Cost at end of year</b>	<b>2,207</b>	<b>332,046</b>	<b>1,235</b>	<b>335,488</b>	<b>312,126</b>
<b>Accumulated amortization:</b>					
Accumulated amortization beginning	-	119,168	798	119,966	114,774
Amortization in the year	-	6,636	87	6,723	6,361
Accumulated amortization disposals	-	(1,333)	-	(1,333)	(1,169)
<b>Accumulated amortization end of year</b>	<b>-</b>	<b>124,471</b>	<b>885</b>	<b>125,356</b>	<b>119,966</b>
<b>Net book value</b>	<b>\$ 2,207</b>	<b>\$ 207,575</b>	<b>\$ 350</b>	<b>\$ 210,132</b>	<b>\$ 192,160</b>

The net book value of tangible capital assets includes \$11,284 (\$8,436 in 2017) related to engineering structures in design or under construction and are not amortized in the period. Contributed tangible capital assets in 2018 were nil (nil in 2017).

**7. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2018</b>	<b>2017</b>
Tangible capital assets	\$ 335,488	\$ 312,126
Accumulated amortization	(125,357)	(119,966)
Long term debt	(40,960)	(32,985)
	<b>\$ 169,171</b>	<b>\$ 159,175</b>

**8. ACCUMULATED SURPLUS**

	<b>2018</b>	<b>2017</b>
Reserves		
Capital	\$ 684	\$ 719
Operating	1,000	5,082
	1,684	5,801
Equity in tangible capital assets	169,171	159,175
<b>Total accumulated surplus</b>	<b>\$170,855</b>	<b>\$164,976</b>

The Capital Reserve sets aside funds for the purpose of financing future capital acquisitions and development. This reserve is funded from annual surplus funds and disposals of capital assets. Surplus funds in excess of the required contribution to the Operating Reserve are contributed to the Capital Reserve.

The Operating Reserve was established to provide rate stability and to provide funds for years when unforeseen expenses or lost revenues accrue. It is maintained at a minimum balance of 10%

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and maximum of 15% of annual gross revenue. Increases to the reserve are funded from the annual surplus.

**9. EXPENSES BY OBJECT**

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
Salaries and benefits	\$ 5,794	\$ 5,799	\$ 5,483
Contracted and general services	14,054	14,229	9,256
Materials, goods, supplies and utilities	3,529	3,285	3,198
Purchased from other governments	1,597	1,002	5,748
Interest	1,049	1,170	940
Amortization	6,723	6,700	6,361
Loss on disposal of tangible capital assets	921	-	488
	<b>\$ 33,667</b>	<b>\$ 32,185</b>	<b>\$ 31,474</b>

**10. CONTRACTUAL COMMITMENTS**

In 2015, the Commission entered into a biosolids management contract with the City of Edmonton. This agreement expires in 2025.

In 2008, the Commission entered into the Regional Wastewater Exchange Agreement with the City of Edmonton. This agreement expires in 2028.

In 2015, the Commission extended the contract with Instinct Trucking to haul sludge. This contract expires in 2019.

In 2018, the Commission entered into a contract with Enmax to supply electricity and natural gas. This agreement expires in 2023.

In 2018, the Commission entered into a contract with Direct Energy to supply natural gas. This agreement expires in 2022.

As of December 31, 2018, the Commission has contractual commitments of \$12,799 with \$4,836 of work still outstanding for the following projects:

- South East Regional North Trunk rehabilitation project for \$9,220 with \$3,715 of work still outstanding. Completion expected in 2019.
- St. Albert Regional Trunk Manning Crossing project for \$3,579 with \$1,121 of work still outstanding. Completion expected in 2019.

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**11. LOCAL AUTHORITIES PENSION PLAN**

All eligible employees of the Alberta Capital Region Wastewater Commission participate in the LAPP (Local Authorities Pension Plan) under the Public Sector Pension Plans Act. Required contributions by the Commission to the Local Authorities Pension Plan are 10.39% (2017 – 11.39%) of pensionable earnings up to the year's pensionable earnings maximum under the Canada Pension Plan and 14.84% (2017 – 15.84%) on pensionable earnings above this amount. Employees are required to contribute 9.39% (2017 – 10.39%) of pensionable salary up to the year's maximum pensionable salary and 13.84% (2017 – 14.84%) on pensionable salary above this amount.

Contributions for current service are recorded as expenditures in the year in which they become due. Contributions made during the year by the Alberta Capital Region Wastewater Commission and its employees were \$519 and \$476 respectively (2017 - \$525 by the Commission and \$485 from its employees).

At December 31, 2017 the LAPP disclosed an actuarial surplus of \$4,840 million.

**12. DEBT LIMITS**

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

	<b>2018</b>	<b>2017</b>
Total debt limit	\$ 79,092	\$ 72,596
Total debt	40,960	32,985
Amount total debt limit remaining	<u>\$ 38,132</u>	<u>\$ 39,611</u>
Debt servicing limit	\$ 13,841	\$ 12,704
Debt servicing	5,497	5,031
Amount total debt servicing remaining	<u>\$ 8,344</u>	<u>\$ 7,673</u>

The debt limit is calculated at 2 times revenue of the Commission (as defined in Alberta Regulations No. 76/2000) and debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify commissions that could be at financial risks 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.

The Commission has a debt management policy with a self-imposed debt limit of 1.5 times revenue. The total debt limit with the 1.5 times revenue is \$59,319 with \$18,359 total debt limit remaining.

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**13. RELATED PARTY TRANSACTIONS**

The municipalities that are members of the Commission are considered to be related parties.

At year end, accounts receivable includes a total of \$2,688 (2017 - \$2,521) receivable from the various member municipalities and accounts payable includes \$1,058 (2017 - \$275) payable to various member municipalities.

Revenues generated include \$34,304 (2017 - \$31,224) paid by member municipalities.

Contract maintenance and capital expenditures include \$6,126 (2017 - \$1,447) paid to Strathcona County for transmission maintenance services.

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.

**14. APPROVAL OF FINANCIAL STATEMENTS**

The Board of Directors and management have approved these financial statements.