

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

AND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

## INDEPENDENT AUDITOR'S REPORT

To the Members of **Highway 14 Regional Water Services Commission**:

### *Qualified Opinion*

We have audited the financial statements of **Highway 14 Regional Water Services Commission** (the Commission), which consist of the statement of financial position at December 31, 2023, and statements of changes in net assets, operations and of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

The Commission holds certain property with a net book value of \$503,303. Circumstances are present that indicate the property's carrying amount should be tested for recoverability. Sufficient appropriate audit evidence is not available to determine the fair value and therefore the amount of impairment, if any, that should be recognized and therefore no impairment has been recognized.

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 qualified opinion.

### *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 accounting standards for not-for-profit organizations, 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

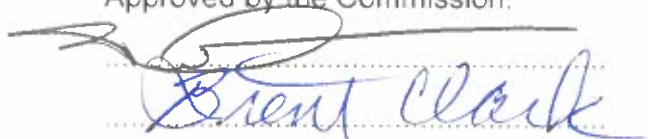
Edmonton, Alberta  
April 18, 2024

*Yaremchuk & Annicchiarico* LLP  
Chartered Professional Accountants

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash .....	\$ 60,671	\$ 121,871
Accounts receivable .....	362,047	373,519
Inventory .....	77,418	70,291
Prepaid expenses and deposits .....	47,794	92,908
Current portion of promissory note receivable .....	<u>150,336</u>	<u>-</u>
Total current assets .....	698,266	658,589
INTERNALLY RESTRICTED CASH (Note 3) .....	850,000	998,827
PROMISSORY NOTE RECEIVABLE (Note 4) .....	1,040,119	-
PROPERTY AND EQUIPMENT (Note 5) .....	11,218,630	11,250,674
INTANGIBLE ASSETS - net of accumulated amortization of \$70,838 (2022 - \$65,623) .....	<u>137,772</u>	<u>142,987</u>
TOTAL .....	<u>\$13,944,787</u>	<u>\$13,051,077</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities .....	\$ 358,363	\$ 405,938
Customer deposits .....	118,140	112,329
Bank loans (Note 7) .....	877,531	922,013
Current portion of finance contract payable .....	12,654	13,567
Current portion of mortgage payable .....	11,739	16,865
Current portion of debenture payable .....	<u>350,453</u>	<u>339,335</u>
Total current liabilities .....	<u>1,728,880</u>	<u>1,810,047</u>
FINANCE CONTRACT PAYABLE (Note 8) .....	<u>32,135</u>	<u>43,750</u>
MORTGAGE PAYABLE (Note 9) .....	<u>166,195</u>	<u>174,964</u>
DEBENTURE PAYABLE (Note 10) .....	<u>5,218,001</u>	<u>5,568,454</u>
NET ASSETS:		
Invested in property and equipment .....	4,760,916	4,394,791
Invested in intangible assets .....	52,922	53,383
Internally restricted (Note 11) .....	1,887,879	998,827
Unrestricted .....	<u>97,859</u>	<u>6,861</u>
Total net assets .....	<u>6,799,576</u>	<u>5,453,862</u>
TOTAL .....	<u>\$13,944,787</u>	<u>\$13,051,077</u>

Approved by the Commission:



**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Invested in property and equipment	Invested in intangible assets	Internally Restricted	Unrestricted	<b>2023 Total</b>	<b>2022 Total</b>
Balance at the beginning of the year .....	\$ 4,394,791	\$53,383	\$ 998,827	\$ 6,861	<b>\$5,453,862</b>	<b>\$4,857,837</b>
Excess of revenue (expenses) for the year.....	919,513	(5,215)	-	431,416	<b>1,345,714</b>	596,025
Interfund transfer of fixed charges .....	-	-	889,052	(889,052)	-	-
Purchase of property and equipment.....	1,123,443	-	-	(1,123,443)	-	-
Proceeds from sale of property and equipment.....	(2,075,000)	-	-	2,075,000	-	-
Repayment of bank loans .....	43,609	343	-	(43,952)	-	-
Repayment of finance contracts payable.....	12,528	-	-	(12,528)	-	-
Repayment of mortgage payable .....	13,895	-	-	(13,895)	-	-
Repayment of debenture payable .....	<u>328,137</u>	<u>4,411</u>	<u>-</u>	<u>(332,548)</u>	<u>-</u>	<u>-</u>
Balance at end of the year .....	<u>\$ 4,760,916</u>	<u>\$52,922</u>	<u>\$1,887,879</u>	<u>\$ 97,859</u>	<b><u>\$6,799,576</u></b>	<b><u>\$5,453,862</u></b>

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
REVENUE - water and transmission .....	<b>\$3,569,985</b>	\$3,793,599
COST OF SALES - water purchases.....	<u>812,171</u>	<u>929,635</u>
GROSS MARGIN .....	<u>2,757,814</u>	<u>2,863,964</u>
EXPENSES:		
Advertising and promotion .....	2,622	8,709
Amortization - property and equipment.....	297,472	275,403
- intangible assets.....	5,215	5,215
Automotive and subsistence.....	40,373	37,973
Bank charges and interest.....	20,617	23,209
Computer.....	44,469	55,328
Contract services.....	234,245	56,584
Insurance.....	25,897	19,930
Interest - bank loans.....	65,018	31,532
- debenture payable.....	188,768	199,534
- finance contract.....	500	3,686
- mortgage payable.....	10,705	4,129
Meetings.....	12,449	19,511
Office and postage .....	55,396	42,004
Professional fees .....	75,325	101,056
Rent (Note 16).....	150,011	133,212
Repairs and maintenance.....	298,196	161,250
Salaries and benefits .....	973,981	870,507
Staff development.....	11,376	24,419
Telephone and utilities.....	<u>159,698</u>	<u>192,829</u>
Total expenses .....	<u>2,672,333</u>	<u>2,266,020</u>
EXCESS OF REVENUE BEFORE THE UNDERNOTED.....	<u>85,481</u>	<u>597,944</u>
OTHER INCOME (LOSS):		
Gain (loss) on disposal of property and equipment .....	1,216,985	(1,979)
Interest revenue - promissory note receivable.....	42,586	-
Service revenue.....	<u>662</u>	<u>60</u>
Net other income (loss) .....	<u>1,260,233</u>	<u>(1,919)</u>
EXCESS OF REVENUE FOR THE YEAR .....	<b><u>\$1,345,714</u></b>	<b><u>\$ 596,025</u></b>

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES:</b>		
Cash from (used in) operations:		
Excess of revenue for the year .....	\$ 1,345,714	\$ 596,025
Items not involving cash for operations:		
Amortization.....	302,687	280,618
Loss (gain) on disposal of property and equipment.....	<u>(1,216,985)</u>	<u>1,979</u>
	431,416	878,622
Increase (decrease) in non-cash working capital balances:		
Accounts receivable .....	11,472	(71,909)
Inventory.....	(7,127)	23,897
Prepaid expenses and deposits.....	45,114	(79,774)
Promissory note receivable .....	<u>(1,190,455)</u>	
Accounts payable and accrued liabilities .....	(47,575)	140,936
Customer deposits.....	<u>5,811</u>	<u>6,308</u>
Net cash from (used in) operating activities .....	<u>(751,344)</u>	<u>898,080</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from bank loans.....	-	350,000
Repayment of bank loans.....	(44,482)	(49,288)
Proceeds from finance contracts .....	-	136,097
Repayment of finance contracts .....	(12,528)	(78,780)
Proceeds from mortgage payable.....	-	200,000
Repayment of mortgage payable.....	(13,895)	(8,171)
Repayment of debenture payable.....	<u>(339,335)</u>	<u>(328,570)</u>
Net cash from (used in) financing activities .....	<u>(410,240)</u>	<u>221,288</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment.....	(1,123,443)	(839,070)
Proceeds from sale of property and equipment.....	<u>2,075,000</u>	<u>208,315</u>
Net cash from (used in) investing activities .....	<u>951,557</u>	<u>(630,755)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR..	(210,027)	488,613
CASH AT BEGINNING OF THE YEAR.....	<u>1,120,698</u>	<u>632,085</u>
CASH AT END OF THE YEAR.....	<u>\$ 910,671</u>	<u>\$1,120,698</u>



**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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1. NATURE OF OPERATIONS:

The Commission was established to provide water transmission services to its member municipalities through the construction of a municipal waterline from Strathcona County through Beaver County. The initial members of the Commission were Beaver County, Strathcona County, Town of Tofield, Village of Holden, Village of Ryley and Town of Viking.

Effective May 21, 2011 the Commission acquired the water systems assets held by CU Water Limited for cash consideration of \$15.4 million. Subsequent to this date, the Commission will operate and maintain the water supply system and provide water transmission services to its member municipalities.

Effective January 2012 Strathcona County purchased a portion of the water systems assets held by the Commission for cash consideration of approximately \$5.3 million. In conjunction with the purchase of water systems assets, Strathcona County discontinued its membership in the Commission effective January 1, 2012. Proceeds were used to repay outstanding debt.

Effective April 2023 Strathcona County purchased a portion of the water systems assets held by the Commission for cash consideration of \$750,000 and a promissory note receivable of \$1,300,000.

2. ACCOUNTING POLICIES:

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

*Revenue recognition:*

Revenue from water sales is recognized when the water has been transmitted to the customer.

Revenue from service sales is recognized when the service has been provided.

*Inventory:*

Inventory consists of parts and is stated at lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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2. ACCOUNTING POLICIES (continued):

*Property and equipment:*

Property and equipment are stated at cost. Amortization is provided at the following annual rates:

Automotive equipment.....	30% declining balance
Buildings.....	2.5% - 10% straight-line
Computer equipment.....	30% declining balance
Distribution and transmission equipment.....	1.5% - 10% straight-line
Office and field equipment.....	20% declining balance
Scada equipment.....	10% straight-line
Leasehold improvements .....	5% straight-line

Property and equipment under development represents capital projects under construction and are therefore not being amortized.

*Intangible assets:*

Intangible assets consist of land rights and are stated at cost. Amortization is provided using the straight-line method at a rate of 2.5% per annum.

*Pension expenditures:*

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they became due.

*Invested in property and equipment:*

Invested in property and equipment represents the Commission's net investment in property and equipment, after deducting the portion financed by third parties through debt or other long-term capital borrowings.

*Invested in intangible assets:*

Invested in intangible assets represents the Commission's net investment in intangible assets, after deducting the portion financed by third parties through debt or other long-term capital borrowings.

*Internally restricted net assets:*

Net assets are internally restricted at the discretion of the Commission to set aside funds for future expenditures.

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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2. ACCOUNTING POLICIES (continued):

*Financial instruments:*

The Commission initially measures its financial assets and liabilities at fair value.

The Commission subsequently measures all its financial assets and financial liabilities at amortized cost.

The Commission's financial instruments measured at amortized cost consists of cash, accounts receivable, promissory note receivable, accounts payable and accrued liabilities, customer deposits, bank loans, finance contract payable, mortgage payable and debenture payable.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount of impairment recognized previously. The amount of the reversal is recognized in net income.

*Cash and cash equivalents:*

Cash and cash equivalents consist of balances with banks and short-term investments that can be converted readily to cash.

*Use of estimates:*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. INTERNALLY RESTRICTED CASH:

By resolution of the Board of Directors, cash in the amount of \$850,000 (2022 - \$998,827) has been restricted to fund the internally restricted reserve. The funds can only be expended upon approval of the Commission.

4. PROMISSORY NOTE RECEIVABLE:

Promissory note receivable bears interest at a rate of 3.71% per annum and is repayable by way of a discount on bulk water sales made by the Commission from Strathcona County or for cash consideration.

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

5. PROPERTY AND EQUIPMENT:

The major categories of property and equipment and related accumulated amortization are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2023</u>	<u>2022</u>
Land .....	\$ 474,105	\$ -	\$ 474,105	\$ 423,055
Automotive equipment .....	255,464	127,975	127,489	138,488
Buildings.....	2,149,397	250,478	1,898,919	880,154
Computer equipment.....	88,382	69,137	19,245	23,785
Distribution and transmission equipment .....	10,673,513	2,091,064	8,582,449	9,233,492
Field equipment.....	103,669	44,741	58,928	68,034
Office equipment .....	50,881	39,820	11,061	13,826
Scada equipment .....	237,375	214,469	22,906	30,734
Leasehold improvements .....	37,643	14,115	23,528	25,410
Property and equipment under development .....	-	-	-	413,696
	<u>\$14,070,429</u>	<u>\$2,851,799</u>	<u>\$11,218,630</u>	<u>\$11,250,674</u>

6. BANK INDEBTEDNESS:

The revolving demand loan bears interest at the bank prime rate plus 0.5% per annum and is authorized to a maximum of \$600,000. There was no balance outstanding on the loan at December 31, 2023 or 2022. The loan is secured by a general security agreement over all assets of the Commission.

7. BANK LOANS:

Bank loans consist of the following:

	<u>2023</u>	<u>2022</u>
Loan bearing interest at the bank prime rate plus 0.12% per annum due in monthly payments of \$5,540 principal and interest combined .....	\$553,722	\$580,142
Loan bearing interest at the bank prime rate plus 0.55% per annum due in monthly payments of \$3,585 principal and interest combined .....	323,809	341,871
	<u>\$877,531</u>	<u>\$922,013</u>

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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7. BANK LOANS (continued):

Bank loans are due on demand however the bank has agreed to accept payments as indicated. Bank loans are secured by a general security agreement over all assets of the Commission.

Subsequent to year end, the terms of the bank loans were renegotiated to bear interest at the bank prime rate plus 0.3% per annum due in monthly payments of \$6,465 and \$4,211 respectively.

8. FINANCE CONTRACT PAYABLE:

Finance contract payable bears interest at the rate of 0.99% per annum and is due in monthly payments of \$1,086 principal and interest combined to June 2027 and is secured by specific equipment with a net book value of \$39,755.

Principal payments due on a finance contract payable are as follows:

2024 .....	\$12,654
2025 .....	12,778
2026 .....	12,905
2027 .....	6,452

9. MORTGAGE PAYABLE:

Mortgage payable bears interest at the Bank of Canada prime rate plus 0.5% per annum and is due in monthly payments of \$2,050 principal and interest combined to June 2032 and is secured by property with a net book value of \$1,149,219.

Principal repayments are as follows:

2024 .....	\$ 11,739
2025 .....	12,645
2026 .....	13,619
2027 .....	14,669
2028 .....	15,800
Thereafter.....	109,462

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**10. DEBENTURE PAYABLE:**

The debenture is repayable to the Alberta Capital Finance Authority, bears interest at a rate of 3.25% per annum and is repayable in semi-annual payments of \$264,302, principal and interest combined on June 15 and December 15 each year with the balance due December 15, 2036.

Debenture payable is issued on the credit and security of the Commission at large.

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024 .....	\$ 350,453	\$ 178,151	\$ 528,604
2025 .....	361,935	166,669	528,604
2026 .....	373,794	154,810	528,604
2027 .....	386,041	142,563	528,604
2028 .....	398,689	129,915	528,604
Thereafter.....	<u>3,697,542</u>	<u>531,270</u>	<u>4,228,812</u>
	<u>\$5,568,454</u>	<u>\$1,303,378</u>	<u>\$6,871,832</u>

**11. NET ASSETS - INTERNALLY RESTRICTED:**

By resolution of the Board of Directors, funds have been internally restricted for a distribution capital expenditure reserve, operational reserve, transmission capital expenditure reserve and truck fill capital expenditure reserve.

The funds can only be expended upon approval of the Commission.

**12. DEBT LIMITS:**

Section 602.29 of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 76/100 for the Highway 14 Regional Water Services Commission be disclosed as follows:

	<u>2023</u>	<u>2022</u>
Total debt limit.....	\$ 9,660,436	\$ 7,587,318
Total debt .....	<u>(6,668,708)</u>	<u>(7,078,948)</u>
Amount of total debt limit remaining .....	<u>\$ 2,991,728</u>	<u>\$ 508,370</u>
Debt servicing limit.....	\$ 1,690,576	\$ 1,327,781
Debt servicing .....	<u>(694,348)</u>	<u>(675,736)</u>
Amount of total debt servicing remaining .....	<u>\$ 996,228</u>	<u>\$ 652,045</u>

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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12. DEBT LIMITS (continued):

The debt limit represents 2 times the eligible revenue of the Commission, and the debt servicing limit represents 0.35 times the eligible revenue. On January 18, 2012, the Minister of Municipal Affairs authorized the Commission to borrow up to \$17,000,000 to fully acquire the water supply system assets from CU Water Limited as outlined in Note 1.

13. FINANCIAL INSTRUMENTS:

The Commission is exposed to risk on certain financial instruments as follows:

*Credit risk:*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk on accounts receivable. In order to reduce its credit risk, the Commission has adopted credit policies which include the analysis of the financial position of debtors and the regular review of their credit limits. The Commission also provides for doubtful accounts based on the estimated realizable value of the accounts receivable.

*Market risk:*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Commission is mainly exposed to interest rate risk.

*Interest rate risk:*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Commission is exposed to interest rate risk on promissory note receivable, bank loans, finance contract payable, mortgage payable and debenture payable. The fixed-rate instruments subject the Commission to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

14. COMMITMENTS/ECONOMIC DEPENDENCE:

The Commission entered into an agreement, dated January 1, 2012 and amended April 18, 2023, to purchase water from Strathcona County for sale and delivery through the system. The agreement is for a 25 year term from the date of execution of the agreement and renewable until cancelled.

The Commission is economically dependent on Strathcona County for the purchase of water.

**HIGHWAY 14 REGIONAL WATER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**15. LEASE COMMITMENTS:**

The Commission has entered into the following lease commitments:

- a) Lease of truck fill property and equipment from a member of the Commission, Beaver County, under a lease agreement which expires March 2025. The minimum rent payable effective April 1 of each year is due in equal monthly instalments of the annual rent calculated for the previous year ended March 31. The minimum annual rent is calculated by multiplying the total cubic metres of water sold at the truck fill station by a rate of \$0.75 per cubic metre. Any difference between the total monthly instalments paid and annual rent calculated as of March 31 each year will either be paid to or refunded by Beaver County without interest being assessed.

The lease contains an option for the Commission to purchase the truck fill property and equipment for a purchase price of \$1,101,603 plus interest calculated at a rate of 1.5% per annum from the date of commencement of the lease, April 1, 2015, less the sum of the rental payments paid by the Commission for the period April 1, 2015 to the date the purchase option is exercised.

- b) Lease of truck fill property and equipment from a member of the Commission, Town of Tofield, under a lease agreement which expires December 2036. The minimum rent payable is due in monthly instalments by multiplying the total cubic metres of water sold at the truck fill station for the previous month by a rate of \$0.25 per cubic metre plus the reimbursement of the bulk water charges in the previous month to the Town of Tofield.

**16. RELATED PARTY TRANSACTIONS:**

During the year, the Commission paid property and equipment rent to members of the Commission as follows:

	<u>2023</u>	<u>2022</u>
Beaver County .....	\$103,892	\$ 83,535
Town of Tofield.....	<u>43,059</u>	<u>46,198</u>
	<u>\$146,951</u>	<u>\$129,733</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.



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**17. REMUNERATION DISCLOSURE:**

Disclosure of remuneration for directors is as follows:

	<u>2023</u>	<u>2022</u>
Ducherer, B. Chair .....	\$ 1,510	\$ -
Ewashko, D. Director .....	5,695	2,095
Lee, N. Former Director .....	185	370
Lefsrud, C. Former Director .....	-	925
Macgregor, M. Director .....	370	-
Martineau, N. Vice Chair .....	1,295	555
Pederson, D. Director .....	1,480	2,320
Reid, S. Former Director .....	-	1,665
Schiewe, T. Former Director .....	925	2,035
Tiedemann, L. Former Chair .....	<u>-</u>	<u>5,450</u>
Total .....	<u>\$11,460</u>	<u>\$15,415</u>

Remuneration includes regular base pay, gross honoraria and any other direct cash remuneration. Payments for travel and meals and accommodations are considered to be reimbursements and have therefore been excluded from the above.

Disclosure of remuneration for the chief administrative officer is as follows:

	<u>2023</u>	<u>2022</u>
Bolch, M. - salary/remuneration .....	\$261,530	\$225,959
- benefits and allowances .....	<u>31,499</u>	<u>30,598</u>
	<u>\$293,029</u>	<u>\$256,557</u>

Salary/remuneration includes regular base pay, bonuses, overtime, lump sum payments and any other direct cash remuneration.

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension and health coverage. Benefits and allowances figure also includes the employer's share of the costs of additional taxable benefits including allowances.

**18. LOCAL AUTHORITIES PENSION PLAN:**

Employees of the Commission participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

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18. LOCAL AUTHORITIES PENSION PLAN (continued):

Contributions for current service are recorded as expenditures in the year in which they become due.

The Commission is required to make current service contributions to the plan of 8.45% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 12.23% for the excess.

At December 31, 2022, the Local Authorities Pension Plan disclosed an actuarial surplus of approximately \$12.67 billion. No asset has been recorded in these financial statements at December 31, 2023 related to this actuarial surplus.

19. SUBSEQUENT EVENT:

Subsequent to year end, the Commission became a defendant in a wrongful dismissal lawsuit in the amount of \$1,448,973 plus additional damages, lost wages, interest and costs. It is the opinion of the Board of Directors that the Commission with either be successful in defending this action or any damages will be paid by the insurance company.

20. INCOME TAX STATUS:

The Commission is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

21. APPROVAL OF FINANCIAL STATEMENTS:

These financial statements were approved by the Commission and Management.