

AQUA 7 REGIONAL WATER COMMISSION
Financial Statements
Year Ended December 31, 2024

AQUA 7 REGIONAL WATER COMMISSION

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Year Ended December 31, 2024

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Aqua 7 Regional Water Commission (the "Commission") are the responsibility of the Commission's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 3 of the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Commission's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management. The board of directors meets with management and the external auditor to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by RSM Canada LLP, independent external auditor appointed by the Commission. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Commission's financial statements.

Mr. Mike Haugen, Manager

Ms. Deanna Keiver,
Secretary/Treasurer

Acme, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of Aqua 7 Regional Water Commission

Opinion

We have audited the financial statements of Aqua 7 Regional Water Commission (the Commission), which comprise the statement of financial position as at December 31, 2024, and the statements of operations, changes in annual surplus (deficit), changes in net financial debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2024, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 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 budgeted amounts included in the statement of operations for the year ended December 31, 2024 are unaudited.

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 PSAS, 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.

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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.

RSM Canada LLP

Edmonton, Alberta
May 1, 2025

Chartered Professional Accountants

AQUA 7 REGIONAL WATER COMMISSION

Statement of Financial Position

December 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash	\$ 2,752,991	\$ 2,542,097
Accounts receivable (Note 4)	252,888	154,099
Goods and services tax recoverable	4,842	5,713
	3,010,721	2,701,909
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	184,138	157,740
Due to Alberta Transportation (Note 6)	111,451	111,451
Deferred revenue (Note 7)	257,922	302,778
Long-term debt (Note 8)	8,394,810	8,741,657
	8,948,321	9,313,626
NET FINANCIAL DEBT	(5,937,600)	(6,611,717)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	16,185,643	16,867,687
Inventory for consumption	28,664	28,664
Other asset (Note 11)	414,000	486,000
	16,628,307	17,382,351
ACCUMULATED SURPLUS (Schedule 2)	\$ 10,690,707	\$ 10,770,634

CONTRACTUAL OBLIGATIONS (Note 12)

ON BEHALF OF THE BOARD

Chairman

Director

See notes to financial statements

AQUA 7 REGIONAL WATER COMMISSION

Statement of Operations

Year Ended December 31, 2024

	Budget (Note 15)	2024	2023
REVENUES			
Water sales to commission members	\$ 2,006,551	\$ 1,986,568	\$ 1,890,802
Capital replacement reserve fees	149,930	175,195	173,495
Administration fees	140,028	140,028	140,028
Interest	60,000	107,004	70,316
Grant revenue (Note 7)	44,856	44,856	44,856
	2,401,365	2,453,651	2,319,497
EXPENSES			
Materials, goods, supplies and utilities	1,365,711	1,339,419	1,204,125
Amortization of tangible capital assets	682,044	682,044	682,043
Interest on long term debt (Note 8)	292,561	292,562	303,995
Contracted and general services	84,378	86,887	77,999
Amortization of water capital contribution (Note 11)	72,000	72,000	72,000
Manager fees	29,200	29,048	28,303
Insurance	11,000	10,536	10,481
Water testing	6,200	7,939	6,832
Director fees	5,000	4,659	4,647
Property taxes	4,500	4,484	4,156
Land compensation payments	3,500	3,500	3,500
Bank charges and short-term interest	250	500	503
	2,556,344	2,533,578	2,398,584
ANNUAL DEFICIT	\$ (154,979)	\$ (79,927)	\$ (79,087)

See notes to financial statements

AQUA 7 REGIONAL WATER COMMISSION

Statement of Changes in Annual Surplus (Deficit)

Year Ended December 31, 2024

	2024	2023
BALANCE - BEGINNING OF YEAR	\$ 10,770,634	\$ 10,849,721
ANNUAL DEFICIT	(79,927)	(79,087)
BALANCE - END OF YEAR	\$ 10,690,707	\$ 10,770,634

See notes to financial statements

AQUA 7 REGIONAL WATER COMMISSION

Statement of Changes in Net Financial Debt

Year Ended December 31, 2024

	Budget (Note 15)	2024	2023
ANNUAL DEFICIT	\$ (154,979)	\$ (79,927)	\$ (79,087)
Amortization of tangible capital assets	682,044	682,044	682,043
Amortization of water capital contribution	72,000	72,000	72,000
	754,044	754,044	754,043
DECREASE IN NET FINANCIAL DEBT	599,065	674,117	674,956
NET FINANCIAL DEBT - BEGINNING OF YEAR	(6,753,779)	(6,611,717)	(7,286,673)
NET FINANCIAL DEBT - END OF YEAR	\$ (6,154,714)	\$ (5,937,600)	\$ (6,611,717)

See notes to financial statements

AQUA 7 REGIONAL WATER COMMISSION

Statement of Cash Flows

Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Annual deficit	\$ (79,927)	\$ (79,087)
Items not affecting cash:		
Amortization of tangible capital assets	682,044	682,043
Amortization of water capital contribution	72,000	72,000
	674,117	674,956
Changes in non-cash working capital:		
Accounts receivable	(98,789)	27,489
Goods and services tax recoverable	871	(1,203)
Accounts payable and accrued liabilities	26,398	(6,215)
Deferred revenue	(44,856)	(44,856)
	(116,376)	(24,785)
	557,741	650,171
FINANCING ACTIVITY		
Repayment of long term debt	(346,847)	(335,416)
INCREASE IN CASH	210,894	314,755
Cash - beginning of year	2,542,097	2,227,342
CASH - END OF YEAR	\$ 2,752,991	\$ 2,542,097

See notes to financial statements

AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

1. PURPOSE OF THE ENTITY

Aqua 7 Regional Water Commission (the "Commission") is constituted under the Municipal Government Act and was approved by the Minister of Municipal Affairs on September 30, 2003, for the purpose of constructing, maintaining, controlling and managing a regional potable water supply system.

The members of the Commission are the Village of Acme, the Village of Bieseker, the Village of Carbon, the Village of Linden, the Town of Irricana, Kneehill County, and Rocky View County.

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2024, the Commission adopted PS 3160 Public Private Partnerships (P3), PS 3400 Revenue and PSG-8 Purchased Intangibles prospectively, with the exception of P3 contracts entered prior to January 1, 2024, of which retroactive application is used without restating prior year comparatives. As a result, prior year comparatives are not restated for revenue, purchased intangibles or P3 contracts. The adoption of PS 3160 Public Private Partnership (P3) and PSG-8 Purchased Intangibles had no impact on the Commission's financial statements. The adoption of PS 3400 did not result in any changes to the measurement of revenues on adoption and therefore, there were no impacts on the financial statements on adoption of the new standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards. The significant policies are detailed below:

Cash

Cash is comprised of cash on deposit with financial institutions.

Revenue recognition

Administration fees, capital replacement reserve fees and water sales are recognized as revenue in the period in which the service or goods are delivered in accordance with the water delivery contracts as the performance obligations are fulfilled.

Interest income is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Deferred revenue

Deferred revenue represents government transfers which have been collected but for which the agreement stipulations have not been met. These amounts will be recognized when the revenue recognition criteria have been met.

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 normal course of operations. The change in non-financial assets during the year, together with the deficit of revenue over expenses, provides the change in net financial debt for the year.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the contribution. No amortization is taken in the year of disposal. Amortization is recorded on a straight-line basis over the following periods:

Engineering structures	25, 50, and 60 years
Supervisory control and data acquisition (SCADA)	5 years

One-half of the annual amortization is charged in the year of acquisition. The Commission regularly reviews its tangible capital assets to eliminate obsolete items. 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. Net write-downs are accounted as expenses in the Statement of Operations.

Inventory for consumption

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial instruments policy

Measurement of Financial Instruments

Financial instruments are financial assets or liabilities of the Commission where, in general, the Commission has the right to receive cash or another financial asset from another party or the Commission has the obligation to pay another party cash or other financial assets.

The Commission initially measures its financial assets and liabilities at fair value and subsequently measures them at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, due to Alberta Transportation and long-term debt.

Financial assets are tested annually for impairment. Impairment losses are recorded in the statement of operations and any write-downs resulting from impairment are not reversed for subsequent increases in value.

Transactions costs

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments that are subsequently measured at cost or amortized cost.

Asset retirement obligation

Asset retirement obligations are legal obligations associated with the retirement of a tangible capital asset. Asset retirement activities include all activities related to an asset retirement obligation. These may include, but are not limited to: decommission or dismantling a tangible capital asset that was acquired, constructed or developed; remediation of contamination of a tangible capital asset created by its normal use; post-retirement activities such as monitoring; and constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, at the financial reporting date: there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction of event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expenses.

The asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability.

As at December 31, 2024, the Commission has not identified any asset retirement obligations.

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AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

3. SUMMARY OF 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 amount 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 period. Significant management estimates pertain to the estimated useful lives of tangible capital assets and related amortization and the determination of capital replacement reserves. Actual results could differ from those estimates.

Restricted surplus

Certain amounts, as approved by the Commission's Council, are set aside in accumulated surplus for future capital purposes. Transfers to or from restricted surplus are adjusted to the respective fund when approved.

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of \$252,888 (2023 - \$154,099) due from related parties (Note 13).

5. CREDIT FACILITY

The Commission has an authorized revolving line of credit of \$1,000,000 at a rate of prime (5.45%) plus 1% per annum as at December 31, 2024, of which \$1,000,000 remained unused at year end. The line of credit is secured by a general security agreement and the assignment of the water supply agreement with the Town of Drumheller.

6. DUE TO ALBERTA TRANSPORTATION

The amounts due to Alberta Transportation are for amounts received in excess of the grant limit in 2008. There are no set repayment terms and no interest is being charged on the outstanding amounts.

7. DEFERRED REVENUE

	2024	2023
Balance, beginning of the year	\$ 302,778	\$ 347,634
Less: Revenues recognized	(44,856)	(44,856)
	\$ 257,922	\$ 302,778

The capital grant is being recognized as income by the Commission over 25 years, which is the term of the Water Supply agreement with the Town of Drumheller.

AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

8. LONG-TERM DEBT

	2024	2023
Alberta Capital Finance Authority Debenture, bearing interest at 3.38% per annum, with blended semi-annual payments of \$319,704 due until May 2042. Debenture debt is issued on credit and security of the Commission at large.	\$ 8,394,810	\$ 8,741,657
Amounts payable within one year	(358,669)	(346,847)
	\$ 8,036,141	\$ 8,394,810

Principal repayment terms are approximately:

	Principal	Interest	Total
2025	\$ 358,669	\$ 280,739	\$ 639,408
2026	370,894	268,514	639,408
2027	383,537	255,872	639,409
2028	396,610	242,799	639,409
2029	410,129	229,280	639,409
Thereafter	6,474,971	1,517,629	7,992,600
	\$ 8,394,810	\$ 2,794,833	\$ 11,189,643

Interest on long-term debt for 2024 amounted to \$292,562 (2023 - \$303,995).

9. DEBT LIMIT AND DEBT SERVICING LIMIT

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

	2024	2023
<u>Debt limit</u>		
Total debt limit	\$ 4,817,589	\$ 4,549,282
Long term debt	(8,394,810)	(8,741,657)
Amount of debt limit exceeded	\$ (3,577,221)	\$ (4,192,375)
<u>Debt servicing limit</u>		
Debt servicing limit	\$ 843,078	\$ 796,124
Debt servicing	(639,408)	(639,408)
Amount of debt servicing limit unused	\$ 203,670	\$ 156,716

(continues)

AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

9. DEBT LIMIT AND DEBT SERVICING LIMIT *(continued)*

The debt limit is calculated at 2 times the revenue of the Commission (as defined in Alberta Regulation No. 255/2000) 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 the 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.

Alberta Municipal Affairs issued Ministerial Order No. L158/04 authorizing the Commission to borrow up to \$15,000,000 to complete construction of the regional water transmission line. This resulted in the Commission exceeding the regulated debt limit.

10. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	\$ 38,802	\$ -	\$ 38,802	\$ 38,802
Engineering structures	31,179,866	15,033,025	16,146,841	16,828,885
Supervisory control and data acquisition (SCADA)	243,005	243,005	-	-
	\$ 31,461,673	\$ 15,276,030	\$ 16,185,643	\$ 16,867,687

During the year, there were no additions, disposals, or write-downs incurred by the Commission. Amortization of \$682,044 (2023 - \$682,043) was recognized in the year.

11. OTHER ASSET

	2024	2023
Water capital contribution	\$ 1,800,000	\$ 1,800,000
Accumulated amortization	(1,386,000)	(1,314,000)
	\$ 414,000	\$ 486,000

A review of the capital upgrades undertaken by the Town of Drumheller to produce and deliver water was done by the Commission and the Town of Drumheller. It was determined that the contribution required to support the capital upgrades of the Town of Drumheller's water treatment facility, and to supply the water capacity required by the Commission, was \$1,800,000. This contribution is being recognized by the Commission over 25 years, which is the term of the agreement with the Town of Drumheller. During the year, \$72,000 (2023 - \$72,000) was amortized.

AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

12. CONTRACTUAL OBLIGATIONS

Commencing in 2004, the Commission entered into a 25 year agreement with the Town of Drumheller to purchase treated water in an amount not exceeding 2,200 metres cubed per day. Rates are calculated on a cost of service basis utilizing the principles set out in the American Water Works Association (AWWA) manuals of practice dealing with water rates and charges. Rates are reviewed on an annual basis.

Commencing in 2005, the Commission entered into a 20 year lease agreement with various landowners for land use. The total rental payments are \$3,500 (2023 - \$3,500) per year. Per the agreement, the Commission is obligated to return the land to its original condition as that existing prior to entering the lease.

The Commission has an agreement with Kneehill County to maintain and operate the pipeline owned by the Commission beginning in 2023 for the next three years. Annual contract rates are as follows: Year One - \$74.70/hour regular and \$103.68/hour overtime, Year Two - \$76.57/hour regular and \$106.27/hour overtime, Year Three - \$78.48/hour regular and \$108.93/hour overtime.

The Commission has an agreement with Kneehill County to provide management services beginning in 2023 for three years. Annual contract amounts are as follows: Year One - \$28,248, Year Two - \$28,813, Year Three - \$29,389.

The Commission has an agreement with Kneehill County to provide contract services for the maintenance and operation of the Kirkpatrick Water Reservoir/Pump station beginning in 2023 for the next three years. Annual contract rates are as follows: Year One - \$74.70/hour regular and \$103.68/hour overtime, Year Two - \$76.57/hour regular and \$106.27/hour overtime, Year Three - \$78.48/hour regular and \$108.93/hour overtime.

The Commission has an agreement for Secretary/Treasurer services expiring December 31, 2025. Annual contract amounts are as follows: 2023 - \$21,432; 2024 - \$21,861 and 2025 - \$22,298; For duties performed in excess of 30 hours per month, additional fees of \$25.00 per hour are payable to the contractor.

13. RELATED PARTY TRANSACTIONS

The Village of Acme, the Village of Bieseker, the Village of Carbon, the Village of Linden, the Town of Irricana, Kneehill County and Rocky View County are members of the Commission and, as such, have been identified as related parties. The Commission has entered into agreements with these related parties to supply water services to their customers.

Service fees are based on budgeted operating costs of the Commission and are allocated among Commission members. Water sales are based on actual water consumption during the year. Fees and rates are reviewed by the Commission on an annual basis. Service fees and water sales, charged to Commission members are as follows:

(continues)

AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

13. RELATED PARTY TRANSACTIONS *(continued)*

	2024	2023
Village of Acme	\$ 276,565	\$ 223,451
Village of Beiseker	238,429	237,555
Village of Carbon	160,062	149,567
Village of Linden	413,224	340,772
Town of Irricana	316,710	369,588
Kneehill County	850,533	837,124
Rocky View County	46,268	46,268
	2,301,791	2,204,325

Amounts due to the Commission from the members are payable upon receipt of the invoices.

Amounts due from the Commission members at the end of the year are as follows:

	2024	2023
Village of Acme	\$ 19,896	\$ 16,012
Village of Beiseker	34,889	16,985
Village of Carbon	32,824	19,612
Village of Linden	81,598	26,824
Town of Irricana	21,213	24,137
Kneehill County	60,801	47,195
Rocky View County	1,667	3,334
	252,888	154,099

The Commission entered into a three year agreement with Kneehill County for management services commencing January 2023. Annual contract amounts are as follows: Year One - \$28,248, Year Two - \$28,813, Year Three - \$29,389 plus mileage and reimbursement of expenses. During 2024, fees in the amount of \$29,048 (2023 - \$28,303) were paid.

The Commission entered into an agreement with Kneehill County to provide services for the maintenance of the water transmission and distribution lines. Payments are based on an applied hourly rate. During 2024, fees in the amount of \$31,981 (2023 - \$27,497) were paid, included in contracted and general services on the statement of operations.

The Commission entered into an agreement with Kneehill County to provide reservoir operation services. Payments are based on an applied hourly rate. During 2024, fees in the amount of \$19,794 (2023 - \$12,690) were paid, included in contracted and general services on the statement of operations.

AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

14. FINANCIAL INSTRUMENTS

The Commission, as part of its operations, holds a number of financial instruments. These financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, due to Alberta Transportation and long-term debt. These financial instruments may be exposed to the following risks:

(a) Credit risk

Credit risk arises from the potential that the entities to which the Commission provides services may experience financial difficulty and be unable to fulfil their obligations. The Commission is exposed to financial risk that arises from the credit quality of the entities to which it provides services. As the Commission provides services to Government supported entities, its credit risk is minimized.

(b) Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with its financial liabilities. The Commission is exposed to this risk mainly in respect of its long term debt.

(c) Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Commission is exposed to financial risk from interest rate differentials between market interest rates and the rates used on their financial instruments.

15. BUDGET

The budget presented in these financial statements is based on the 2024 budget prepared in October of 2023. Amortization was not contemplated on the development of the budget; however, has been included in the budget presented in the financial statements. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	2024
Revenues per approved budget	\$ 2,356,509
Grant revenue	44,856
	2,401,365
Expenses per approved budget	2,349,077
Long-term debt principal payments	(346,847)
Transfer - capital replacement reserve	(199,930)
Amortization of tangible capital assets	682,044
Amortization of water capital contribution	72,000
	2,556,344
	\$ (154,979)

Budgeted figures were prepared by management.

AQUA 7 REGIONAL WATER COMMISSION

Notes to Financial Statements

Year Ended December 31, 2024

16. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors of the Commission approved these financial statements.

AQUA 7 REGIONAL WATER COMMISSION

Expenses by Object

(Schedule 1)

Year Ended December 31, 2024

	2024	2023
Materials, goods, supplies and utilities	\$ 1,347,358	\$ 1,210,957
Amortization of tangible capital assets	682,044	682,043
Interest on long term debt	292,562	303,995
Contracted and general services	131,130	121,430
Other expenditures	79,984	79,656
Bank charges and short term interest	500	503
Total expenses	\$ 2,533,578	\$ 2,398,584

See notes to financial statements

AQUA 7 REGIONAL WATER COMMISSION

Schedule of Changes in Accumulated Surplus

(Schedule 2)

Year Ended December 31, 2024

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2024	2023
BALANCE, BEGINNING OF YEAR	\$ 1,803,374	\$ 415,000	\$ 8,552,260	\$ 10,770,634	\$ 10,849,721
Annual deficit	(79,927)	-	-	(79,927)	(79,087)
Annual amortization expense	682,044	-	(682,044)	-	-
Long-term debt repaid	(329,935)	-	329,935	-	-
BALANCE, END OF YEAR	\$ 2,075,556	\$ 415,000	\$ 8,200,151	\$ 10,690,707	\$ 10,770,634

See notes to financial statements