WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

INDEPENDENT AUDITORS' REPORT

To the Members of the West Inter Lake District Regional Water Services Commission

Opinion

We have audited the financial statements of the West Inter Lake District Regional Water Services Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations and accumulated surplus, 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.

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 and accumulated surplus and the changes in its net financial debt and 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 *Auditors' 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 ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 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 relating 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 Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 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 auditors' 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 auditors' 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 29, 2025

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash	**$ 2,045,388**	$ 2,110,201
Accounts receivable	**250,518**	240,662
Goods and Services Tax receivable	**125,699**	120,280
	2,421,605	2,471,143
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	**922,827**	981,145
Deferred revenue (Note 5)	**963,391**	965,588
Long-term debt (Note 6)	**5,677,006**	5,862,886
	7,563,224	7,809,619
NET FINANCIAL DEBT	**(5,141,619)**	(5,338,476)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 3)	**71,179,660**	71,290,002
Prepaid expenses	**37,457**	35,008
	71,217,117	71,325,010
ACCUMULATED SURPLUS (Note 7)	**$ 66,075,498**	$ 65,986,534

CONTINGENT LIABILITIES (Note 13)

ON BEHALF OF THE COMMISSION:

________________________________ Chairman

________________________________ Treasurer

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

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget 2024 (Note 14)	**Actual 2024**	Actual 2023
Revenue			
Water sales	$ 2,476,551	**$ 2,185,217**	$ 2,159,739
Interest	-	**103,671**	88,289
Member operating requisition	62,392	**62,392**	91,250
Connection fee	15,000	**15,888**	5,000
Penalties	-	**4,413**	3,561
	2,553,943	**2,371,581**	2,347,839
Expenses			
Water purchases	1,064,447	**999,968**	956,481
Repairs and maintenance	426,394	**570,212**	374,236
Operating contract	396,188	**376,814**	360,497
Interest on long-term debt	428,773	**242,058**	249,224
Utilities	320,400	**222,242**	364,186
Management contract	67,500	**75,024**	62,689
Professional fees	46,755	**48,538**	12,000
Fill station processing fees	26,250	**47,494**	23,115
Insurance	43,500	**43,254**	38,429
Administration contract	43,054	**38,775**	46,715
Communications	26,890	**20,924**	20,944
Office	5,565	**7,268**	7,701
Board honorariums and expenses	12,000	**4,818**	4,450
Bank charges	-	**307**	260
Interest on line of credit	-	**68**	652
Amortization of tangible capital assets	-	**1,266,968**	1,264,024
	2,907,716	**3,964,732**	3,785,603
Annual Surplus Before Other Revenue	(353,773)	**(1,593,151)**	(1,437,764)
Other Revenue			
Government transfers for tangible capital assets	-	**1,307,550**	484,902
Member capital requisition	428,773	**374,565**	423,959
	428,773	**1,682,115**	908,861
Annual Surplus	75,000	**88,964**	(528,903)
Accumulated Surplus, Beginning of Year	65,986,534	**65,986,534**	66,515,437
Accumulated Surplus, End of Year	$ 66,061,534	**$ 66,075,498**	$ 65,986,534

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

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF CHANGES IN NET FINANCIAL DEBT

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
Annual Surplus	**$ 88,964**	$ (528,903)
Acquisition of tangible capital assets	**(1,156,626)**	(1,288,592)
Amortization of tangible capital assets	**1,266,968**	1,264,024
Acquisition of prepaid expenses	**(2,449)**	(14,185)
Increase in Net Financial Debt	**196,857**	(567,656)
Net Financial Debt, Beginning of Year	**(5,338,476)**	(4,770,820)
Net Financial Debt, End of Year	**$ (5,141,619)**	$ (5,338,476)

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

WEST INTER LAKE DISTRICT REGIONAL WATER SERVICES COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
Operating Activities		
Annual surplus	$ 88,964	$ (528,903)
Amortization of tangible capital assets	1,266,968	1,264,024
Change in non-cash working capital balances related to operations:		
Accounts receivable	(9,856)	(137,751)
Goods and Services Tax receivable	(5,419)	278,155
Government grant receivable	-	908,570
Accounts payable and accrued liabilities	(58,318)	(70,788)
Deferred revenue	(2,197)	(794,370)
Prepaid expenses	(2,449)	(14,185)
	1,277,693	904,752
Financing Activities		
Repayment of long-term debt	(185,880)	(178,744)
Investing Activities		
Purchase of tangible capital assets	(1,156,626)	(1,288,592)
Change in Cash During the Year	(64,813)	(562,584)
Cash, Beginning of Year	2,110,201	2,672,785
Cash, End of Year	$ 2,045,388	$ 2,110,201

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

1. NATURE OF THE ORGANIZATION

The Commission is constituted under the *Municipal Government Act* and was approved by the Minister of Municipal Affairs on October 1, 2008, O.C. 463/2008, for the purpose of providing and operating a water supply system.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenses, and changes in financial position of the Commission.

(b) Basis of Accounting

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards.

(c) Use of Estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards, requires management to make estimates regarding significant items such as allowances for uncollectible receivables, amounts relating to impairment assessments and amortization of tangible capital assets that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Valuation of Financial Assets and Liabilities

The Commission's financial assets and liabilities are measured as follows:

Financial statement component	Measurement
Cash	Cost and amortized cost
Accounts receivables	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Long-term debt	Amortized cost

All financial assets are assessed annually for impairment. Impairment losses are recognized in the statement of operations. A write-down of a financial asset to reflect a loss that is other than temporary in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and liabilities that are measured at cost or amortized cost and expensed when measured at fair value.

(e) Revenue Recognition

Water sales are recognized as revenue in the period in which the water is supplied to the customer.

Government transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash

Cash includes chequing and savings accounts that are readily converted into known amounts of cash and are subject to an insignificant change in value.

(g) Tangible Capital Assets

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Engineered structures	60 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as an expense in the statement of operations.

(h) Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability as 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 value of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

3. TANGIBLE CAPITAL ASSETS

	Balance Beginning of year	Additions	Disposals	Balance End of year
Cost				
Engineered Structures	$ 76,376,452	$ 1,156,626	$ -	**$ 77,533,078**
Land	245,960	-	-	**245,960**
	76,622,412	1,156,626	-	**77,779,038**
Accumulated Amortization				
Engineered Structures	5,332,410	1,266,968	-	**6,599,378**
Net Book Value	$ 71,290,002	$ 2,423,594	$ -	**$ 71,179,660**

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade payables	**$ 480,376**	$ 412,859
Holdbacks payable	**410,000**	410,000
Accrued interest	**23,701**	24,536
Accrued liabilities	**8,750**	133,750
	$ 922,827	$ 981,145

5. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenses are incurred.

	2024	2023
Federal Water Line Grant	**$ 963,391**	$ 965,588

6. LONG-TERM DEBT

	2024	2023
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $61,947 including interest at 4.87%; due December 15, 2047.	**$ 1,702,823**	$ 1,742,339
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $59,080 including interest at 3.304%; due March 15, 2043.	**1,625,802**	1,688,684
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $48,966 including interest at 4.87%; due December 15, 2047.	**1,345,995**	1,377,231
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $44,394 including interest at 3.508%; due June 16, 2039.	**1,002,386**	1,054,632
	$ 5,677,006	$ 5,862,886

Future principal and interest repayments are as follows:

	Principal	Interest	Total
2025	$ 193,311	$ 235,462	$ 428,773
2026	201,050	227,724	428,774
2027	209,108	219,665	428,773
2028	217,501	211,273	428,774
2029	226,242	202,532	428,774
Thereafter	4,629,794	1,801,708	6,431,502
	$ 5,677,006	$ 2,898,364	$ 8,575,370

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

7. ACCUMULATED SURPLUS

	2024	2023
Restricted surplus - debenture payment reserve	**$ 658,148**	$ 678,466
Restricted surplus - operating reserve	**564,402**	519,402
Restricted surplus - capital reserve	**377,318**	342,318
Restricted surplus - rate stabilization	**45,000**	40,000
Restricted surplus - administration and governance (legal)	**40,284**	50,284
Total restricted surplus	**1,685,152**	1,630,470
Unrestricted surplus (deficit)	**(702,308)**	(536,052)
Equity in tangible capital assets (Note 8)	**65,092,654**	64,892,116
	$ 66,075,498	$ 65,986,534

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2024	2023
Tangible capital assets (Note 3)	**$ 77,779,038**	$ 76,622,412
Accumulated amortization (Note 3)	**(6,599,378)**	(5,332,410)
Long-term debt (Note 6)	**(5,677,006)**	(5,862,886)
Tangible capital asset related payables	**(410,000)**	(535,000)
	$ 65,092,654	$ 64,892,116

9. RELATED PARTY TRANSACTIONS

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

Amounts receivable from Commission members at year end is $145,548 (2023 - $229,211).

Requisition revenue from Commission members was $436,956 (2023 - $515,209).

Water sales to Commission members was $1,286,326 (2023 - $1,201,636).

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.

10. DEBT LIMITS

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

	2024	2023
Total debt limit	**$ 4,743,162**	$ 4,695,678
Total debt	**5,677,006**	5,862,886
Unused debt limit	**$ (933,844)**	$ (1,167,208)
Service on debt limit	**$ 830,053**	$ 821,744
Service on debt	**428,773**	428,773
Unused service on debt limit	**$ 401,280**	$ 392,971

The debt limit is calculated at 2 times revenue of the Commission (as defined in the Alberta Regulation 76/2000) and the debt service limit is calculated as 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Alberta Municipal Affairs. The Commission has obtained the required approval from the Minister of Alberta Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify Commissions that could be at a 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.

11. CREDIT FACILITIES

The Commission has an authorized revolving operating loan with a limit of $4,000,000. There are no balances outstanding at December 31, 2024.

12. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. The Commission is exposed to the following risks in respect of these financial instruments:

Credit risk

The Commission is exposed to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfil their obligations. The credit risk from accounts receivable is low as the majority of balances are due from Commission members and other governments.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with its financial liabilities. The Commission maintains cash balances to ensure that funds are available to meet current and forecasted financial requirements. Management continues to monitor the Commission’s liquidity position on a regular basis.

Interest rate risk

Interest rate risk is the risk that the Commission's earnings will be affected by the fluctuation and degree of volatility in interest rates. Interest rate risk on the Commission's long debt is managed through fixed rate debentures with the Province of Alberta.

13. CONTINGENT LIABILITIES

Legal Claims:

The Commission is involved in various legal disputes related to the construction of the water line. It is not possible to estimate the outcome of these disputes at December 31, 2024.

14. BUDGET

The budget amounts presented in these financial statements are based on the budget approved by the Commission Board. The information below reconciles the approved financial plan to the figures reported in these financial statements.

	2024 (Budget)
Annual surplus (per statement of operations and accumulated surplus)	$ 75,000
Net transfers to restricted surplus	(75,000)
	$ -

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board.