



**Alberta Capital Region
Wastewater Commission**



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File: 2.2.1
March 23, 2012

Mayor Rod Shaigec & Members of Council
Parkland County
53109A SH 779
Parkland County, AB T7Z 1R1

Re: 2011 Financial Reporting

We are please to enclose the 2011 Financial Statements and Financial Information
Return of the Alberta Capital Region Wastewater Commission in accordance with
Section 602.34 of the Municipal Government Act.

Please direct any comments or questions regarding the financial reporting to me.

Yours truly,

**ALBERTA CAPITAL REGION
WASTEWATER COMMISSION**

Paul Krueger, B.Mgt., CMA
Corporate Services Manager

/lgj
encl.

Members:

Beaumont

Bon Accord

Gibbons

Fort Saskatchewan

Leduc

Leduc County

Morinville

Parkland County

St. Albert

Spruce Grove

Stony Plain

Strathcona County

Sturgeon County

COMMISSION FINANCIAL INFORMATION RETURN

FOR THE YEAR ENDING DECEMBER 31, 2011

CERTIFICATION

Commission Name: Alberta Capital Region Wastewater Commission

The information contained in this Commission Financial Information Return is presented fairly to the best of my knowledge.



Signature of Duly Authorized Signing Officer

Mike Darbyshire

Print Name

March 16, 2012

Date

Alberta Municipal Affairs



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INDEPENDENT AUDITORS' REPORT

To the Members of Alberta Capital Region Wastewater Commission

We have audited the accompanying commission financial information return of Alberta Capital Region Wastewater Commission for the year ended December 31, 2011. The commission financial information return has been prepared by management based on the financial reporting provisions included in Section 602.32 of the Alberta Municipal Government Act.

Management's Responsibility for the Commission Financial Information Return

Management is responsible for the preparation of the commission financial information return in accordance with the financial reporting provisions included in Section 602.32 of the Alberta Municipal Government Act, and for such internal control as management determines is necessary to enable the preparation of the commission financial information return that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the commission financial information return based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the commission financial information return is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the commission financial information return. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the commission financial information return, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial information return in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of estimates made by management, as well as evaluating the overall presentation of the commission financial information return.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the commission financial information return is prepared in accordance with the financial reporting provisions included in Section 602.32 of the Alberta Municipal Government.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to the financial reporting provisions included in Section 602.32 of the Alberta Municipal Government Act. The commission financial information return has been prepared as requested by the Minister of Alberta Municipal Affairs and is to be used primarily for statistical purposes. This commission financial information return is not intended to be and should not be used by anyone other than the specified users or for any other purpose.

KPMG LLP

Chartered Accountants

March 16, 2012
Edmonton, Canada

**COMMISSION
FINANCIAL POSITION**

Schedule 9A

	Total	
Assets	0010	
Cash and Temporary Investments	0020	10,765,602
Receivable From Commission Members.....	0070	1,783,420
Loans Receivable.....	0080	
Trade and Other Receivables	0090	979,900
Due From Other Funds.....	0110	
Inventory for Consumption.....	0120	299,071
Inventories Held For Resale.....	0150	
Prepaid Expenses	0160	122,365
Long Term Investments	0170	
Federal Government.....	0180	
Provincial Government.....	0190	10
Other.....	0210	1,878
Capital Property.....	0220	
Other Current Assets	0230	
Other Long Term Assets	0240	148,857,460
Total Assets	0260	162,809,706
Liabilities	0270	
Temporary Loans Payable.....	0280	
Payable to Governments.....	0290	1,180,680
Accounts Payable & Accrued Liabilities	0300	2,792,905
Deposit Liabilities.....	0310	
Due to Other Funds.....	0330	
Deferred Revenue	0340	
Long Term Debt	0350	16,936,303
Other Current Liabilities	0360	
Other Long Term Liabilities	0370	
Total Liabilities	0390	20,909,888
Net Assets	0400	
Invested in Capital Assets.....	0403	131,921,157
Internally Restricted Fund Balances.....	0405	9,978,661
Unrestricted Fund Balances.....	0406	
Total Net Assets	0409	141,899,818
Total Liabilities and Net Assets	0435	162,809,706

**COMMISSION
STATEMENT OF CHANGE IN NET ASSETS**

Schedule 9B

	Invested in Capital Assets	Internally restricted	Unrestricted	Total
	1	2	3	4
Net Assets Beginning of Year.....	0630	122,629,053	14,736,535	137,365,588
Excess (Deficiency) of revenue over expense.....	0632	-3,684,192	8,218,422	4,534,230
Purchase of Capital Assets.....	0634	16,477,421	-16,477,421	
Proceeds from disposal of capital assets.....	0636			
Long-term debt proceeds.....	0638	-5,000,000	5,000,000	
Principal repayments of long-term debt.....	0640	1,498,875	-1,498,875	
Appropriated to capital projects fund.....	0642			
Other Adjustments.....	0644			
Net Assets at End of Year	0650	131,921,157	9,978,661	141,899,818

**COMMISSION
FINANCIAL ACTIVITIES BY TYPE / OBJECT**

Schedule 9D

Revenues	1700	
Service Fees Charged to Commission Members	1790	24,194,599
Other Fees and User Charges	1800	
Licences and Permits	1820	
Franchise and Concession Contracts	1840	
Investment Income	1850	204,205
Amortization of Deferred Capital Asset Contributions	1855	
Rentals	1860	
Insurance Proceeds	1870	
Federal Government Conditional Transfers	1900	16,720
Provincial Government Unconditional Transfers	1910	
Provincial Government Conditional Transfers	1920	1,048,977
Local Government Transfers	1930	
Other Revenues	1970	1,707,946
Total Revenue	1980	27,172,447
Expenses	1990	
Salaries, Wages, and Benefits	2000	4,210,417
Contracted and General Services	2010	2,991,371
Purchases from Governments	2020	6,580,271
Materials, Goods, Supplies, and Utilities	2030	2,825,692
Provision For Allowances	2040	
Transfers to Governments	2050	
Bank Charges and Short Term Interest	2080	
Interest on Operating Long Term Debt	2090	
Interest on Long Term Debt	2100	751,096
Amortization of Capital Assets	2110	4,665,754
Loss on disposal of Capital Assets	2120	613,616
Other Expenses	2130	
Total Expenses	2140	22,638,217
Excess (Deficiency) of Revenue Over Expenses	2150	4,534,230
Net Assets at Beginning of Year	2160	137,365,588
Net Assets at End of Year	2170	141,899,818

**COMMISSION
CAPITAL FUND SUPPLEMENTARY DETAIL**

Schedule 9F

Total

Long Term Debt	
Principal Additions During Year	Principal Reductions During Year
1	2
3120 5,000,000	1,498,875

CHANGES IN CAPITAL PROPERTY

Schedule 9G

		Balance at Beginning of Year 1	Additions 2	Reductions 3	Balance at End of Year 4
Capital Property - Cost	3200				
Engineering Structures	3210	220,730,203	17,933,999	1,144,573	237,519,629
Buildings	3220				
Machinery, equipment and furnishings	3230	1,808,010	138,599	21,425	1,925,184
Land	3240	2,206,477			2,206,477
Vehicles	3250				
Total Capital Property Cost	3260	224,744,690	18,072,598	1,165,998	241,651,290
Capital Property - Accumulated Amortization	3270				
Engineering Structures	3280	87,294,097	4,570,732	541,670	91,323,159
Buildings	3290				
Machinery and Equipment	3300	1,386,362	95,022	10,713	1,470,671
Land	3310				
Vehicles	3320				
Total Capital Property Accumulated Amortization	3330	88,680,459	4,665,754	552,383	92,793,830
Total Capital Property Net of Accum. Amortization	3340	136,064,231	13,406,844	613,615	148,857,460

**COMMISSION
LONG TERM DEBT SUPPORT**

Schedule 9H

	Operating 1	Capital 2	Total 3
Long Term Debt Support			
Supported by Utility Rates	3430	16,936,303	16,936,303
Other	3440		
Total Long Term Debt Principal Balance	3450	16,936,303	16,936,303

LONG TERM DEBT SOURCES

Schedule 9I

	Operating 1	Capital 2	Total 3
Alberta Capital Finance Authority	3500	16,936,303	16,936,303
Other	3610		
Total Long Term Debt Principal Balance	3620	16,936,303	16,936,303

FUTURE LONG TERM DEBT REPAYMENTS

Schedule 9J

	Operating 1	Capital 2	Total 3
Principal Repayments by Year	3700		
Current + 1	3710	1,703,632	1,703,632
Current + 2	3720	1,680,913	1,680,913
Current + 3	3730	1,702,551	1,702,551
Current + 4	3740	1,784,684	1,784,684
Current + 5	3750	1,870,843	1,870,843
Thereafter	3760	8,193,680	8,193,680
Total Principal	3770	16,936,303	16,936,303
Interest by Year	3780		
Current + 1	3790	763,346	763,346
Current + 2	3800	679,856	679,856
Current + 3	3810	598,443	598,443
Current + 4	3820	516,310	516,310
Current + 5	3830	430,151	430,151
Thereafter	3840	1,054,356	1,054,356
Total Interest	3850	4,042,462	4,042,462

DEBT LIMIT

Schedule 9AA

Debt Limit	5700	49,023,126
Total Debt	5710	16,936,303
Debt Service Limit	5720	2,466,978
Total Debt Service Costs	5730	8,579,047

EDIT LIST - PLEASE REVIEW AND CORRECT ANY ERRORS NOTED BELOW

Financial Statements of

ALBERTA CAPITAL REGION WASTEWATER COMMISSION

December 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Members of Alberta Capital Region Wastewater Commission

We have audited the accompanying financial statements of Alberta Capital Region Wastewater Commission ("the Commission"), which comprise the statement of financial position as at December 31, 2011, the statements of operations, change in net financial assets (debt), and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Commission as at December 31, 2011, and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

March 16, 2012
Edmonton, Canada

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011
(in 000's)

	<u>2011</u>	<u>2010</u>
FINANCIAL ASSETS		
Cash	\$ 5,278	\$ 2,735
Receivables from Commission members	1,783	1,508
Other receivables	982	400
Investments (Note 4)	5,488	12,228
	<u>13,531</u>	<u>16,871</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	3,695	2,299
Debt (Notes 5,11)	16,936	13,435
Other liabilities	278	249
	<u>20,909</u>	<u>15,983</u>
NET FINANCIAL ASSETS (DEBT)	<u>(7,378)</u>	<u>888</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	148,857	136,064
Inventory held for consumption	299	273
Prepaid expenses	122	141
	<u>149,278</u>	<u>136,478</u>
ACCUMULATED SURPLUS (Note 7)	<u>\$ 141,900</u>	<u>\$ 137,366</u>
Contractual commitments (Note 9)		

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011
(in 000's)

	2011 Actual	2011 Budget (unaudited)	2010 Actual
REVENUES			
Treatment charges from Commission members	\$ 24,194	\$ 24,198	\$ 23,387
Investment income	204	150	227
Government transfers	1,066	1,750	138
Other revenue	113	82	105
Total revenues	<u>25,577</u>	<u>26,180</u>	<u>23,857</u>
EXPENSES (Note 8)			
Plant/pump station	19,953	18,624	18,078
Administration	1,720	1,687	1,586
Engineering	837	827	906
Board	128	133	116
Total expenses	<u>22,638</u>	<u>21,271</u>	<u>20,686</u>
ANNUAL SURPLUS BEFORE THE UNDERNOTED	<u>2,939</u>	<u>4,909</u>	<u>3,171</u>
Contributed tangible capital assets (Note 6)	<u>1,595</u>	<u>-</u>	<u>1,471</u>
ANNUAL SURPLUS	<u>4,534</u>	<u>4,909</u>	<u>4,642</u>
Accumulated surplus at beginning of year	<u>137,366</u>	<u>137,366</u>	<u>132,724</u>
Accumulated surplus at end of year	<u><u>141,900</u></u>	<u><u>142,275</u></u>	<u><u>137,366</u></u>

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2011
(in 000's)

	2011 Actual	2011 Budget	2010 Actual
		(unaudited)	
Annual surplus	\$ 4,534	\$ 4,909	\$ 4,642
Acquisition of tangible capital assets	(16,477)	(19,305)	(6,092)
Contributed tangible capital assets	(1,595)	-	(1,471)
Amortization of tangible capital assets	4,666	5,208	4,912
Loss on disposal of tangible capital assets	613	-	109
Change in inventory held for consumption	(26)		17
Change in prepaid expenses	19	-	(52)
 Change in net financial assets (debt)	 (8,266)	 (9,188)	 2,065
 Net financial assets (debt) at beginning of year	 888	 888	 (1,177)
 Net financial assets (debt) at end of year	 \$ (7,378)	 \$ (8,300)	 \$ 888

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(in 000's)

	<u>2011</u>	<u>2010</u>
Cash flows from operating transactions		
Cash receipts from members, government transfers and other	\$ 24,416	\$ 23,644
Cash paid to suppliers and employees	(15,096)	(14,412)
Interest received	210	230
Interest on debt	(751)	(730)
	<u>8,779</u>	<u>8,732</u>
Cash flows from capital transactions		
Purchase of tangible capital assets	<u>(16,477)</u>	<u>(6,092)</u>
Cash flows from financing transactions		
Decrease (increase) in investments	6,740	(1,208)
Proceeds from debt	5,000	-
Repayment of debt	(1,499)	(1,305)
	<u>10,241</u>	<u>(2,513)</u>
Increase in cash	2,543	127
Cash, beginning of year	<u>2,735</u>	<u>2,608</u>
Cash, end of year	<u>\$ 5,278</u>	<u>\$ 2,735</u>

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(in 000's)

1. NATURE OF THE ORGANIZATION

The Alberta Capital Region Wastewater 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 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 and/or creation of a legal obligation to pay.

Investments

Investments consist of bankers acceptances, guaranteed investment certificates, deposits and bonds 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 income 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, 2011
(in 000's)

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 and replacement cost. 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.

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.

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(in 000's)

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. Management estimates the fair value of debt approximates the carrying value due to the nature of the debt with Alberta Capital Finance Authority. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.

4. INVESTMENTS

Investments consist of term deposits which bear interest at rates ranging from 1.15% to 5.1% (2010- 1.0% to 5.1%) with maturities ranging from November 7, 2012 to November 17, 2014 (2010- January 19, 2011 to December 9, 2014).

5. DEBT

	2011	2010
Debenture payable to Alberta Capital Finance Authority, due in annual installments of \$106 including principal and interest, bears interest at 5.875% and matures December 15, 2012.	\$ 100	\$ 195
Debenture payable to Alberta Capital Finance Authority, due in annual installments of \$60 including principal and interest, bears interest at 5.5% and matures December 15, 2013.	110	161
Debenture payable to Alberta Capital Finance Authority, due in annual installments of \$346 including principal and interest, bears interest at 5.375% and matures December 15, 2018.	1,974	2,202
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.	2,393	2,646
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.	3,114	3,425
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.	3,398	3,741
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.	974	1,065
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.	4,873	-
	<u>\$16,936</u>	<u>\$13,435</u>

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(in 000's)

5. DEBT (continued)

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

	Principal	Interest	Total
2012	1,704	764	2,468
2013	1,681	681	2,362
2014	1,702	600	2,302
2015	1,785	517	2,302
2016	1,871	431	2,302
Balance to Maturity	8,193	1054	9,247
	<u>\$16,936</u>	<u>\$4,047</u>	<u>\$20,983</u>

The Commission has a demand operating line of credit available for use, up to a maximum of \$500, bearing interest at prime rate and is unsecured. As at December 31, 2011 nil (2010 - nil) was drawn against the available operating line of credit.

6. TANGIBLE CAPITAL ASSETS

	Land	Engineering Structures	Machinery & Equipment	2011 Totals	2010 Totals
Cost:					
Balance at beginning of year	\$ 2,207	\$ 220,729	\$1,808	\$ 224,744	\$ 217,720
Additions	-	16,339	138	16,477	6,092
Disposals	-	(1,144)	(21)	(1,165)	(539)
Contributed tangible capital assets	-	1,595	-	1,595	1,471
Cost at end of year	2,207	237,519	1,925	241,651	224,744
Accumulated amortization:					
Accumulated amortization beginning	-	87,294	1,386	88,680	84,198
Amortization in the year	-	4,571	95	4,666	4,912
Accumulated amortization disposals	-	(542)	(10)	(553)	(430)
Accumulated amortization end of year	-	91,323	1,471	92,794	88,680
Net book value	\$ 2,207	\$ 146,196	\$ 454	\$ 148,857	\$ 136,064

The net book value of tangible capital assets includes \$11,710 (\$8,400 in 2010) related to engineering structures under construction and not amortized in the period. Contributed tangible capital assets in 2011 were \$1,595 (\$1,471 in 2010). This non-cash transaction is not reflected in the Statement of Cash Flows.

ALBERTA CAPITAL REGION WASTEWATER COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(in 000's)

7. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	<u>2011</u>	<u>2010</u>
Reserves		
Capital	\$ 7,528	\$ 12,365
Rate stabilization	2,451	2,372
	<u>9,979</u>	<u>14,737</u>
Investment in tangible capital assets	131,921	122,629
Total accumulated surplus	<u>\$141,900</u>	<u>\$137,366</u>

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 Rate Stabilization Reserve are contributed to the Capital Reserve.

The Rate Stabilization 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 maximum balance of 10% of annual gross revenue. Increases to the reserve are funded from the annual surplus.

8. EXPENSES BY OBJECT

	<u>2011</u>	<u>2011</u>	<u>2010</u>
	Actual	Budget	Actual
		(unaudited)	
Salaries and benefits	\$ 4,210	\$ 4,268	\$ 4,035
Contracted and general services	9,510	8,090	8,078
Materials, goods and supplies	858	1,093	917
Utilities	2,030	1,905	1,913
Interest	751	707	722
Amortization	4,666	5,208	4,912
Loss on disposal of tangible assets	613	-	109
	<u>\$ 22,638</u>	<u>\$ 21,271</u>	<u>\$ 20,686</u>

9. CONTRACTUAL COMMITMENTS

In 2002, the Commission entered into a biosolids management contract with the City of Edmonton. This agreement expires in 2013.

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

In 2010, the Commission entered into a five year contract with four, one year extensions with Instinct Trucking to haul sludge. This contract expires in 2015.

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9. CONTRACTUAL COMMITMENTS (continued)

In 2009, the Commission entered into a contract with Nexen Marketing to supply electricity and natural gas. This agreement expires in 2013.

In 2011, the Commission entered into a cost sharing (50/50) agreement with the Town of Morinville for the upgrade to the Morinville pump station and lagoon. Substantial completion expected in 2013.

As of December 31, 2011 the Commission has contractual commitments of \$22,670 with \$13,550 of work still outstanding for the following projects:

- Clarifier 5&7 and UV 2 for \$3,612 with \$1,658 of work still outstanding. Substantial completion expected in 2012.
- St. Albert pump station upgrades for \$17,500 with \$10,620 of work still outstanding. Substantial completion expected in 2012.
- Digester mixing for \$618 with \$500 of work still outstanding. Substantial completion expected in 2012.
- Biosolids management study for \$133 with \$133 of work still outstanding. Substantial completion expected in 2012.
- Morinville pump station and lagoon upgrade for \$530 with \$425 of work still outstanding. Substantial completion expected in 2013.
- Remote site communications for \$277 with \$215 of work still outstanding. Substantial completion expected in 2012.

10. LOCAL AUTHORITIES PENSION PLAN

All eligible employees of the Alberta Capital Region Wastewater Commission participate in the Local Authorities Pension Plan under the Public Sector Pension Plans Act. Required contributions by the Commission to the Local Authorities Pension Plan are 9.49% (2010 – 9.06%) of pensionable earnings up to the year's pensionable earnings maximum under the Canada Pension Plan and 13.13% (2010 – 12.53%) on pensionable earnings above this amount. Employees are required to contribute 8.49% (2010 – 8.06%) of pensionable salary up to the year's maximum pensionable salary and 12.13% (2010 – 11.53%) 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 \$336 and \$305 respectively (2010 - \$305 by the Commission and \$275 from its employees).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.6 Billion (2010- \$4.0 Billion).

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11. DEBT LIMITS

Section 602.29 of the Municipal Government Act requires that the debt and debt limits as defined by Alberta Regulation 76/2000 for the Alberta Capital Region Wastewater Commission is disclosed as follows:

	2011	2010
Total debt limit	\$ 49,022	\$ 47,438
Total debt	16,936	13,435
Amount total debt limit remaining	<u>\$ 32,086</u>	<u>\$ 34,003</u>
Debt servicing limit	\$ 8,579	\$ 8,302
Debt servicing	2,468	2,034
Amount total debt servicing remaining	<u>\$ 6,111</u>	<u>\$ 6,268</u>

The debt limit represents two times the eligible revenue of the Commission, and the debt servicing represents 0.35 times the eligible revenue.

12. APPROVAL OF FINANCIAL STATEMENTS

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