

JOHN S. BATIUK REGIONAL WATER COMMISSION

FINANCIAL STATEMENTS

December 31, 2022

JOHN S. BATIUK REGIONAL WATER COMMISSION

Management Responsibility for Financial Reporting

The financial statements of John S. Batiuk Regional Water Commission are the responsibility of management and have been prepared using the Canadian Public Sector Accounting Standards, as disclosed in the notes to the financial statements. These financial statements include amounts that are based on the best estimates and judgments of management. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains systems of accounting and administrative controls to provide reasonable assurance that the transactions are appropriately authorized, accurately recorded, that the assets are properly accounted for and safeguarded and that the financial statements realistically report the Commission's operating and financial results.

The Board has approved the information contained in the financial statements.

Amzad Amiri Professional Corporation has been appointed by the Board to examine the financial statements and provide an independent audit opinion.



Pat Tomkow
Commission Manager



AMZAD AMIRI PROFESSIONAL CORPORATION

Chartered Professional Accountant

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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Board

Opinion

I have audited the financial statements of John S. Batiuk Regional Water Commission (the Entity) which comprise the statement of financial position as at December 31, 2022 and December 31, 2021 and the results of its operations. Changes in net financial assets (debt) and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant account policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of John S. Batiuk Regional Water Commission as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Auditing Standards.

Basis for Opinion

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

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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, I exercise professional judgement and maintain professional skepticism throughout the audit.

I 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 my 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 Entity'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity 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.

I 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 I identify during my audit.

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

Amzad Amiri Professional Corporation

Chartered Professional Accountant
Edmonton, Alberta April 13, 2023

JOHN S. BATIUK REGIONAL WATER COMMISSION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	<u>Note</u>	<u>2022</u>	<u>2021</u>
		\$	\$
ASSETS			
Cash		2,414,703	2,196,513
Investments	4	9,926,065	9,886,421
Due from comission members	13	163,345	156,773
Trade and other receivables		200,468	356,357
		<u>12,704,581</u>	<u>12,596,064</u>
LIABILITIES			
Accounts payable and accrued liabilities		345,332	553,047
		<u>345,332</u>	<u>553,047</u>
NET FINANCIAL ASSETS (DEBT)			
		<u>12,359,249</u>	<u>12,043,017</u>
NON-FINANCIAL ASSETS			
Tangible Capital Assets	6	20,765,301	21,315,256
Prepaid expenses		22,087	21,305
		<u>20,787,388</u>	<u>21,336,561</u>
		<u>33,146,637</u>	<u>33,379,578</u>

JOHN S. BATIUK REGIONAL WATER COMMISSION

STATEMENT OF OPERATIONS

For The Year Ended December 31, 2022

	Budget		
	(Unaudited)	2022	2021
	\$	\$	\$
REVENUE			
Water Sales to Commission Members	1,835,743	2,062,034	2,064,489
Water Sales to ACE	1,548,000	1,590,003	1,572,395
Total Water Sales	3,383,743	3,652,037	3,636,884
Cost of Water	2,530,878	2,527,806	2,436,828
GROSS PROFIT (31% , 2021 - 33%)	852,865	1,124,231	1,200,056
EXPENSES			
Honorarium to Board Members (Note 11)	17,000	26,600	18,450
Contracted and general services	467,160	347,645	368,098
Materials, goods and utilities	262,500	272,073	227,246
Amortization of capital assets	578,000	570,765	567,675
Other expenses	14,000	266,650	4,723
Loss on disposal of tangible capital assets	-	800	-
	1,338,660	1,484,533	1,186,192
ANNUAL SURPLUS BEFORE OTHER REVENUE	(485,795)	(360,302)	13,864
Other service fees and sales of goods	41,900	41,216	40,906
Interest income	-	45,224	7,531
Investment income on portfolio investments	280,000	39,644	761,600
Other revenue	14,000	1,277	4,190
	335,900	127,361	814,227
ANNUAL SURPLUS	(149,895)	(232,941)	828,091
ACCUMULATED SURPLUS, AT BEGINNING OF YEAR	33,379,578	33,379,578	32,551,487
ACCUMULATED SURPLUS, AT END OF YEAR	33,229,683	33,146,637	33,379,578

JOHN S. BATIUK REGIONAL WATER COMMISSION

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For The Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES		(232,941)	828,091
Acquisition of tangible capital assets		(21,610)	(283,063)
Acquisition of prepaid assets		(782)	(325)
Amortization of tangible capital assets		570,765	567,675
Loss on disposal of tangible capital assets		800	-
(INCREASE) DECREASE IN NET DEBT	-	316,232	1,112,378
NET FINANCIAL ASSETS (DEBT), AT BEGINNING OF YEAR		11,946,943	10,930,639
Prior Period Adjustment (Note 5)		96,074	-
Balance, As Restated		12,043,017	10,930,639
NET FINANCIAL ASSETS (DEBT), AT END OF YEAR	-	12,359,249	12,043,017

JOHN S. BATIUK REGIONAL WATER COMMISSION

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
OPERATING	(232,941)	828,091
Excess (deficiency) of revenues over expenses		
Items which do not affect cash:		
Amortization of capital assets	570,765	567,675
Loss on disposal of tangible capital assets	800	-
Net change in non-cash working capital balances:		
Decrease (increase) in trade and other receivables	155,889	(108,556)
(Increase) decrease in due from members	(6,572)	(4,062)
(Decrease) increase in accounts payable and accrued liabilities	(207,715)	274,305
(Increase) decrease in prepaid expenses	(782)	(324)
	<u>279,444</u>	<u>1,557,129</u>
CAPITAL		
Purchase of tangible capital assets	(21,610)	(283,063)
	<u>(21,610)</u>	<u>(283,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in investments	(39,644)	(761,601)
	<u>(39,644)</u>	<u>(761,601)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	218,190	512,465
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	2,196,513	1,684,048
	<u><u>2,414,703</u></u>	<u><u>2,196,513</u></u>

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

1. NATURE OF THE ORGANIZATION

John S. Batiuk Regional Water Commission commenced operation in 1982 and was formed as a legal entity under the provisions of the *Regional Municipal Services Act* on September 1, 1984. In 1994 the *Regional Municipal Services Act* was consolidated into the *Municipal Government Act* and the Commission is now governed by this enactment. In 1986, the Province turned over all its assets to the Commission under the April 1986 Transfer and Grant Agreement.

The members of the commission are Town of Bruderheim, Village of Chipman, Town of Lamont, Lamont County, Town of Mundare, Strathcona County, and Town of Vegreville.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the corporation has been prepared by management in accordance with generally accepted accounting principles recommended for governments by the Public Sector Accounting Board.

Budget Amounts

The budget amounts are presented on the statement of operations are taken from the commission's annual budget. Certain budget amounts have been reclassified to conform to the current year's financial statement presentation.

Revenue Recognition

Service fees and sales of goods are recognized as revenue in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenue.

The commission follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expense are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount is to be received can be reasonably estimated and collection is reasonable assured.

Contributions specified for capital purposes are recorded as revenue for the period.

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Tangible Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis over the following periods, except in the year of acquisition when no amortization is charged:

Buildings	50 years
Engineering structures	45-80 years
Machinery and equipment	10-45 years

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions 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 revenue and expenses during the year. Actual results could differ from those estimates.

Cash and cash equivalents

The Commission's policy is to present bank balances under cash and cash equivalents.

3. 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 consist of cash, investments, accounts receivable, and accounts 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.

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

4. INVESTMENTS

	2022	2021
	\$	\$
ATB - Springboard GICs	2,860,341	2,850,181
BMO Nesbitt Burns - bonds/mutual funds	-	5,027,947
Raymond James - bonds/mutual funds	6,995,401	1,000,000
Accrued interest	70,323	1,008,293
	<u>9,926,065</u>	<u>9,886,421</u>

ATB Springboard GIC carry interest rates varying from 1.20% p.a. to 4.05% p.a. and matures in November 2023 and October 2025.

The fair market value of Raymond James - bond/mutual funds at year end were \$ 6,429,551. (2021 - \$ 1,037,678).

The decline in the market value of the Raymond James Investments is considered to be temporary. Therefore, no adjustments has been made in the financial statements.

5. PRIOR PERIOD ADJUSTMENT

The Capital Region North East Commission adjusted the water rate for the year 2021 and refunded the amount during the current year.

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

6. TANGIBLE CAPITAL ASSETS

	Land	Buildings	Engineering Structures	Machinery & Equipment	2022	2021
	\$	\$	\$	\$	\$	\$
COST						
Balance, Beginning of Year	62,628	416,078	34,665,193	1,029,081	36,172,980	35,889,917
Acquisition of tangible capital assets	-	-	-	21,610	21,610	283,063
Disposal of tangible capital assets	-	-	-	(8,225)	(8,225)	-
Balance, End of Year	62,628	416,078	34,665,193	1,042,466	36,186,365	36,172,980
ACCUMULATED AMORTIZATION						
Balance, Beginning of Year	-	297,838	13,979,878	580,008	14,857,724	14,290,050
Annual Amortization	-	8,148	535,751	26,866	570,765	567,674
Accumulated Amortization on disposal	-	-	-	(7,425)	(7,425)	-
	-	305,986	14,515,629	599,449	15,421,064	14,857,724
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	62,628	110,092	20,149,564	443,017	20,765,301	21,315,256
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	62,628	118,240	20,685,315	449,073	21,315,256	

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

7. LONG TERM DEBT

	2022	2021
	\$	\$
Debentures	-	-
Less: Current Portion	-	-
	<u>-</u>	<u>-</u>

The current portion of long term debt amounts to \$ Nil (2021 - \$ Nil).

Section 2 of Alberta Regulation No. 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

	2022	2021
	\$	\$
Total debt limit	7,558,796	8,902,222
Total debt	-	-
Amount of debt limit unused	<u>7,558,796</u>	<u>8,902,222</u>
Debt servicing limit	1,322,789	1,557,889
Debt servicing	-	-
	<u>1,322,789</u>	<u>1,557,889</u>

The debt limit is calculated at 2 times revenue of the Commission (as defined in Alberta Regulation No. 76/2000) 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 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.

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

8. EQUITY IN TANGIBLE CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2022	2021
	\$	\$
Tangible Capital Assets	36,186,365	36,172,980
Accumulated Amortization	(15,421,064)	(14,857,724)
	<u>20,765,301</u>	<u>21,315,256</u>

9. 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 fulfill an obligation.

The Commission maintains cash and cash equivalents with major financial institutions. Management considers the risk of non-performance of these instruments to be remote. The Commission provides services to the members and Alberta Central East (ACE). The members are municipalities and have cash flows from tax revenues. ACE is the corporation set up to purchase and sell bulk water. The risk of non collection is very minimal.

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 market interest rates.

The Commission only invests in Guaranteed Investment Certificates with fixed rates and mutual funds with major investment brokerage firm.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is dependent on receipt of funds from sale of water and continued access to sufficient credit facilities to be able to pay our liabilities as they become due.

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The Commission has adequate funds in hand to ensure timely payment of liabilities.

10. NET ASSETS INTERNALLY RESTRICTED

	2022	2021
	\$	\$
Restricted reserve	4,338,371	4,338,371

The restricted reserve is used to provide funds for repairs and rate stabilization. Appropriations to the restricted projects to reserves from unrestricted net assets are authorized by the board of directors.

11. HONORARIUM TO BOARD MEMBERS

The following honorarium was paid to board members for attending regular board meetings:

	2022	2021
	\$	\$
Al Harvey	500	200
Aaron Nelson	500	-
Daniel Warawa	9,600	5,800
Dave Taylor	1,750	1,600
George Campbell	-	200
Glen Lawrence	1,250	600
Irene Talaga	3,500	200
Karl Hauch	4,250	2,000
Mike Saric	-	2,450
Morris Langevin	1,750	200
Paul Smith	-	800
Tim MacPhee	3,500	2,600
Toni Nygren	-	1,800
	<u>26,600</u>	<u>18,450</u>

12. NET ASSETS

The commission manages its capital to ensure that it will be able to continue as a going concern and ensure that consistent delivery of services. The commission's overall strategy remain unchanged from 2021.

The capital structure of the commission consists of net assets internally restricted for operations, grants from provincial government for capital projects and net assets invested in tangible capital assets.

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

13. RELATED PARTY TRANSACTIONS

	2022	2021
	\$	\$
Town of Bruderheim	172,462	177,016
Village of Chipman	88,236	89,378
Town of Lamont	221,562	224,037
Lamont County	187,251	200,978
Town of Mundare	159,511	160,610
Strathcona County	115,442	116,482
Town of Vegreville	1,117,570	1,095,988
	<u>2,062,034</u>	<u>2,064,489</u>

Amounts due from the commission members are payable on receipt of the invoice and have arisen from the service fees charged during the year. Amounts due from commission members at the end of the year as follows:

	2022	2021
	\$	\$
Town of Bruderheim	13,627	14,069
Village of Chipman	7,439	5,586
Town of Lamont	18,150	17,209
Lamont County	11,950	13,145
Town of Mundare	11,693	10,505
Strathcona County	11,691	12,343
Town of Vegreville	88,795	83,916
	<u>163,345</u>	<u>156,773</u>

14. BUDGET FIGURES

Budget figures are included for information purposes only and are not audited.

15. APPROVAL OF FINANCIAL STATEMENTS

The Board and management have approved these financial statements.

JOHN S. BATIUK REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

16. CONTRATUAL OBLIGATIONS

The Capital Region North East Commission requested John S. Batiuk Regional Water Commission to share the costs of construction projects based on the amount of water used on an annual basis. The projected cost for each project is as follows:

400 mm interconnection to the South Side Line	\$ 291,593
Lamoureux Drive Line Rehab	<u>213,962</u>
	<u><u>505,555</u></u>

John S. Batiuk Regional Water Commission made an offer to cover 50% of the project costs on the premise that John S. Batiuk is not the intended beneficiary nor the reason for the projects. However, the Commission recognizes that the South Side Line will be available as an emergency back-up supply.

The Commission has agreed to pay \$ 252,643. This offer has been accepted by the Capital Region North East Commission but no invoice has been raised by them as of the date of approval of the financial statements by the Board.