

JOHN S. BATIUK REGIONAL WATER COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

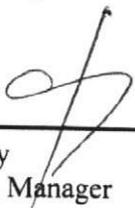
Management Responsibility for Financial Reporting

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 appropriated authorized, accurately recorded, that the assets are property 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.



Allan Harvey
Commission Manager



AMZAD AMIRI PROFESSIONAL CORPORATION

Chartered Professional Accountant

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INDEPENDENT AUDITOR'S REPORT

To The Members of the Board

Qualified Opinion

I have audited the financial statements of the John S. Batiuk Regional Water Commission (the Entity), which comprise the statement of financial position as at December 31, 2023 and December 31, 2022, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the John S. Batiuk Regional Water Commission as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Commission is required to apply PS3280 Asset Retirement Obligations and record the asset retirement obligations liability in its financial statements as at year end. This would affect the Tangible Capital Assets, Asset Retirement Obligations Liability, and Accumulated Surplus as at December 31, 2023. I was unable to obtain sufficient appropriate audit evidence about the asset retirement obligations liability, tangible capital assets and accumulated surplus because the Commission has not consulted a professional to determine the liability to the Commission.

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 Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled our 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 these consolidated 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 consolidated financial information return 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 statements 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 them 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 30, 2024

**John S. Batiuk Regional Water Commission
Statement of Financial Position
as at December 31, 2023**

	2023	2022
FINANCIAL ASSETS		
Cash	\$ 2,975,942	\$ 2,414,703
Investments (Note 4)	9,984,562	9,926,065
Due from commission members (Note 12)	141,767	163,345
Trade and other receivables	136,002	200,468
	\$13,238,273	\$12,704,581
LIABILITIES		
Accounts payable and accrued liabilities	\$ 87,082	\$ 345,332
	87,082	345,332
NET FINANCIAL ASSETS (DEBT)	\$13,151,191	\$12,359,249
NON-FINANCIAL ASSETS		
Tangible Capital assets (Note 5)	\$20,186,743	\$20,765,301
Prepaid expenses	24,198	22,087
	20,210,941	20,787,388
ACCUMULATED SURPLUS	\$33,362,132	\$33,146,637

John S. Batiuk Regional Water Commission
Statement of Operations
For The Year Ended December 31, 2023

	Budget		
	(Unaudited)	2023	2022
REVENUE			
Water Sales to commission members	\$ 2,114,114	\$ 2,049,944	\$ 2,062,034
Water Sales to ACE	1,578,600	1,621,849	1,590,003
Total Water Sales	3,692,714	3,671,793	3,652,037
Cost of Water	2,559,340	2,371,735	2,527,806
GROSS PROFIT (35%, 2022 - 31%)	1,133,374	1,300,058	1,124,231
EXPENSES			
Honorarium to Board Members - (Note 10)	26,500	12,500	26,600
Contracted and general services	515,150	484,179	347,645
Materials, goods and utilities	301,300	270,639	272,073
Amortization of capital assets	568,000	572,809	570,765
Other expenses	26,000	34,403	266,650
Loss on disposal of tangible capital asset/Donated Assets	-	5,750	800
Total Expenses	1,436,950	1,380,280	1,484,533
ANNUAL SURPLUS BEFORE OTHER REVENUE	(303,576)	(80,222)	(360,302)
Other service fees and sales of goods	274,840	40,868	41,216
Interest income	-	132,297	45,224
Investment income on portfolio investments	347,000	58,497	39,644
Other revenue	16,500	64,055	1,277
	638,340	295,717	127,361
ANNUAL SURPLUS	334,764	215,495	(232,941)
ACCUMULATED SURPLUS, AT BEGINNING OF YEAR	33,146,637	33,146,637	33,379,578
ACCUMULATED SURPLUS, AT END OF YEAR	\$33,481,401	\$33,362,132	\$33,146,637

John S. Batiuk Regional Water Commission
Statement of Changes in Net Financial Assets (Debt)
For The Year Ended December 31, 2023

	Budget (Unaudited)	2023	2022
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 334,764	\$ 215,495	\$ (232,941)
Acquisition of tangible capital assets	-	-	(21,610)
Acquisition of prepaid assets	-	(2,112)	(782)
Amortization of tangible capital assets	568,000	572,809	570,765
Loss (gain) on disposal of tangible capital assets/Donated Asset	-	5,750	800
(INCREASE) DECREASE IN NET DEBT	902,764	791,942	316,232
NET FINANCIAL ASSETS (DEBT), AT BEGINNING OF YEAR	12,359,249	12,359,249	11,946,943
Prior Period Adjustment	-	-	96,074
NET FINANCIAL ASSETS (DEBT), AT END OF YEAR	\$13,262,013	\$13,151,191	\$12,359,249

John S. Batiuk Regional Water Commission
Statement of Cash Flows
For The Year Ended December 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
OPERATING		
Excess (deficiency) of revenues over expenses	\$ 215,495	\$ (232,941)
Items which do not affect cash:		
Amortization of capital assets	572,809	570,765
Loss on disposal of tangible capital assets	5,750	800
Net change in non-cash working capital balances:		
Decrease (increase) in trade and other receivables	64,467	155,889
(Increase) decrease in due from members	21,575	(6,572)
(Decrease) increase in accounts payable and accrued liabilities	(258,250)	(207,714)
(Increase) decrease in prepaid expenses	(2,110)	(783)
	619,736	279,444
CAPITAL		
Purchase of tangible capital assets	-	(21,610)
	-	(21,610)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in investments	(58,497)	(39,644)
	(58,497)	(39,644)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	561,239	218,190
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	2,414,703	2,196,513
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 2,975,942	\$ 2,414,703

John S. Batiuk Regional Water Commission
Notes to Financial Statements
as at December 31, 2023

1. NATURE OF THE ORGANIZATION

The John S. Batiuk Regional Water Commission (formerly Capital Region Vegreville Corridor Water Services 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 the Town of Bruderheim, Village of Chipman, Town of Lamont, Lamont County, Town of Mundare, Strathcona County, and Town of Vegreville.

The commission is exempt from income taxation under Section 149 of the Canada Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have 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 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 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 reasonably assured.

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

John S. Batiuk Regional Water Commission
Notes to Financial Statements
as at December 31, 2023

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.

FINANCIAL INSTRUMENTS

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

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

The Commission's financial instruments measured at amortized cost consists of cash , 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
as at December 31, 2023

4. INVESTMENTS

	2023	2022
ATB -Springboard GIC	\$ 2,938,292	\$ 2,860,342
Raymond James - GIC/bonds/mutual funds	6,995,356	6,995,401
Accrued interest	50,914	70,322
	<hr/>	<hr/>
	\$ 9,984,562	\$ 9,926,065
	<hr/>	<hr/>

ATB Springboard GIC carry interest rates varying from 4.75% p.a. to 5.15% p.a. and matures in November 2024 and November 2025.

The fair market value of Raymond James - bond/mutual funds at year end were \$6,448,784 (2022 - \$ 6,429,551).

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

John S. Batiuk Regional Water Commission
Notes to Financial Statements
as at December 31, 2023

5. TANGIBLE CAPITAL ASSETS

Cost	Land	Building	Eng. Structures	Machinery & Equip	2023	2022
Balance, Beginning of Year	\$ 62,628	\$ 416,078	\$ 34,665,193	\$ 1,042,466	\$ 36,186,365	\$ 36,172,980
Acquisition of Tangible Capital Asset	-	-	-	-	-	21,610
Donated Asset/ Disposal	-	-	-	(5,750)	(5,750)	(8,225)
Balance, End of Year	<u>62,628</u>	<u>416,078</u>	<u>34,665,193</u>	<u>1,036,716</u>	<u>36,180,615</u>	<u>36,186,365</u>
Accumulated Amortization						
Balance, Beginning of Year	-	305,986	14,515,629	599,449	15,421,064	14,857,724
Annual Amortization	-	8,147	535,751	28,910	572,808	570,765
Accumulated amortization on disposal	-	-	-	-	-	(7,425)
Balance, End of Year	<u>-</u>	<u>314,133</u>	<u>15,051,380</u>	<u>628,359</u>	<u>15,993,872</u>	<u>15,421,064</u>
Net Book Value	<u>\$ 62,628</u>	<u>\$ 101,945</u>	<u>\$ 19,613,813</u>	<u>\$ 408,357</u>	<u>\$ 20,186,743</u>	<u>\$ 20,765,301</u>
2022 Net Book Value	<u>\$ 62,628</u>	<u>\$ 110,092</u>	<u>\$ 20,149,564</u>	<u>\$ 443,017</u>	<u>\$ 20,765,301</u>	<u>\$ 20,765,301</u>

John S. Batiuk Regional Water Commission
Notes to Financial Statements
as at December 31, 2023

6. LONG TERM DEBT

	2023	2022
Debentures	\$ -	\$ -
Less: current portion	-	-
	\$ -	\$ -

The current portion of long term debt amounts to \$ Nil (2020 - \$ Nil).

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

	2023	2022
Total debt limit	\$ 7,935,021	\$ 7,558,796
Total debt	-	-
Amount of debt limit unused	\$ 7,935,021	\$ 7,558,796
Debt servicing limit	\$ 1,388,629	\$ 1,322,789
Debt servicing	-	-
Amount of debt servicing limit unused	\$ 1,388,629	\$ 1,322,789

John S. Batiuk Regional Water Commission
Notes to Financial Statements
as at December 31, 2023

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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2023	2022
Tangible Capital assets	\$ 36,180,615	\$ 36,186,365
Accumulated Amortization	(15,993,872)	(15,421,065)
	\$20,186,743	\$20,765,300

8. 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 Certificate 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
as at December 31, 2023

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

9. NET ASSETS INTERNALLY RESTRICTED

	2023	2022
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 reserves from unrestricted net assets are authorized by the board of directors.

10. HONORARIUM TO BOARD MEMBERS

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

	2023	2022
Aaron Nelson	1,000	500
Al Harvey	-	500
Daniel Warawa	\$ 6,000	\$ 9,600
Dave Taylor	500	1,750
Glen Lawrence	-	1,250
Irene Talaga	1,000	3,500
Jody Foulds	250	\$ -
Karl Hauch	1,750	4,250
Morris Langevin	500	1,750
Shana McIntrye	250	-
Tim MacPhee	1,250	3,500
	\$ 12,500	\$ 26,600

John S. Batiuk Regional Water Commission
Notes to Financial Statements
as at December 31, 2023

11. NET ASSETS

The commission manages its capital to ensure that it will be able to continue as a going concern and ensure the consistent delivery of services. The commission's overall strategy remain unchanged from 2022.

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.

12. RELATED PARTY TRANSACTIONS

	2023	2022
Town of Bruderheim	\$ 156,478	\$ 172,462
Village of Chipman	80,611	88,236
Town of Lamont	216,187	221,562
Lamont County	187,075	187,251
Town of Mundare	160,356	159,511
Strathcona County	141,767	115,442
Town of Vegreville	1,107,469	1,117,570
	<hr/> \$ 2,049,943	<hr/> \$ 2,062,034

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 are as follows:

	2023	2022
Town of Bruderheim	\$ 11,824	\$ 13,627
Village of Chipman	4,435	7,439
Town of Lamont	16,031	18,150
Lamont County	13,551	11,950
Town of Mundare	10,627	11,693
Strathcona County	10,221	11,691
Town of Vegreville	75,078	88,795
	<hr/> \$ 141,767	<hr/> \$ 163,345

John S. Batiuk Regional Water Commission
Notes to Financial Statements
as at December 31, 2023

13. BUDGET FIGURES

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

14. CONTRACTUAL 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	213,962

Total	\$ 505,555
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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.

15. APPROVAL OF FINANCIAL STATEMENTS

The Board and management have approved these financial statements.