

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION
Financial Statements
For the Year Ended December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Smoky River Regional Water Management Commission

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

JDP Wasserman LLP have been appointed by the Board Members of Smoky River Regional Water Management Commission to express an opinion on the financial statements.



Rick Gervais
Manager

Falher, AB
March 27, 2023



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INDEPENDENT AUDITORS' REPORT

To the Members of Smoky River Regional Water Management Commission

Opinion

We have audited the financial statements of Smoky River Regional Water Management Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2022, 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, 2022, and the results of its operations, changes in 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 ethical requirements that are relevant to our audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Members of the Board) are responsible for overseeing the Commission's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Edmonton, Alberta
March 27, 2023

**JDP Wasserman
LLP**

Chartered Professional Accountants

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Statement of Financial Position

As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,605,177	\$ 1,474,076
Accounts receivable (Note 3)	82,056	84,473
Investments (Note 4)	2,985	2,688
	<u>1,690,218</u>	<u>1,561,237</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	42,019	43,219
Long-term debt (Note 6)	1,545,093	1,677,776
	<u>1,587,112</u>	<u>1,720,995</u>
NET FINANCIAL ASSETS (DEBT)	<u>103,106</u>	<u>(159,758)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	400	400
Inventory for consumption	7,971	8,898
Tangible capital assets (Schedule 1)	12,479,489	12,836,111
	<u>12,487,860</u>	<u>12,845,409</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 12,590,966</u>	<u>\$ 12,685,651</u>

ON BEHALF OF THE BOARD:



Chair



Board Member

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2022

	2022 (Budget) (Note 11)	2022 (Actual)	2021 (Actual)
REVENUES			
Fees charged to commission members (Note 8)	\$ 1,030,000	\$ 1,033,515	\$ 1,063,897
Other revenues	5,600	87,830	67,053
Investment income	10,000	40,770	11,589
	<u>1,045,600</u>	<u>1,162,115</u>	<u>1,142,539</u>
EXPENSES			
Amortization of tangible capital assets	-	356,622	356,621
Salaries, wages and benefits	251,576	278,514	308,615
Utilities	140,000	147,215	123,405
Repairs and maintenance	59,000	118,916	29,269
Chemicals	80,000	96,920	80,299
Interest on long-term debt	82,316	82,025	88,439
Fleet	52,000	55,811	53,776
Insurance	31,000	31,978	29,345
Supplies and fuel	20,000	24,189	19,469
Contracted and general services	18,000	22,276	15,788
Professional services	25,000	20,261	7,021
Postage, phone and freight	10,000	9,748	9,445
Travel and subsistence	5,000	4,481	1,330
Licences and permits	-	4,050	-
Rental	3,800	2,400	2,209
Advertising, print and memberships	1,500	702	789
Other	1,000	692	-
Bank charges	50	-	25
	<u>780,242</u>	<u>1,256,800</u>	<u>1,125,845</u>
ANNUAL SURPLUS (DEFICIT)	265,358	(94,685)	16,694
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>12,685,651</u>	<u>12,685,651</u>	<u>12,668,957</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 12,951,009</u>	<u>\$ 12,590,966</u>	<u>\$ 12,685,651</u>

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION**Statement of Changes in Net Financial Debt****For the Year Ended December 31, 2022**

	2022 (Budget) (Note 11)	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 265,358	\$ (94,685)	\$ 16,694
Amortization of tangible capital assets	-	356,622	356,621
Use of inventory for consumption	-	927	1,499
	-	357,549	358,120
INCREASE IN NET FINANCIAL ASSETS	265,358	262,864	374,814
NET FINANCIAL DEBT - BEGINNING OF YEAR	(159,758)	(159,758)	(534,572)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 105,600	\$ 103,106	\$ (159,758)

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Statement of Cash Flows

For the Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (94,685)	\$ 16,694
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	356,622	356,621
	<u>261,937</u>	<u>373,315</u>
Changes in non-cash working capital:		
Accounts receivable	2,417	4,872
Accounts payable and accrued liabilities	(1,200)	(12,269)
Inventory for consumption	927	1,499
	<u>2,144</u>	<u>(5,898)</u>
Cash flow from operating activities	<u>264,081</u>	<u>367,417</u>
INVESTING ACTIVITY		
Net change in investments	(297)	(233)
Cash flow used by investing activity	<u>(297)</u>	<u>(233)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	(132,683)	(126,282)
Cash flow used by financing activity	<u>(132,683)</u>	<u>(126,282)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>131,101</u>	<u>240,902</u>
Cash and cash equivalents - beginning of year	<u>1,474,076</u>	<u>1,233,174</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,605,177</u>	<u>\$ 1,474,076</u>

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
COST								
BALANCE, BEGINNING OF YEAR	\$ 50,000	\$ -	\$ -	\$ 19,350,232	\$ -	\$ -	\$ 19,400,232	\$ 19,400,232
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ 6,564,121	\$ -	\$ -	\$ 6,564,121	\$ 6,207,500
Amortization of tangible capital assets	-	-	-	356,622	-	-	356,622	356,621
BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ 6,920,743	\$ -	\$ -	\$ 6,920,743	\$ 6,564,121
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 50,000	\$ -	\$ -	\$ 12,429,489	\$ -	\$ -	\$ 12,479,489	\$ 12,836,111
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2021	\$ 50,000	\$ -	\$ -	\$ 12,786,111	\$ -	\$ -	\$ 12,836,111	

Included in the net book value of tangible capital assets is work-in-progress of \$Nil (2021 - \$Nil).

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Schedule of Equity in Tangible Capital Assets

(Schedule 2)

For the Year Ended December 31, 2022

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 11,158,335	\$ 11,388,674
Amortization of tangible capital assets	(356,622)	(356,621)
Repayment of long-term debt	132,683	126,282
BALANCE, END OF YEAR	\$ 10,934,396	\$ 11,158,335
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets (Schedule 1)	\$ 12,479,489	\$ 12,836,111
Long-term debt (Note 6)	(1,545,093)	(1,677,776)
	\$ 10,934,396	\$ 11,158,335

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2022

1. ACCOUNTING POLICIES

The financial statements of Smoky River Regional Water Management Commission (the "Commission") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Commission are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, and cash flows of the Commission. The members of the Commission are the Towns of Falher and McLennan, the Villages of Girouxville and Donnelly, and the Municipal District of Smoky River No. 130.

The Commission is constituted under the *Alberta Municipal Government Act* and was established for the purpose of constructing, maintaining, controlling, and managing a regional water supply line from Smoky River. It was approved by the Minister of Municipal Affairs on May 28, 2003.

The Commission is exempt from income taxes under Section 149 of the *Canadian Income Tax Act*.

(b) Basis of Accounting

The Commission follows the accrual basis of accounting. Revenues are accounted for in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenues. Investment income is recognized when it is earned. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the Commission has met any eligibility criteria, and reasonable estimates of the amounts can be made.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of 90 days or less at acquisition.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written-down to recognize the loss. Gains on principal protected notes are recognized as income when sold.

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SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2022

1. ACCOUNTING POLICIES (continued)

(e) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the Statement of Changes in Net Financial Debt for the year (page 7).

(f) Inventories for Consumption

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

(g) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Engineered structures	45 - 75 years
Vehicles	10 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. Tangible capital assets received or purchased as part of a restructuring transaction are recorded at carrying value at the date of receipt and also are recorded as revenue.

Tangible capital assets under construction are not amortized until the asset is substantially complete and available for productive use. Those tangible capital assets not meeting this criteria are categorized as work-in-progress as of year-end.

Works of art for display are not recorded as tangible capital assets but are disclosed.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(h) Contaminated Sites

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Commission is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

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SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2022

1. ACCOUNTING POLICIES (continued)

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Commission has used estimates to determine accrued liabilities and tangible capital asset useful lives.

(j) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, *PS3280 Asset Retirement Obligations* provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2023, *PS3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

2. CASH AND CASH EQUIVALENTS

	2022	2021
Notice on demand bank accounts	\$ 1,309,995	\$ 876,303
Bank account	295,162	597,763
Petty cash	20	10
	<u>\$ 1,605,177</u>	<u>\$ 1,474,076</u>

The notice on demand bank accounts bear interest at a rate of prime minus 1.50% and require notice to access funds of 90 days.

3. ACCOUNTS RECEIVABLE

	2022	2021
Trade and other	\$ 73,736	\$ 75,153
Goods and Services Tax recoverable	8,320	9,320
	<u>\$ 82,056</u>	<u>\$ 84,473</u>

4. INVESTMENTS

Investments consist of an equity share in the Girouxville Co-op.

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2022

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade and other	\$ 22,678	\$ 16,811
Employee earned vacation and sick liability	15,952	22,728
Accrued interest on long-term debt	3,389	3,680
	<u>\$ 42,019</u>	<u>\$ 43,219</u>

6. LONG-TERM DEBT

	2022	2021
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$70,601 including interest at 5.012% maturing in 2031.	\$ 967,614	\$ 1,056,947
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$26,488 including interest at 4.995% maturing in 2032.	396,852	428,804
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$10,410 including interest at 4.980% maturing in 2034.	180,627	192,025
	<u>\$ 1,545,093</u>	<u>\$ 1,677,776</u>

Principal and interest payments are due as follows:

	Principal	Interest	Total
2023	\$ 139,406	\$ 75,592	\$ 214,998
2024	146,471	68,527	214,998
2025	153,894	61,104	214,998
2026	161,693	53,305	214,998
2027	169,887	45,111	214,998
Thereafter	773,742	110,293	884,035
	<u>\$ 1,545,093</u>	<u>\$ 413,932</u>	<u>\$ 1,959,025</u>

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2022

7. DEBT LIMITS

Debenture debt is repayable to the Alberta Capital Finance Authority and is issued on the credit and security of the Commission at large. Section 3 of Alberta Regulation 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

	2022	2021
Total debt limit	\$ 2,324,230	\$ 2,285,078
Total debt	(1,545,093)	(1,677,776)
Total debt limit remaining	\$ 779,137	\$ 607,302
Service on debt limit	\$ 406,740	\$ 399,889
Service on debt	(214,998)	(214,998)
Total service on debt limit remaining	\$ 191,742	\$ 184,891

The debt limit is calculated at 2 times revenues of the Commission (as defined by Alberta Regulation 76/2000) and the debt service limit is calculated at 0.35 times such revenues. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipal entities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the Commission. Rather, the financial statements must be interpreted as a whole.

8. RELATED PARTIES

Fees charged to Commission members are summarized as follows:

	2022	2021
Town of Falher	\$ 455,072	\$ 474,016
Smoky River Water Co-operative Ltd.	275,886	284,265
Village of Donnelly	151,322	143,170
Village of Girouxville	151,235	162,446
Town of McLennan	-	-
Municipal District of Smoky River No. 130	-	-
\$ 1,033,515	\$ 1,063,897	

Smoky River Water Co-operative Ltd. has also been identified as a related party. Even though it is not a member of the Commission, it does have two representative Directors on the Commission's Board.

Included in contracted and general services expenses is \$4,200 (2021 - \$4,200) to the Town of Falher for administrative services. Rental expense also relates to the Town of Falher for \$2,400 (2021 - \$2,209). Included in other revenues is \$3,600 (2021 - \$3,600) from Smoky River Water Co-operative Ltd. for booster station monitoring.

Included in accounts receivable and accounts payable and accrued liabilities as of December 31, 2022 is \$73,323 (2021 - \$74,308) and \$1,600 (2021 - \$Nil), respectively.

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2022

9. ACCUMULATED SURPLUS

	2022	2021
Unrestricted surplus	\$ 31,258	\$ 105,316
Restricted surplus		
Operating reserves (Note 10)	269,000	264,000
Capital reserves (Note 10)	1,356,312	1,158,000
Equity in tangible capital assets (Schedule 2)	10,934,396	11,158,335
	<u>\$ 12,590,966</u>	<u>\$ 12,685,651</u>

10. RESTRICTED SURPLUS

	2022	2021
Operating Reserves		
Operating	\$ 259,000	\$ 254,000
Insurance deductible	10,000	10,000
	<u>\$ 269,000</u>	<u>\$ 264,000</u>
Capital Reserves		
Capital replacement	\$ 1,274,676	\$ 1,092,000
Vehicle replacement	81,636	66,000
	<u>\$ 1,356,312</u>	<u>\$ 1,158,000</u>

11. BUDGET FIGURES

	2022 (Budget)	2022 (Actual)
Annual surplus	\$ 265,358	\$ (94,685)
Amortization of tangible capital assets	-	356,622
Repayment of long-term debt	(132,682)	(132,683)
Net transfers to reserves	(132,676)	(203,312)
Results of operations	<u>\$ -</u>	<u>\$ (74,058)</u>

The budget data presented in these financial statements is based on the operating and capital budgets approved by the Members of the Board on December 15, 2021. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2022

12. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Commission is not exposed to significant market or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

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 fulfill their obligations. The large number and diversity of customers minimizes the Commission's credit risk.

13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Members of the Board and management.
