

NORTH 43 LAGOON COMMISSION

SANGUDO, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022



LAC STE. ANNE COUNTY GOVERNANCE FAQ

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INDEPENDENT AUDITORS' REPORT

To the Members of the North 43 Lagoon Commission

Opinion

We have audited the financial statements of the North 43 Lagoon 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 assets 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 and accumulated surplus and the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

(continues)



Independent Auditors' Report to the Members of the North 43 Lagoon Commission (*continued*)

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

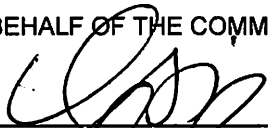
Chartered Professional Accountants

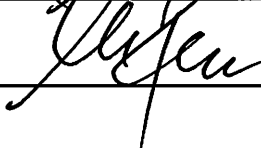
Edmonton, Alberta
April 20, 2023

NORTH 43 LAGOON COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 1,244,521	\$ 559,973
Accounts receivable	472,814	116,521
Goods and Services Tax receivable	96,418	704
Provincial grants receivable	-	116,613
Loan receivable (Note 3)	<u>270,000</u>	<u>-</u>
	<u>2,083,753</u>	<u>793,811</u>
LIABILITIES		
Accounts payable and accrued liabilities	278,083	238,366
Deferred revenue	820,142	-
Long-term debt (Note 4)	<u>270,000</u>	<u>-</u>
	<u>1,368,225</u>	<u>238,366</u>
NET FINANCIAL ASSETS	715,528	555,445
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule I)	10,252,552	8,340,345
Prepaid expenses	<u>1,714</u>	<u>-</u>
	<u>10,254,266</u>	<u>8,340,345</u>
ACCUMULATED SURPLUS (Note 6)	\$ 10,969,794	\$ 8,895,790

ON BEHALF OF THE COMMISSION:


 _____ Chairman


 _____ Manager

NORTH 43 LAGOON COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Revenue		
Provincial government transfers	\$ 1,463,245	\$ 26,200
Contributions from commission members	746,356	107,346
Disposal fees	103,536	117,279
Interest income	37,172	2,692
Lease	<u>21,000</u>	<u>15,300</u>
	<u>2,371,309</u>	<u>268,817</u>
Expenses		
Maintenance and repairs	35,509	6,099
Management services	30,928	29,455
Board	9,139	2,390
Utilities	6,594	4,856
Professional fees	5,713	6,117
Lagoon inspections	3,000	3,000
Insurance	1,985	1,495
Lagoon samples	1,625	1,045
Materials and supplies	1,114	789
Amortization of tangible capital assets	<u>201,698</u>	<u>155,298</u>
	<u>297,305</u>	<u>210,544</u>
Excess of Revenue over Expenses	2,074,004	58,273
Accumulated Surplus, Beginning of Year	<u>8,895,790</u>	<u>8,837,517</u>
Accumulated Surplus, End of Year	<u>\$ 10,969,794</u>	<u>\$ 8,895,790</u>

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

NORTH 43 LAGOON COMMISSION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Excess of Revenue Over Expenses	\$ 2,074,004	\$ 58,273
Acquisition of tangible capital assets	(2,113,905)	(269,850)
Amortization of tangible capital assets	<u>201,698</u>	<u>155,298</u>
	161,797	(56,279)
Net (acquisition) use of prepaid expenses	<u>(1,714)</u>	-
Increase in Net Financial Assets	160,083	(56,279)
Net Financial Assets, Beginning of Year	<u>555,445</u>	<u>611,724</u>
Net Financial Assets, End of Year	<u>\$ 715,528</u>	<u>\$ 555,445</u>

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

NORTH 43 LAGOON COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Operating Activities		
Cash from operations		
Excess of revenue over expenses	\$ 2,074,004	\$ 58,273
Amortization of tangible capital assets	201,698	155,298
Change in non-cash working capital balances related to operations:		
Accounts receivable	(356,293)	(17,491)
Goods and Services Tax receivable	(95,714)	8,547
Provincial grants receivable	116,613	(26,200)
Prepaid expenses	(1,714)	-
Accounts payable and accrued liabilities	39,717	199,622
Loan receivable	(270,000)	-
Deferred revenue	820,142	-
	<u>2,528,453</u>	<u>378,049</u>
Financing Activities		
Long-term debt proceeds	<u>270,000</u>	-
Investing Activities		
Acquisition of tangible capital assets	<u>(2,113,905)</u>	<u>(269,850)</u>
Change in Cash During the Year	684,548	108,199
Cash, Beginning of Year	<u>559,973</u>	<u>451,774</u>
Cash, End of Year	\$ <u>1,244,521</u>	\$ <u>559,973</u>

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

NORTH 43 LAGOON COMMISSION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

SCHEDULE 1

	<u>Land</u>	<u>Engineered Structures</u>	<u>Machinery and Equipment</u>	<u>2022</u>	<u>2021</u>
COST:					
Balance, Beginning of Year	\$ 1,033,996	\$ 8,181,148	\$ 238,634	\$ 9,453,778	\$ 9,183,928
Acquisition of tangible capital assets	<u>-</u>	<u>2,113,905</u>	<u>-</u>	<u>2,113,905</u>	<u>269,850</u>
Balance, End of Year	<u>1,033,996</u>	<u>10,295,053</u>	<u>238,634</u>	<u>11,567,683</u>	<u>9,453,778</u>
ACCUMULATED AMORTIZATION:					
Balance, Beginning of Year	-	1,106,799	6,634	1,113,433	958,135
Annual amortization	<u>-</u>	<u>155,298</u>	<u>46,400</u>	<u>201,698</u>	<u>155,298</u>
Balance, End of Year	<u>-</u>	<u>1,262,097</u>	<u>53,034</u>	<u>1,315,131</u>	<u>1,113,433</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,033,996</u>	<u>\$ 9,032,956</u>	<u>\$ 185,600</u>	<u>\$ 10,252,552</u>	<u>\$ 8,340,345</u>

Cost includes construction in progress of \$2,530,163 (2021 - \$648,258). These amounts are not amortized until the asset is complete and in use.

NORTH 43 LAGOON COMMISSION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. NATURE OF THE ORGANIZATION

The Commission is constituted under the *Municipal Government Act* and was approved by the Minister of Municipal Affairs on June 10, 2003, O.C. 266/2003, for the purpose of constructing, maintaining, controlling, and managing a regional lagoon.

2. ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for local governments established by the Canadian Public Sector Accounting Board.

(b) Cash

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

(c) Revenue Recognition

Service fees 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.

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

Investment income is recognized as revenue when earned.

(d) Tangible Capital Assets

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

Engineered structures	50 years
Equipment	5 years

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

(e) Measurement Uncertainty

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

NORTH 43 LAGOON COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

3. LOAN RECEIVABLE

	<u>2022</u>	<u>2021</u>
Summer Village of Ross Haven, unsecured, repayable in semi-annual payments of \$9,396 including interest at 4.87%, due December 15, 2047.	\$ <u>270,000</u>	\$ <u>-</u>

4. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of \$9,396 including interest at 4.87%; due December 15, 2047.	\$ <u>270,000</u>	\$ <u>-</u>

Repayments of principal and interest over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,713	\$ 13,080	\$ 18,793
2024	5,994	12,799	18,793
2025	6,290	12,503	18,793
2026	6,600	12,193	18,793
2027	6,925	11,868	18,793
Thereafter	<u>238,478</u>	<u>137,377</u>	<u>375,855</u>
	<u>\$ 270,000</u>	<u>\$ 199,820</u>	<u>\$ 469,820</u>

5. DEBT LIMITS

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

	<u>2022</u>	<u>2021</u>
Total debt limit	\$ 323,416	\$ 270,542
Total debt	<u>270,000</u>	<u>-</u>
Unused debt limit	<u>\$ 53,416</u>	<u>\$ 270,542</u>
Service on debt limit	\$ 56,598	\$ 47,345
Service on debt	<u>18,793</u>	<u>-</u>
Unused service on debt limit	<u>\$ 37,805</u>	<u>\$ 47,345</u>

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

NORTH 43 LAGOON COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

6. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted surplus and equity in tangible capital assets as follows:

	<u>2022</u>	<u>2021</u>
Restricted surplus (Note 7)	\$ 717,242	\$ 555,445
Equity in tangible capital assets	<u>10,252,552</u>	<u>8,340,345</u>
	<u>\$ 10,969,794</u>	<u>\$ 8,895,790</u>

7. RESTRICTED SURPLUS

Reserves are established at the discretion of the Board of Directors to set aside funds for future operating and capital purposes. Transfers to and from reserves are reflected as adjustments to the respective fund. Changes in reserve balances during the year were as follows:

	<u>2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>2022</u>
Lagoon	\$ 249,354	\$ 97,744	\$ -	\$ 347,098
Forcemain	<u>306,091</u>	<u>64,053</u>	<u>-</u>	<u>370,144</u>
	<u>\$ 555,445</u>	<u>\$ 161,797</u>	<u>\$ -</u>	<u>\$ 717,242</u>

8. RELATED PARTY TRANSACTIONS

Lac Ste. Anne County, the Summer Village of Ross Haven, the Summer Village of Yellowstone and the Summer Village of Castle Island are members of the Commission and, as such, have been identified as related parties.

Amounts due from Commission members at December 31, 2022 is \$716,746 (2021 - \$66,086). Amounts owing to Commission members at December 31, 2022 is \$13,405 (2021 - \$232,380).

During the year, the Commission recorded revenues from Commission members of \$746,356 (2021 - \$107,346).

During the year, the Commission paid a total of \$33,928 (2021 - \$32,455) to Lac Ste. Anne County for management services and lagoon inspections.

These transactions are in the normal course of operations and are measured at the exchange amounts as established and agreed to by the related parties.

9. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Commission is not exposed to significant interest rate, currency, liquidity, credit, market or other price risk arising from these financial instruments. The carrying values of these financial instruments approximates their fair value.