

TriVillage Regional Sewage Services Commission

Financial Statements

December 31, 2022

TriVillage Regional Sewage Services Commission

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board

Opinion

We have audited the financial statements of the **Tri Village Regional Sewage Services Commission (the "Organization")**, which comprise the statement of financial position as at 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Tri Village Regional Sewage Services Commission as at December 31, 2022, and the results of its operations, change in its net financial assets (debt) and its 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the 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 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.

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

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

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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT - continued

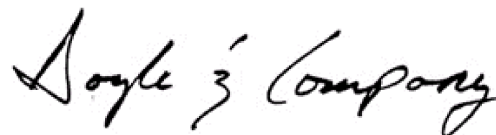
We also:

- 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

March 23, 2023
11210 107 Ave NW
Edmonton, Alberta T5H 0Y1



Chartered Professional Accountants

TriVillage Regional Sewage Services Commission

Statement of Financial Position

As at December 31, 2022

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash (Note 3)	1,715,751	2,003,244
Accounts receivable	40,853	-
Goods and services tax receivables	26,290	16,111
	1,782,894	2,019,355
LIABILITIES		
Accounts payable and accrued liabilities	91,784	4,764
Accrued interest payable	14,007	17,619
Long-term debt (Note 4)	2,687,739	2,834,898
Deferred capital asset contributions (Note 6)	6,055,347	6,290,939
	8,848,877	9,148,220
NET FINANCIAL ASSETS (DEBT)	(7,065,983)	(7,128,865)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	9,873,355	9,588,532
Prepaid expenses	7,582	7,465
	9,880,937	9,595,997
ACCUMULATED OPERATING SURPLUS (Note 8) (Schedule 1)	2,814,954	2,467,132

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission

Statement of Operations and Changes in Net Assets

For the year ended December 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
REVENUE			
Member Levies			
Service fees charged to commission members	663,965	663,967	654,367
Debenture recognized as revenue	252,720	252,719	252,719
	916,685	916,686	907,086
Government of Alberta Grant	-	-	235,875
Interest income	5,000	38,856	11,986
Other	6,000	2,526	8,150
	927,685	958,068	1,163,097
EXPENSES			
Administrative and general (Schedule 3)	56,190	63,956	62,283
Interest on long-term debt	105,560	101,946	110,108
Operating (Schedule 3)	894,780	375,399	590,763
	1,056,530	541,301	763,154
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	(128,845)	416,767	399,943
Amortization of deferred capital asset contributions	235,595	235,592	235,592
Amortization of tangible capital assets	(292,790)	(304,537)	(292,790)
	(57,195)	(68,945)	(57,198)
EXCESS OF REVENUE OVER EXPENSES	(186,040)	347,822	342,745
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		2,467,132	2,124,387
ACCUMULATED OPERATING SURPLUS, END OF YEAR		2,814,954	2,467,132

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission

Statement of Changes in Net Financial Assets (Debt)

For the year ended December 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
EXCESS OF REVENUES OVER EXPENSES	(186,040)	347,822	342,745
Acquisition of tangible capital assets	-	(589,360)	-
Amortization of tangible capital assets	-	304,537	292,790
	-	(284,823)	292,790
Acquisition of prepaid assets	-	(7,582)	(7,465)
Use of prepaid assets	-	7,465	6,421
	-	(117)	(1,044)
DECREASE (INCREASE) IN NET DEBT	(186,040)	62,882	634,491
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR		(7,128,865)	(7,763,356)
NET FINANCIAL ASSETS (DEBT), END OF YEAR		(7,065,983)	(7,128,865)

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission

Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	347,822	342,745
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	304,537	292,790
Amortization of deferred capital asset contributions	(235,592)	(235,592)
Non-cash charges to operations (net change):		
Decrease (increase) in trade and other receivables	(40,853)	-
Decrease (increase) in goods and services tax receivable	(10,179)	(10,070)
Decrease (increase) in prepaid expenses	(117)	(1,044)
Increase (decrease) in accounts payable and accrued liabilities	87,020	(7,400)
Increase (decrease) in accrued interest payable	(3,612)	(1,189)
Cash provided by operating transactions	449,026	380,240
CAPITAL		
Acquisition of tangible capital assets	(589,360)	-
FINANCING		
Long-term debt repaid	(147,159)	(141,419)
Adjustment to the deferred capital asset contribution	-	(137,785)
Cash provided by (applied to) financing transactions	(147,159)	(279,204)
CHANGE IN CASH DURING THE YEAR	(287,493)	101,036
CASH, BEGINNING OF YEAR	2,003,244	1,902,208
CASH, END OF YEAR	1,715,751	2,003,244

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission
Schedule of Changes in Accumulated Operating Surplus - Schedule 1
For the year ended December 31, 2022

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	196,669	1,945,553	324,910	2,467,132	2,124,387
Excess of revenue over expenses	347,822	-	-	347,822	342,745
Unrestricted funds designated for future use	(40,000)	40,000	-	-	-
Unrestricted funds transferred to capital replacement	(50,000)	50,000	-	-	-
Unrestricted funds to (from) revitalization	(41,822)	41,822	-	-	-
Restricted funds used for tangible capital assets	-	(589,360)	589,360	-	-
Adjustment for the deferred capital asset contribution	(137,786)	-	137,786	-	-
Annual amortization expenses	304,537	-	(304,537)	-	-
Principal payment of long-term debt	(147,159)	-	147,159	-	-
Amortization of deferred capital asset contribution	(235,592)	-	235,592	-	-
Change in accumulated surplus	-	(457,538)	805,360	347,822	342,745
BALANCE, END OF YEAR	196,669	1,488,015	1,130,270	2,814,954	2,467,132

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission

Schedule of Tangible Capital Assets - Schedule 2

For the year ended December 31, 2022

	Buildings	Engineered Structures Original	Engineered Structures New	Equipment	Sewage Lagoon	2022	2021
	\$	\$	\$	\$	\$	\$	\$
COST:							
Balance, Beginning of Year	403,691	4,852,673	9,272,978	444,436	153,635	15,127,413	15,127,413
Acquisition of tangible capital assets	-	-	-	589,360	-	589,360	-
Balance, End of Year	403,691	4,852,673	9,272,978	1,033,796	153,635	15,716,773	15,127,413
ACCUMULATED AMORTIZATION:							
Balance, Beginning of Year	241,835	3,060,330	1,695,688	438,608	102,420	5,538,881	5,246,091
Annual amortization	8,074	71,694	206,066	15,289	3,414	304,537	292,790
Balance, End of Year	249,909	3,132,024	1,901,754	453,897	105,834	5,843,418	5,538,881
NET BOOK VALUE	153,782	1,720,649	7,371,224	579,899	47,801	9,873,355	9,588,532
 2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	 161,856	 1,792,343	 7,577,290	 5,828	 51,215		 9,588,532

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission

Schedule of Operating and Administrative and

General Expenses - Schedule 3

For the year ended December 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
Administrative and General			
Advertising and promotion	2,000	3,613	-
Contracted management services	30,000	38,750	30,000
Contracted office services	7,800	6,600	6,150
Honoraria	6,400	6,180	5,320
Memberships	200	250	195
Office	590	1,782	169
Professional fees	7,000	4,856	18,503
Salaries, wages and benefits	2,200	1,925	1,946
	56,190	63,956	62,283
Operating			
Insurance	7,980	8,992	7,914
Maintenance contract	96,000	80,450	94,350
Professional development	2,500	505	-
Repairs and maintenance	705,500	153,300	393,570
Repairs - line breaks	45,000	79,003	58,702
Travel	800	326	-
Utilities and telephone	37,000	52,823	36,228
	894,780	375,399	590,764

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission

Schedule of Expenses by Object - Schedule 4

For the year ended December 31, 2022

	2022 Budget (Unaudited)	2022 Actual	2021 Actual
	\$	\$	\$
EXPENSES BY OBJECT			
Salaries, wages and benefits	8,600	8,105	7,266
Contracted and general services	305,370	378,277	609,552
Materials, goods, and utilities	39,000	52,973	36,228
Interest on long-term debt	105,560	101,946	110,108
Amortization of tangible capital assets	292,790	304,537	292,790
	751,320	845,838	1,055,944

The accompanying notes form part of these financial statements.

TriVillage Regional Sewage Services Commission

Notes to the Financial Statements

December 31, 2022

Nature of the Operations

The Tri Village Regional Sewer Services Commission (the "Organization") is constituted under the Municipal Government Act and was approved by the Minister of Municipal Affairs on March 22, 1990, for the purpose of constructing, maintaining, controlling, and managing a sanitary sewage transmission and treatment facility to serve their respective municipalities.

The members of the Organization are Alberta Beach, Summer Village of Val Quentin, and Summer Village of Sunset Point.

The Organization is exempt from income tax under Section 149 of the Canadian Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICES

(a) Basis of Presentation

The financial statements of the Organization are the representation of management prepared in accordance with generally accepted accounting principles recommended for governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Organization are as follows:

(b) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the Organization.

(c) Cash

Cash consist of cash on deposit in a Canadian financial institution.

(d) 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 expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions specified for capital purposes are recorded as deferred capital asset contributions. These deferred contributions are recognized as revenue equal to the amount of the amortization of the assets.

(e) Tangible Capital Assets

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

Tangible capital assets are amortized on a straight-line basis over the follows periods:

Buildings	50 years
Engineering structures	45 years
Equipment	20 years
Sewage lagoon	45 years

TriVillage Regional Sewage Services Commission

Notes to the Financial Statements

December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICES - continued

(f) 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 excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

(g) Financial Instrument

(i) Measurement of financial instruments

The Organization initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all of its financial assets and liabilities at amortized cost, except in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, accrued interest payable and long-term debt.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would be reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(h) Reserves for Future Expenditures

Reserves are established at the discretion of the Board to set aside funds for future operating or capital expenditures. Transfers to and/or reserves are reflected as adjustments to the respective fund.

2. MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Accounting Standards for Public Sector Accounting Board 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 revenues and expenses during the year.

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 the tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the revenue or expenses in the period in which they become known. Actual results could differ from those estimates.

TriVillage Regional Sewage Services Commission

Notes to the Financial Statements

December 31, 2022

3. CASH

	2022 \$	2021 \$
Cash	1,715,751	2,003,244

The Board has designated funds of \$558,360 (2021 - \$558,360) for capital replacement and \$797,833 (2021 - \$1,387,193) for sewer revitalization. The total designated funds is \$1,356,193 (2021 - \$1,945,553).

4. LONG-TERM DEBT

	2022 \$	2021 \$
Alberta Capital Financing Authority		
Debenture payable at \$67,657 on March 15 and September 15, of each year including interest at 4.59%, matures March 15, 2032.	1,032,448	1,117,435
Debenture payable at \$58,702 on June 15 and December 15 of each year including interest at 3.245%, matures December 15, 2041.	1,655,291	1,717,463
	2,687,739	2,834,898
Less: current portion	153,138	147,159
Long-term portion	2,534,601	2,687,739

The debentures are secured by the tangible capital assets of the Commission as well as borrowing By-laws passed by the member municipalities. Interest on long-term debt amounted to \$101,946 (2021 - \$110,108).

Principal and interest payments are as follows:

	Principal \$	Interest \$	Total \$
2023	153,138	99,579	252,717
2024	159,368	93,348	252,715
2025	165,857	86,859	252,716
2026	172,618	80,098	252,716
2027	179,663	73,054	252,717
Thereafter	1,857,095	395,460	2,252,555
	2,687,739	828,398	3,516,136

TriVillage Regional Sewage Services Commission

Notes to the Financial Statements

December 31, 2022

5. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that total debt limit as defined by Alberta Regulation 255/2000 for the Organization are to be disclosed as follow:

	2022	2021
	\$	\$
Total Debt Limit	1,790,490	2,098,034
Total Debt	(2,687,739)	(2,834,898)
Amount of debt over the debt limit	(897,249)	(736,864)
Debt Service Limit	298,415	349,672
Debt Service	(252,718)	(252,716)
Amount of debt servicing limit unused	45,697	96,956

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada for the purposes of capital property (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 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 municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principle and interest payments due on long-term debt in the 12 months subsequent to year-end less amounts that are recoverable.

6. DEFERRED CAPITAL ASSET CONTRIBUTIONS

	2022	2021
	\$	\$
Balance, beginning of year	6,290,939	6,664,316
Addition	-	-
Recognized as revenue	-	(137,785)
Amounts amortized to revenue	(235,592)	(235,592)
Balance, end of year	6,055,347	6,290,939

Deferred capital asset contributions represent restricted government grants that were provided to assist in the construction of the Commission's tangible capital assets upgrades.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
	\$	\$
Tangible capital assets	15,716,773	15,127,413
Accumulated amortization	(5,843,417)	(5,538,881)
Long-term debt	(2,687,739)	(2,834,898)
Adjustment to deferred capital asset contributions	-	(137,785)
Deferred capital asset contributions	(6,055,347)	(6,290,939)
	1,130,270	324,910

TriVillage Regional Sewage Services Commission

Notes to the Financial Statements

December 31, 2022

8. ACCUMULATED OPERATING SURPLUS

	2022	2021
	\$	\$
Unrestricted surplus	196,669	196,669
Internally restricted surplus:		
Capital Replacement	608,360	558,360
Sewer Revitalization	839,655	1,387,193
Operating Reserve	40,000	-
Equity in tangible capital assets	1,130,270	324,910
	2,814,954	2,467,132

9. RELATED PARTY TRANSACTIONS

Alberta Beach, Summer Village of Val Quentin and the Summer Village of Sunset Point are members of the Commission and, as such, have been identified as related.

Service fees are based on the budgeted net operating and replacement reserve costs of the Commission and are allocated between the commission members based on an agreed upon percentage.

Amounts due from commission members are payable on receipt of the invoice. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Included in revenue were amounts received from Commission member municipalities as follows:

	2022			2021	
	Alberta Beach	Summer Village of Val Quentin	Summer Village of Sunset Point	Total	Total
	\$	\$	\$	\$	\$
Service fees	248,627	51,112	92,231	391,970	381,772
Debentures	160,294	32,950	59,474	252,718	252,718
Sewer revitalization	170,632	40,790	60,574	271,996	272,596
	579,553	124,852	212,279	916,684	907,086

TriVillage Regional Sewage Services Commission

Notes to the Financial Statements

December 31, 2022

10. FINANCIAL INSTRUMENTS

Credit Risk

Tri Village Regional Sewer Services Commission is subject to credit risk with respect to accounts receivables. Credit risk arises from the possibility that clients the Commission provided services to may experience financial difficulty and be unable to fulfil their obligations. The larger receivable is from the federal government for the Goods and Services Tax refund claimed. The credit risk of the federal government is minimal.

Interest Rate Risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The Commission is exposed to interest rate risk on its bank account balances and long-term debt. The interest rate risk on the long-term debt is minimized as the interest rate is fixed for the loan.

Liquidity Risk

Liquidity risk is the risk that Tri Village Regional Sewer Services Commission will encounter difficulty in meeting its obligations associated with financial liabilities. Tri Village Regional Sewer Services Commission manages its liquidity risk by monitoring its operating requirements and cash forecasts to ensure it has sufficient funds to fulfil its financial obligations.

11. ECONOMIC DEPENDENCE

The Commission is economically dependent upon the three participating member municipalities.

12. BUDGETED FIGURES

Budget figures are included in the financial statements for information purposes and are unaudited. The budget was approved by the Board.

13. APPROVAL OF FINANCIAL STATEMENTS

The Board and Management have approved these financial statements.