

Consolidated Financial Statements

**MUNICIPAL DISTRICT OF
WILLOW CREEK NO. 26**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Reeve and Members of Council of Municipal District of Willow Creek No. 26

Opinion

We have audited the consolidated financial statements of Municipal District of Willow Creek No. 26 (the Municipality), which comprise:

- the consolidated balance sheet as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2021, and its consolidated results of operations 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Municipality 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 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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 the 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 Municipality'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 Municipality'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 Municipality 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
- 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.

Other matters

The financial statements of the Municipality as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on these financial statements on April 14, 2021.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Lethbridge, Canada

April 13, 2022

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

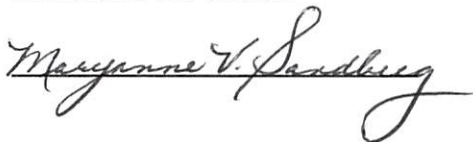
Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets:		
Cash and short-term investments (note 3)	\$ 10,913,795	\$ 13,309,935
Taxes and grants in place of taxes (note 4)	125,139	605,483
Trade and other accounts receivable (note 5)	2,749,781	993,665
Land held for resale inventory	44,164	74,167
	<u>13,832,879</u>	<u>14,983,250</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	1,214,714	1,171,498
Deferred revenue (note 6)	2,592,427	2,736,848
Employee future benefits (note 7)	71,352	123,545
Long-term debt (note 8)	586,636	-
	<u>4,465,129</u>	<u>4,031,891</u>
Net financial assets	9,367,750	10,951,359
Non-Financial Assets:		
Prepaid expenses	242,797	221,413
Inventory for consumption	1,899,817	773,643
Tangible capital assets (Schedule 6)	88,609,852	90,427,869
	<u>90,752,466</u>	<u>91,422,925</u>
Commitments		
Contingent liabilities (note 15)		
Accumulated surplus (note 9 and Schedule 3)	\$100,120,216	\$102,374,284

See accompanying notes to consolidated financial statements.

On behalf of the Council:



MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Consolidated Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 9,501,000	\$ 9,496,554	\$ 9,443,950
User fees and sales of goods	512,800	929,653	533,981
Government transfers for operating (Schedule 1)	2,495,615	2,294,189	1,634,717
Return on Investments	105,000	100,472	146,115
Penalties and costs on taxes	90,000	67,170	100,167
Licenses and permits	9,500	9,698	8,903
Other revenues	797,520	1,166,179	786,472
Rentals	98,450	84,321	274,682
Franchise fees	28,000	29,557	25,199
Fines	60,000	24,483	20,874
Total revenue	13,697,885	14,202,276	12,975,060
Expenses (Schedule 5):			
Elected officials	367,200	360,996	348,771
General administration	2,300,150	2,100,166	1,416,267
Information technology	292,700	438,934	407,729
Fire	619,550	705,861	615,777
Disaster and emergency services	38,200	214,526	39,664
Claresholm medical clinic	76,100	10,411	2,215
Emergency services and bylaw enforcement	663,950	618,426	561,294
Transportation	6,726,140	6,762,526	6,599,496
Water development	431,850	461,987	370,906
Garbage collection and disposal	227,500	240,148	227,360
Cemeteries	25,500	24,614	12,000
Development control	493,475	522,773	454,391
Agricultural services board	588,075	541,269	517,193
Recreation boards	284,200	280,037	189,000
Parks and recreation	130,625	114,531	251,335
Libraries	130,176	126,500	127,342
Family and community support	213,800	213,741	213,741
Amortization of capital assets	-	7,188,024	7,153,216
Total expenses	13,609,191	20,925,470	19,507,697
Excess (deficiency) of revenue over expenses from operations	88,694	(6,723,194)	(6,532,637)
Other:			
Contributed tangible capital assets	-	60,993	1,191,985
Government transfer for capital (Schedule 1)	-	4,187,482	3,223,116
Gain on sale of tangible capital assets	-	220,651	32,793
	-	4,469,126	4,447,894
Excess (deficiency) of revenues over expenses (Schedule 2)	88,694	(2,254,068)	(2,084,743)
Accumulated surplus, beginning of year	102,374,284	102,374,284	104,459,027
Accumulated surplus, end of year	\$102,462,978	\$100,120,216	\$102,374,284

See accompanying notes to consolidated financial statements.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Excess (deficiency) of revenue over expenses	\$ 88,694	\$ (2,254,068)	\$ (2,084,743)
Acquisition of tangible capital assets	(11,369,334)	(5,524,287)	(3,686,666)
Contributed assets	-	(60,993)	(1,191,985)
Amortization of tangible capital assets	-	7,188,024	7,153,216
Gain on sale on tangible capital assets	-	(220,651)	(32,793)
Proceeds on sale on tangible capital assets	-	435,924	181,872
Net change in prepaid expense	-	(21,384)	(15,463)
Net change in inventory for consumption	-	(1,126,174)	140,965
Net financial assets - Granum	-	-	883,894
Change in net financial assets	(11,280,640)	(1,583,609)	1,348,297
Net financial assets, beginning of year	10,951,359	10,951,359	9,603,062
Net financial assets, end of year	\$ (329,281)	\$ 9,367,750	\$ 10,951,359

See accompanying notes to consolidated financial statements.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ (2,254,068)	\$ (2,084,743)
Non-cash items included in excess (deficiency) of revenue over expenses:		
Amortization of tangible capital assets	7,188,024	7,153,216
Contributed tangible capital assets	(60,993)	(1,191,985)
Gain on sale of tangible capital assets	(220,651)	(32,793)
Granum net financial assets transferred in	-	883,894
	4,652,312	4,727,589
Changes in non-cash assets and liabilities:		
Long-term receivable	-	28,800
Taxes and grants in place of taxes	480,344	(292,731)
Trade and other receivables	(1,756,116)	313,209
Land held for resale inventory	30,003	(74,167)
Prepaid expenses	(21,384)	(15,463)
Accounts payable and accrued liabilities	43,216	675,241
Deferred revenue	(144,421)	1,722,970
Inventory for consumption	(1,126,174)	140,965
Employee future benefits	(52,193)	15,123
	2,105,587	7,241,536
Capital activities:		
Acquisition of tangible capital assets	(5,524,287)	(3,686,666)
Proceeds on disposal of tangible capital assets	435,924	181,872
	(5,088,363)	(3,504,794)
Financing activities:		
Payments on long-term debt	(63,364)	-
Proceeds from long-term debt	650,000	-
	586,636	-
Increase (decrease) in cash and short-term investments	(2,396,140)	3,736,742
Cash and short-term investments, beginning of year	13,309,935	9,573,193
Cash and short-term investments, end of year	\$ 10,913,795	\$ 13,309,935

See accompanying notes to consolidated financial statements.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

The consolidated financial statements of the Municipal District of Willow Creek No. 26 (the "Municipal District") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Municipal District are as follows:

(a) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in accumulated surplus and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the Municipal District are the following: Clear Lake Park Campground, Pine Coulee Campground, Willow Creek Campground, Hamlet of Granum.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Cash and temporary investments:

Cash and temporary investments includes cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of 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.

(e) Government transfers:

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(f) Inventories for resale:

Land inventory held for resale is recorded as the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective function.

(g) Contaminated sites liability:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(h) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(i) 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.

i. 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:

Assets	Years
Buildings	25 - 50
Land improvements	15 - 25
Engineered structures	15 - 75
Machinery and equipment	5 - 40
Vehicles	7

Assets under construction are not amortized until the asset is available for productive use.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

ii. Contribution of tangible capital assets:

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv. Asset impairment:

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

(j) 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 revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant areas subject to such estimates and assumptions include the estimated useful life of tangible capital assets, taxes and grants in place of taxes, and land held for resale. Actual results could differ from those estimates.

2. Recent accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2022, the Municipal District will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Recent accounting pronouncements (continued):

(a) PS 1201- Financial Statement Presentation:

The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022.

(b) PS 3450- Financial Instruments:

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Municipal District does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Municipal District. This standard is effective for fiscal years beginning on or after April 1, 2022.

(c) PS 2601 - Foreign Currency Translation:

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value, denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

(d) PS 3041 - Portfolio Investments:

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of these types of investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2022.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Recent accounting pronouncements (continued):

(e) PS 3280 - Asset Retirement Obligations:

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard is effective for fiscal years beginning on or after April 1, 2022.

(f) PS 3400 - Revenue:

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2023.

3. Cash and short-term investments:

	2021	2020
Cash	\$ 10,913,795	\$ 13,309,935

Cash includes Municipal District of Willow Creek No. 26 amounts of \$9,734,423 (2020 - \$12,140,467) and Hamlet of Granum amounts of \$1,179,372 (2020 - \$1,169,468).

Temporary investments are short-term deposits with maturities of twelve months or less. The Municipal District did not have any temporary investments in 2021 or 2020.

Included in cash and temporary investments is a restricted amount of \$2,592,427 (2020 - \$2,736,848) received from senior levels of government and held exclusively for capital projects (Note 6).

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

4. Taxes and grants in place of taxes:

	2021	2020
Taxes and grants in place of taxes:		
Current taxes and grants in place of taxes	\$ 128,926	\$ 585,116
Arrears taxes and grants in place of taxes	16,783	76,876
	145,709	661,992
Less: allowance for doubtful accounts	(20,570)	(56,509)
	\$ 125,139	\$ 605,483

5. Trade and other receivables:

	2021	2020
Trade and other accounts receivables	\$ 2,725,623	\$ 968,756
Goods and services tax receivable	87,462	85,407
	2,813,085	1,054,163
Less: Allowance for doubtful	(63,304)	(60,498)
	\$ 2,749,781	\$ 993,665

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. Deferred revenue:

	2021	2020
Deferred revenue, beginning of year	\$ 2,736,848	\$ 894,108
Funds received in the year:		
Operating	282,584	931,507
Capital	4,712,507	3,456,792
	4,995,091	4,388,299
Amounts recognized in revenue during the year:		
Operating	(352,466)	(415,913)
Capital	(4,787,046)	(2,129,646)
	(5,139,512)	(2,545,559)
Deferred revenue, end of year	\$ 2,592,427	\$ 2,736,848
Deferred revenue is comprised of:		
Operating:		
Alberta Community Partnership grant	\$ -	\$ 10,101
MOST grant	-	330,858
Dead Stock Removal Grant	4,612	717
Emergency Management Prep Program Grant	20,162	21,462
Prepaid property tax	69,858	119,770
Family and Community Support Services Grant	42,749	14,254
Transitional Alberta Community Partnership Grant	-	92,078
Other	30,553	29,346
Capital:		
Municipal Sustainability Initiative	291,491	772,340
Alberta Community Resilience	1,379,249	491,538
Federal Gas Tax	753,753	-
Transitional Infrastructure	-	854,384
	\$ 2,592,427	\$ 2,736,848

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Employee future benefits:

	2021	2020
Vacation pay	\$ 38,073	\$ 88,608
Banked overtime	7,589	9,246
Sick time accrual	25,690	25,690
	\$ 71,352	\$ 123,545

8. Debt:

	2021	2020
Tax supported debentures	\$ 586,636	\$ -

The current portion of long-term debt amounts to \$127,805 (2020 - \$nil). Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 127,805	\$ 6,269	\$ 134,074
2023	129,253	4,821	134,074
2024	130,718	3,356	134,074
2025	132,199	1,875	134,074
2026	66,661	377	67,038
	\$ 586,636	\$ 16,698	\$ 603,334

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at the rates of 1.13% per annum, before Provincial subsidy, and matures in 2026. Debenture debt is issued on the credit and security of the Municipal District at large.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Accumulated surplus

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

	2021	2020
Unrestricted surplus	\$ 255,448	\$ 232,944
Restricted surplus:		
Operating:		
Granum	179,416	237,116
Granum ACP - mediation grant	-	30,000
Granum Cemetery	30,000	-
Granum Recreation Society	2,700	-
Discretionary grants	8,066	15,564
Granum & District Recreation Board	9,168	5,605
Ortho project	-	58,456
Physicians recruitment	41,200	41,200
Capital:		
Fire	244,379	376,286
Capital acquisition reserve	5,279,574	5,533,565
Equipment	1,067,861	1,067,861
Moon River water system	109,503	109,503
Claresholm Medical Centre	248,148	198,549
Disaster Services	300,000	300,000
Landfill	16,683	16,683
Protective services	177,154	200,000
Claresholm Industrial Airport	218,190	200,000
Roads	2,047,535	2,026,291
Granum equipment	518,276	512,776
Granum land development	44,434	44,434
Granum water system replacement	72,300	36,150
Bridge file	903,432	703,432
Gravel pit reclamation	100,000	-
	11,618,019	11,713,471
Equity in tangible capital assets	88,246,749	90,427,869
	\$100,120,216	\$102,374,284

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Accumulated surplus (continued):

	2021	2020
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$265,281,907	\$260,574,596
Accumulated amortization (Schedule 6)	176,672,055	170,146,727
Loans related to capital assets	(363,103)	-
	\$ 88,246,749	\$ 90,427,869

10. Debt limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Municipal District be disclosed as follows:

	2021	2020
Total debt limit	\$ 21,303,414	\$ 19,462,590
Total debt	(586,636)	-
Amount of debt limit unused	20,716,778	19,462,590
Debt servicing limit	3,550,569	3,243,765
Debt servicing	(134,074)	-
Amount of debt servicing unused	\$ 3,416,495	\$ 3,243,765

The debt limit is calculated at 1.5 times revenue of the Municipal district (as defined in Alberta Regulation 255/2000) and the debt service 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 Municipal District. Rather, the financial statements must be interpreted as a whole.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

11. Local Authorities Pension Plan:

The Municipal District participates in a multi-employer defined pension plan. The plan is accounted for as a defined contribution plan.

Employees of the Municipal District participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 275,863 people and about 433 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipal District is required to make current service contributions to the LAPP of 9.39% (9.39% in 2020) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (13.84% in 2020) on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 8.39% (8.39% in 2020) of pensionable salary up to the year's maximum pensionable salary and 12.84% (12.84% in 2020) on pensionable salary above this amount.

Total current service contributions by the Municipal District to the LAPP in 2021 were \$363,110 (2020 - \$357,749). Total current service contributions by the employees of the Municipal District to the LAPP in 2021 were \$329,347 (2020 - \$324,813).

LAPP reported a surplus of \$5.0 billion in 2020.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Segmented disclosure:

Segmented information has been identified based upon lines of service provided by the Municipal District. Municipal District services are provided by departments and their activities are reported by functional area in the body of the financial statements. The segmented information is presented in Schedule 2. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

(a) General government:

The mandate of general government includes all Council governance, administrative and taxation functional activities.

(b) Protective and Bylaw Services:

The mandate of Protective and Bylaw Services is to provide for policing and bylaw services.

(c) Disaster Services:

The mandate of Disaster Services includes municipal emergency planning, disaster response and emergency services dispatching.

(d) Fire and Emergency Services:

The mandate of Fire and Emergency Services is to provide for the rescue and protection of people and property within the Municipality through effective and efficient management and coordination of emergency service systems and resources.

(e) Transportation Services:

Transportation Services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway system, streets, walks and lighting, asset management and infrastructure design and construction.

(f) Planning and Development:

Planning and Development is responsible for the administration of municipal planning documents pertaining to residential, commercial, industrial and agricultural development services within the municipality.

(g) Recreation and Culture:

The Recreation and Culture department is responsible for providing regional recreation, summer games and community event funding.

(h) Agricultural Service Board:

The mandate of the Agricultural Service Board is to undertake the requirements of the Agricultural Service Board Act, Weed Control Act, Soil Conservation Act and to provide guidance on agricultural matters to the municipal council and agricultural related services to the public.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Segmented disclosure: (continued):

(i) Environmental Services:

Environmental Services is responsible for water supply and distribution services within the municipality including water and waste services, solid waste disposal and recycling services.

(j) Community Services:

Community Services provides funding for programs that support individuals, families, and communities through programs and services which are delivered through Family and Community Support Services, cemetery services and medical facilities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Salary and benefits disclosure:

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salaries (i)	Benefits and Allowances (ii)	Total 2021	Total 2020
Division 1 - Van Driesten	\$ 35,480	\$ 11,791	\$ 47,271	\$ 46,700
Division 2 - Kroetsch	35,480	11,866	47,346	45,543
Division 3 - Sandberg	45,617	8,909	54,526	53,652
Division 4 - Alm	35,480	11,159	46,639	46,490
Division 5 - Markle	29,203	5,477	34,680	41,575
Division 5 - Hemmaway	6,323	1,456	7,779	-
Division 6 - Berger	35,480	10,104	45,584	44,806
Division 7 - Sundquist	35,480	7,909	43,389	43,736
	258,543	68,671	327,214	322,502
Chief Administrative Officer	\$ 236,283	\$ 37,792	\$ 274,075	\$ 262,365

- i) Salary includes regular base pay. For Councilors, salary includes a monthly allowance to attend special events and per diem reimbursement for authorized meetings attended.
- ii) For non-elected officials, employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term plans as well as travel allowances.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concessionary loans, travel allowances and car allowances.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Financial instruments:

The Municipal District as part of its operations carries a number of financial instruments, such as cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. It is management's opinion that the Municipal District is not exposed to significant interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

i. Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipal District manages exposure through its normal operating and financing activities.

ii. Credit concentration:

The Municipal District is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipal District provides services may experience financial difficulty and be unable to fulfill their obligations. The large number of diversity of taxpayers and customers minimizes the credit risk.

iii. Liquidity risk:

Liquidity risk is the risk that the Municipal District will not be able to meet its financial obligations as they become due. The Municipal District manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Contingent liabilities:

- i. The Municipal District is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Municipal District could become liable for its proportionate share of any claim losses in excess of the funds held by exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- ii. The Municipal District is a member of the Willow Creek Waste Management Services Commission (the "Commission"). The Commission has not determined what the future liability is to close the landfill sites and consequently, the Municipal District could become liable for its proportionate share of any closure and post closure costs in excess of the funds held by the Commission. As of the reporting date, these costs are not determinable.
- i. The Municipal District operates several gravel pits to supply raw materials used in the ongoing maintenance of roads. The Municipal District is responsible for the costs of reclaiming the gravel pits at the end of the production in accordance with provincial legislation. As of the reporting date, these costs are not determinable.
- ii. In the ordinary course of business, various claims and lawsuits are brought against the Municipal District. It is the opinion of management that settlement of these actions will not result in any material liabilities, and therefore no amounts have been accrued.

16. Budget:

The disclosed budget information has been approved by the Reeve and Council of the Municipal District on April 14, 2021.

17. Approval of financial statements:

Council and Management approved these financial statements.

18. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Transfers for operating:			
General administration	\$ 1,282,050	\$ 1,103,912	\$ 457,798
Bylaw & emergency services	39,550	5,733	8,762
Family and community support	171,000	170,993	170,993
Agricultural services board	154,000	172,787	123,907
Roads, streets, walks, lighting	849,015	840,764	873,257
	2,495,615	2,294,189	1,634,717
Transfers for capital:			
Provincial government	-	4,187,482	3,223,116
Total government transfers	\$ 2,495,615	\$ 6,481,671	\$ 4,857,833

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2021, with comparative information for 2020

	General government	Bylaw & emergency services	Disaster services	Protective services (Fire)	Transportation services	Planning and development	Parks & recreation	Agricultural service board	Environmental services	Other	Total 2021	Total 2020
Revenue:												
Net municipal taxes	9,496,554	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	9,496,554 \$	9,443,950
Government transfers	1,274,905	1,300	-	-	840,764	-	-	172,787	4,433	-	2,294,189	1,634,717
User fees and sales of goods	38,476	-	-	506,890	55,887	217,198	-	102,308	8,894	-	929,653	533,981
Return on investments	100,472	-	-	-	-	-	-	-	-	-	100,472	146,115
Rentals	-	-	-	-	15,851	-	-	8,770	-	59,700	84,321	274,682
Penalties and cost of taxes	67,170	-	-	-	-	-	-	-	-	-	67,170	100,167
Franchise fees	29,557	-	-	-	-	-	-	-	-	-	29,557	25,199
Fines	24,483	-	-	-	-	-	-	-	-	-	24,483	20,874
Licenses and permits	-	-	-	-	-	9,698	-	-	-	-	9,698	8,903
Other	107,857	141,508	250,202	159,832	131,221	2,586	-	970	369,673	2,330	1,166,179	786,472
Gain on disposal of tangible capital assets	220,651	-	-	-	-	-	-	-	-	-	220,651	32,793
Contributed Assets	60,993	-	-	-	-	-	-	-	-	-	60,993	1,191,985
Government grant capital	-	-	-	-	4,187,482	-	-	-	-	-	4,187,482	3,223,116
	11,421,118	142,808	250,202	666,722	5,231,205	229,482	-	284,835	383,000	62,030	18,671,402	17,422,954
Expenses:												
Salaries, wages and benefits	1,446,838	488,077	-	5,290	3,562,359	281,571	87,620	343,115	-	-	6,214,870	6,192,206
Contracted and general services	1,129,705	43,247	120,394	497,551	551,597	212,344	10,232	25,358	334,235	15,135	2,939,798	2,144,357
Materials, goods, and utilities	271,388	87,102	94,132	203,019	2,633,572	28,857	16,679	172,795	306,015	10,880	3,824,439	3,296,558
Transfers to local boards	-	-	-	-	-	-	280,037	-	-	-	280,037	207,000
Other	13,881	-	-	-	-	-	-	-	-	-	13,881	63,928
Interest and bank charges	5,569	-	-	-	-	-	-	-	-	-	5,569	1,168
Transfers to organizations and individuals	244,588	-	-	-	15,000	-	-	-	61,886	137,378	458,852	7,153,216
Amortization	126,175	32,446	-	287,554	6,693,784	-	16,295	31,770	-	-	7,188,024	449,264
	3,238,144	650,872	214,526	993,414	13,456,312	522,772	410,863	573,038	702,136	163,393	20,925,470	19,507,697
Excess (deficiency) of revenue over expenses	8,182,974	(508,064) \$	35,676	(326,692)	(8,225,107) \$	(293,290) \$	(410,863) \$	(573,038) \$	(702,136) \$	(101,363) \$	(2,254,068) \$	(2,084,743)

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Unrestricted	Restricted surplus	Equity in tangible capital assets	2021	2020
Balance, beginning of year	\$ 232,944	\$ 11,713,471	\$ 90,427,869	\$ 102,374,284	\$ 97,259,045
Excess of revenues over expenses	(2,254,068)	-	-	(2,254,068)	(2,084,743)
Transferred from restricted surplus	95,452	(95,452)	-	-	-
Transferred from Granum	-	-	-	-	7,199,982
Current year funds used for tangible capital assets	(5,524,287)	-	5,524,287	-	-
Contributed tangible capital assets	(60,993)	-	60,993	-	-
Net book value of tangible capital assets disposed	215,273	-	(215,273)	-	-
Amortization of tangible capital assets	7,188,024	-	(7,188,024)	-	-
Increase in debt	363,103	-	(363,103)	-	-
Change in accumulated surplus	22,504	(95,452)	(2,181,120)	(2,254,068)	5,115,239
Balance, end of year	\$ 255,448	\$ 11,618,019	\$ 88,246,749	\$ 100,120,216	\$ 102,374,284

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
General taxation:			
Real property tax	\$ 7,999,912	\$ 7,998,181	\$ 7,722,656
Linear property tax	5,839,000	5,842,643	5,858,715
Government grants in place of property taxes	10,700	4,342	8,922
	13,849,612	13,845,166	13,590,293
Requisitions:			
Alberta School Foundation Fund	3,575,760	3,575,760	3,448,038
Claresholm Recreation	28,800	28,800	28,800
Granum Recreation	-	-	4,000
Provincial Policing costs	220,331	220,331	146,782
Seniors Foundations	473,969	473,969	468,331
Designated Industrial Property	49,752	49,752	50,392
	4,348,612	4,348,612	4,146,343
Net municipal property tax	\$ 9,501,000	\$ 9,496,554	\$ 9,443,950

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Salaries, wages and benefits	\$ 6,221,650	\$ 6,214,870	\$ 6,192,206
Contracted and general services	3,060,275	2,939,798	2,144,357
Materials, goods and utilities	3,537,790	3,824,439	3,296,558
Transfers to local boards	293,600	280,037	207,000
Interest and bank charges	1,500	5,569	1,168
Transfers to organizations and individuals	444,376	458,852	449,264
Other	50,000	13,881	63,928
Amortization	-	7,188,024	7,153,216
Total expenses by object	\$ 13,609,191	\$ 20,925,470	\$ 19,507,697

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2021, with comparative information for 2020

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	2021	2020
Cost:									
Balance, beginning of year	\$ 6,654,676	\$ 619,075	\$ 12,105,502	\$ 216,703,497	\$ 16,795,511	\$ 6,210,996	\$ 1,485,339	\$ 260,574,596	\$ 241,766,556
Acquisition of tangible capital assets	30,003	83,741	1,147,285	2,761,825	1,253,051	232,371	-	5,508,276	3,686,666
Construction in progress	-	(83,741)	(995,727)	1,025,470	16,011	114,405	(60,407)	16,011	-
Contributed tangible capital assets	60,993	-	-	-	-	-	-	60,993	1,191,985
Disposal of tangible capital assets	(3,259)	-	(15,425)	-	(859,285)	-	-	(877,969)	(413,139)
Transfer from Land for resale	-	-	-	-	-	-	-	-	14,342,528
Balance, end of year	6,742,413	619,075	12,241,635	220,490,792	17,205,288	6,557,772	1,424,932	265,281,907	260,574,596
Accumulated amortization:									
Balance, beginning of year	-	182,507	2,771,376	156,050,030	7,917,435	3,225,379	-	170,146,727	155,231,131
Accumulated amortization on disposals	-	-	(15,425)	-	(647,271)	-	-	(662,696)	(264,060)
Amortization	-	27,091	205,671	5,233,541	1,400,748	320,973	-	7,188,024	15,179,656
Balance, end of year	-	209,598	2,961,622	161,283,571	8,670,912	3,546,352	-	176,672,055	170,146,727
Net book value of tangible capital assets	6,742,413	409,477	9,280,013	59,207,221	8,534,376	3,011,420	1,424,932	88,609,852	90,427,869
2020 Net book value of tangible capital assets	\$ 6,654,676	\$ 436,568	\$ 9,334,126	\$ 60,653,467	\$ 8,878,076	\$ 2,985,617	\$ 1,485,339	\$ 90,427,869	