

Consolidated Financial Statements

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

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP
3410 Fairway Plaza Road South
Lethbridge AB T1K 7T5
Canada
Tel 403 380 5700
Fax 403 380 5760

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 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 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 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 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.

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 10, 2024

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 Restated (note 3)
Financial Assets:		
Cash and short-term investments (note 4)	\$ 13,346,131	\$ 13,084,799
Taxes and grants in place of taxes (note 5)	547,592	1,896,067
Trade and other accounts receivable (note 6)	276,585	728,085
Land held for resale inventory	44,175	44,176
	14,214,483	15,753,127
Financial Liabilities:		
Accounts payable and accrued liabilities	1,368,973	1,079,111
Asset retirement obligation (note 11)	3,232,932	3,138,769
Deferred revenue (note 7)	1,468,891	3,719,968
Employee future benefits (note 8)	90,045	64,245
Long-term debt (note 9)	329,577	458,831
	6,490,418	8,460,924
Net financial assets	7,724,065	7,292,203
Non-Financial Assets:		
Prepaid expenses	375,456	324,573
Inventory for consumption	1,168,756	1,401,790
Tangible capital assets (Schedule 6)	85,947,143	86,877,423
	87,491,355	88,603,786
Commitments		
Contingent liabilities (note 17)		
Accumulated surplus (note 10 and Schedule 3)	\$ 95,215,420	\$ 95,895,989

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, 2023, with comparative information for 2022

	Budget	2023	2022 Restated (note 3)
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 12,415,000	\$ 12,411,635	\$ 10,757,334
User fees and sales of goods	507,900	602,904	729,961
Government transfers for operating (Schedule 1)	1,229,310	1,579,491	1,408,293
Return on Investments	254,000	544,394	189,599
Penalties and costs on taxes	85,000	93,281	81,132
Licenses and permits	9,500	8,930	9,408
Other revenues	920,175	1,491,003	2,266,535
Rentals	88,350	95,636	88,361
Franchise fees	33,000	32,473	34,559
Fines	30,000	13,656	16,783
Total revenue	15,572,235	16,873,403	15,581,965
Expenses (Schedule 5):			
Elected officials	417,400	414,937	389,910
General administration	2,250,335	1,566,586	1,655,785
Information technology	821,225	517,093	489,430
Fire	705,250	776,358	636,755
Disaster and emergency services	41,750	42,501	41,429
Claesholm medical clinic	70,600	4,647	4,583
Emergency services and bylaw enforcement	972,300	975,907	915,802
Transportation	6,978,110	7,694,427	6,776,869
Water development	760,550	511,694	564,512
Garbage collection and disposal	244,500	233,509	220,799
Cemeteries	32,000	51,918	24,599
Development and planning	630,650	581,470	596,126
Agricultural services board	652,425	625,576	618,398
Recreation boards	338,600	338,400	291,300
Parks and recreation	34,300	58,552	27,422
Libraries	132,850	150,308	127,111
Family and community support	213,800	220,955	207,360
Amortization of capital assets	230,000	6,412,130	7,467,016
Total expenses	15,526,645	21,176,968	21,055,206
Excess (deficiency) of revenue over expenses from operations	45,590	(4,303,565)	(5,473,241)
Other:			
Contributed tangible capital assets	-	31,042	4,300
Government transfer for capital (Schedule 1)	-	2,610,450	3,333,174
Gain on sale of tangible capital assets	-	981,504	315,114
	-	3,622,996	3,652,588
Excess (deficiency) of revenues over expenses (Schedule 2)	45,590	(680,569)	(1,820,653)
Accumulated surplus, beginning of year	95,895,989	95,895,989	97,716,642
Accumulated surplus, end of year	\$ 95,941,579	\$ 95,215,420	\$ 95,895,989

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, 2023, with comparative information for 2022

	Budget	2023	2022 (Restated (note 3))
Excess (deficiency) of revenue over expenses	\$ 45,590	\$ (680,569)	\$ (1,820,653)
Acquisition of tangible capital assets	(9,540,350)	(5,812,053)	(5,901,332)
Contributed assets	-	-	(4,300)
Amortization of tangible capital assets	-	6,412,130	7,467,016
Gain on sale on tangible capital assets	-	(981,504)	(315,114)
Proceeds on disposal of tangible capital assets	-	1,311,707	486,158
Net change in prepaid expense	-	(50,883)	(81,776)
Net change in inventory for consumption	-	233,034	498,028
Change in net financial assets	(9,494,760)	431,862	328,027
Net financial assets, beginning of year	7,292,203	7,292,203	6,964,176
Net financial assets, end of year	\$ (2,202,557)	\$ 7,724,065	\$ 7,292,203

See accompanying notes to consolidated financial statements.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 Restated (note 3)
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ (680,569)	\$ (1,820,653)
Non-cash items included in excess (deficiency) of revenue over expenses:		
Amortization of tangible capital assets	6,412,130	7,467,016
Contributed tangible capital assets	(31,042)	(4,300)
Gain on sale of tangible capital assets	(981,504)	(315,114)
	4,719,015	5,326,949
Changes in non-cash assets and liabilities:		
Long-term receivable	1,348,475	-
Taxes and grants in place of taxes	451,500	(1,770,927)
Trade and other receivables	-	2,021,696
Land held for resale inventory	1	(12)
Prepaid expenses	(50,883)	(81,777)
Accounts payable and accrued liabilities	289,862	(135,603)
Deferred revenue	(2,251,077)	1,127,541
Inventory for consumption	233,034	498,026
Employee future benefits	25,800	(7,106)
Increase in asset retirement obligations	94,163	91,421
	4,859,890	7,070,208
Capital activities:		
Acquisition of tangible capital assets	(5,781,011)	(5,257,558)
Proceeds on disposal of tangible capital assets	1,311,707	486,158
	(4,469,304)	(4,771,400)
Financing activities:		
Proceeds from long-term debt	(129,254)	(127,804)
	(129,254)	(127,804)
Increase in cash and short-term investments	261,332	2,171,004
Cash and short-term investments, beginning of year	13,084,799	10,913,795
Cash and short-term investments, end of year	\$ 13,346,131	\$ 13,084,799

See accompanying notes to consolidated financial statements.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies:

The consolidated financial statements of the Municipal District of Willow Creek No. 26 (the "Municipal District" or "M.D.") 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, 2023

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 consist of funds on deposit. As the M.D. has the ability and the intent to hold these investments to maturity they have been recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. For investments recorded at amortized cost, when there has been a loss in the value that is other than a temporary decline, the respective investment is written down to its realizable value. As all investments are recorded at amortized cost, there are no fair value adjustments which are not recognized through the Statement of Operations, as such, no Statement of Unrealized Gains or Losses is presented.

(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.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(g) Asset Retirement Obligations:

Asset retirement obligations (ARO) are legal obligations associated with the retirement of a tangible capital assets (TCA). Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to;

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- remediation of contamination of a tangible capital asset created by its normal use; post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date:

- (a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

(h) 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, 2023

1. Significant accounting policies (continued):

(i) 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.

(j) 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 - 100
Land improvements	15 - 45
Engineered structures	15 - 100
Machinery and equipment	5 - 25
Vehicles	5 - 25

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, 2023

1. Significant accounting policies (continued):

(j) 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.

(k) 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, asset retirement obligations, taxes and grants in place of taxes, and land held for resale. Actual results could differ from those estimates.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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 2024, 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.

(a) 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.

(b) PS 3160 - Public Private Partnerships:

The Canadian Public Sector Accounting Board issued a new standard, PS 3160, Public Private Partnerships in April 2021. This section establishes standards for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements.

This section is effective for fiscal years beginning on or after April 1, 2023 and may be applied retroactively with or without prior period restatement. Early adoption is permitted.

(c) PSG 8 - Purchased Intangibles:

The Canadian Public Sector Accounting Board issued a new guideline, PSG 8 - Purchased Intangibles. This new guideline explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000. The key aspects of this guideline are:

- A definition of purchased intangibles.
- Examples of items that are not purchased intangibles.
- References to other guidance in the PSA Handbook on intangibles.
- Reference to the asset definition general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles.

This guideline applies to fiscal years beginning on or after April 1, 2023. Early adoption is permitted.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy:

Effective January 1, 2023, the Municipal District adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On the effective date of the PS 3280 standard, the Municipal District recognized the following to conform to the new standard;

- asset retirement obligations, adjusted for accumulated accretion to the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capitalized cost; and
- adjustment to the opening balance of the accumulated surplus/deficit.

Amounts are measured using information, assumptions and discount rates where applicable that are current on the effective date of the standard. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy (continued):

Impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

	2022		
	As previously reported	Adjustment recognized	As restated
Statement of Operations			
Revenue	\$ 19,239,324	\$ -	\$ 19,239,324
Expense	20,731,303	-	21,055,206
Annual surplus (deficit)	(1,501,521)	(319,132)	(1,820,653)
Accumulated surplus (deficit) at beginning of year	100,120,216	(2,403,574)	97,716,642
Accumulated surplus (deficit) at end of year	98,618,695	(2,722,706)	95,895,989
Statement of Financial Position			
Financial asset	15,753,127	-	15,753,127
Liability	13,832,879	3,138,769	16,971,648
Net financial assets (debt)	10,430,972	(3,138,769)	7,292,203
Non-financial asset	88,187,723	416,063	88,603,786
Net assets (net liabilities)	98,618,695	(2,722,706)	95,895,989
Statement of Cash flows			
Annual surplus (deficit)	(1,501,521)	(319,132)	(1,820,653)
Amortization of Tangible Capital Assets	7,239,305	227,711	7,467,016
Net financial assets (net debt)	10,430,972	(3,138,769)	7,292,203
Statement of Change in Net Financial Assets			
Annual surplus (deficit)	(1,501,521)	(319,132)	(1,820,653)
Amortization of Tangible Capital Assets	7,239,305	227,711	7,467,016
Net financial assets (net debt) at beginning of year	9,367,750	(2,403,574)	6,964,176
Net financial assets (net debt) at end of year	10,430,972	(3,138,769)	7,292,203

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy (continued):

The Municipal District also adopted the new accounting standards PS 1201 Financial Statement Presentation, PS 3450 Financial Instruments, PS 2601 Foreign Currency Translation, and PS 3401 Portfolio Investments effective January 1, 2023.

The adoption of these standards did not impact the current year or prior year financial statements or presentation of the Municipal District's financial position, operations, or cash flows.

4. Cash and short-term investments:

	2023	2022
Cash	\$ 13,346,131	\$ 13,084,799

Cash includes Municipal District of Willow Creek No. 26 amounts of \$12,991,965 (2022 - \$12,303,583) and Hamlet of Granum amounts of \$354,166 (2022 - \$781,216).

Temporary investments are short-term deposits with maturities of twelve months or less. The Municipal District did not have any temporary investments in 2023 or 2022.

Included in cash and temporary investments is a restricted amount of \$1,456,718 (2022 - \$3,719,968) received from senior levels of government and held exclusively for capital projects (note 7).

5. Taxes and grants in place of taxes:

	2023	2022
Taxes and grants in place of taxes:		
Current taxes and grants in place of taxes	\$ 480,706	\$ 1,855,364
Arrears taxes and grants in place of taxes	90,723	51,470
	571,429	1,906,834
Less: allowance for doubtful accounts	(23,837)	(10,767)
	\$ 547,592	\$ 1,896,067

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Trade and other receivables:

	2023	2022
Trade and other accounts receivable	\$ 225,796	\$ 774,746
Goods and services tax receivable	65,142	71,702
	290,938	846,448
Less: Allowance for doubtful accounts	(14,353)	(118,363)
	\$ 276,585	\$ 728,085

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

7. Deferred revenue:

	2023	2022
Deferred revenue, beginning of year	\$ 3,719,968	\$ 2,592,427
Funds received in the year:		
Operating	100,718	1,163,535
Capital	957,486	4,220,986
	1,058,204	5,384,521
Amounts recognized in revenue during the year:		
Operating	(656,145)	(145,275)
Capital	(2,653,136)	(4,111,705)
	(3,309,281)	(4,256,980)
Deferred revenue, end of year	\$ 1,468,891	\$ 3,719,968
Deferred revenue is comprised of:		
Dead Stock Removal Grant	3,808	4,064
Prepaid property tax	290,506	271,776
2022/23 Fire Services Training Program	12,173	-
2021/22 Alberta Community Partnership Strategic Initiatives	280,892	350,000
Community Foundation Grant	-	25,000
Land Sales	-	506,223
Disaster Services	23,595	23,595
Other	6,999	5,536
Capital:		
Municipal Sustainability Initiative	3,188	648,792
Alberta Community Resilience	681,852	1,403,805
Federal Gas Tax	165,878	481,177
	\$ 1,468,891	\$ 3,719,968

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Employee future benefits:

	2023	2022
Vacation pay	\$ 34,826	\$ 29,004
Banked overtime	13,542	8,781
Sick time accrual	41,677	26,460
	\$ 90,045	\$ 64,245

9. Debt:

	2023	2022
Tax supported debentures	\$ 329,577	\$ 458,831

The current portion of long-term debt amounts to \$130,718 (2022 - \$129,253). Principal and interest repayments are as follows:

	Principal	Interest	Total
2024	\$ 130,718	\$ 3,356	\$ 134,074
2025	132,199	1,875	134,074
2026	66,660	377	67,037
	\$ 329,577	\$ 5,608	\$ 335,185

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, 2023

10. Accumulated surplus:

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

	2023	2022 Restated (note 3)
Unrestricted surplus	\$ 269,480	\$ 227,964
Restricted surplus:		
Operating:		
Granum	179,416	179,416
Granum Cemetery	-	30,000
Discretionary grants	691	3,291
Physicians recruitment	41,200	41,200
Capital:		
Fire	524,890	519,803
Capital acquisition reserve	2,785,361	3,742,274
Equipment	1,547,861	1,547,861
Moon River water system	-	85,573
Claresholm Medical Centre	380,149	314,149
Disaster Services	300,000	300,000
Landfill	16,683	16,683
Protective services	187,789	427,154
Claresholm Industrial Airport	218,190	218,190
Roads	4,247,534	2,347,535
Granum equipment	121,246	518,276
Granum other equipment	(1,211)	108,830
Granum land development	44,434	44,434
Granum water system replacement	132,300	102,300
Bridge file	1,103,432	1,103,432
Gravel pit reclamation	100,000	100,000
Buildings	531,341	537,800
Environmental Buildings	100,000	100,000
	12,561,306	12,388,201
Equity in tangible capital assets	82,384,634	83,279,824
	\$ 95,215,420	\$ 95,895,989

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

10. Accumulated surplus (continued):

	2023	2022 Restated (note 3)
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$274,944,982	\$271,450,306
Accumulated amortization (Schedule 6)	(188,997,839)	(184,572,882)
Loans related to capital assets	(329,577)	(458,831)
Asset retirement obligation	(3,232,932)	(3,138,769)
	<u>\$ 82,384,634</u>	<u>\$ 83,279,824</u>

11. Asset retirement obligations and environmental liabilities:

	2023	2022
Asset retirement obligations, beginning of year	\$ 3,138,769	\$ 3,047,349
Accretion expense	94,163	91,420
	<u>\$ 3,232,932</u>	<u>\$ 3,138,769</u>

Tangible capital assets with associated retirement obligations include buildings. The M.D. has asset retirement obligations to remove hazardous asbestos fiber containing materials from various buildings under its control. Regulations require the M.D. to handle and dispose of the asbestos in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although timing of the asbestos removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the M.D. to remove the asbestos when asset retirement activities occur.

Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently remeasured taking into account any new information and the appropriateness of assumptions used. The estimate of the liability is based on a quote from a third-party who completed a survey and supplemental sampling at all M.D. buildings.

Asset retirement obligations are expected to be settled over the next 10 to 20 years.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. 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:

	2023	2022
Total debt limit	\$ 25,310,105	\$ 23,372,948
Total debt	(329,577)	(458,831)
Amount of debt limit unused	24,980,528	22,914,117
Debt servicing limit	4,218,351	3,895,491
Debt servicing	(134,074)	(134,074)
Amount of debt servicing unused	\$ 4,084,277	\$ 3,761,417

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, 2023

13. 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 291,259 people and about 437 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 8.45% (8.45% in 2022) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% (12.80% in 2022) on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 7.45% (7.45% in 2022) of pensionable salary up to the year's maximum pensionable salary and 11.23% (11.80% in 2022) on pensionable salary above this amount.

Total current service contributions by the Municipal District to the LAPP in 2023 were \$380,131 (2022 - \$348,839). Total current service contributions by the employees of the Municipal District to the LAPP in 2023 were \$340,501 (2022 - \$312,999).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.7 billion (2021 - surplus of \$11.9 billion); the 2023 LAPP actuarial balance was not available at the date of this report.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. 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, 2023

14. 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, 2023

15. 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 2023	Total 2022
Division 1 - Van Driesten	\$ 37,458	\$ 13,276	\$ 50,734	\$ 49,630
Division 2 - Kroetsch	37,458	12,281	49,739	49,307
Division 3 - Sandberg	46,823	8,824	55,647	55,792
Division 4 - Alm	38,796	13,779	52,575	51,744
Division 5 - Hemmaway	37,458	9,424	46,882	45,951
Division 6 - Berger	37,458	11,368	48,826	47,727
Division 7 - Sundquist	-	-	-	30,848
Division 7 - Nelson	37,458	8,337	45,795	8,450
	272,909	77,289	350,198	339,449
Chief Administrative Officer	\$ 239,558	\$ 36,995	\$ 276,553	\$ 271,419

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, long and short-term plans as well as travel allowances, and professional memberships and tuition.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. 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, 2023

17. 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.

18. Budget:

The disclosed budget information was approved by the Reeve and Council of the Municipal District of Willow Creek on April 12, 2023.

19. Approval of financial statements:

Council and Management approved these financial statements.

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022
Transfers for operating:			
General administration	\$ 132,700	\$ 506,820	\$ 349,059
Bylaw & emergency services	12,675	-	34,594
Family and community support	171,000	176,764	170,993
Agricultural services board	160,000	192,972	150,712
Roads, streets, walks, lighting	752,935	702,935	702,935
	1,229,310	1,579,491	1,408,293
Transfers for capital:			
Provincial government	-	2,610,450	3,333,174
Total government transfers	\$ 1,229,310	\$ 4,189,941	\$ 4,741,467

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2023, with comparative information for 2022

	General government	Bylaw & emergency services	Disaster services	Protective services (Fire)	Transportation services	Planning and development	Parks & recreation	Agricultural service board	Environmental services	Other	Total 2023	Total 2022 Restated (note 3)
Revenue:												
Net municipal taxes	\$ 12,411,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,411,635	\$ 10,757,334
Government transfers	683,584	-	-	-	702,935	-	-	192,972	-	-	1,579,491	1,417,173
User fees and sales of goods	19,616	-	-	329,634	44,391	129,309	-	70,105	9,849	-	602,904	725,190
Return on investments	544,394	-	-	-	-	-	-	-	-	-	544,394	189,599
Rentals	-	-	-	-	4,336	-	-	13,300	12,000	66,000	95,636	88,361
Penalties and cost of taxes	93,281	-	-	-	-	-	-	-	-	-	93,281	81,132
Franchise fees	32,473	-	-	-	-	-	-	-	-	-	32,473	34,559
Fines	13,656	-	-	-	-	-	-	-	-	-	13,656	16,783
Licenses and permits	-	-	-	-	-	8,930	-	-	-	-	8,930	9,408
Other	123,074	179,822	-	198,164	528,600	500	47,733	10,684	402,426	-	1,491,003	2,262,426
Gain on disposal of tangible capital assets	981,504	-	-	-	-	-	-	-	-	-	981,504	315,114
Contributed Assets	31,042	-	-	-	-	-	-	-	-	-	31,042	4,300
Government grant capital	-	-	-	-	2,610,450	-	-	-	-	-	2,610,450	3,333,174
	14,934,259	179,822	-	527,798	3,890,712	138,739	47,733	287,061	424,275	66,000	20,496,399	19,234,553
Expenses:												
Salaries, wages and benefits	1,500,802	763,367	-	8,913	3,865,797	378,923	-	428,950	-	-	6,946,752	6,442,452
Contracted and general services	635,584	94,380	30,232	490,088	736,423	198,487	9,692	46,227	252,612	12,823	2,506,548	2,545,611
Materials, goods, and utilities	298,494	118,160	12,269	277,357	3,069,708	4,060	48,860	150,400	419,619	52,366	4,451,293	3,762,675
Transfers to local boards	-	-	-	-	-	-	338,400	-	-	-	338,400	291,300
Other	27,112	-	-	-	-	-	-	-	-	-	27,112	70,962
Interest and bank charges	7,997	-	-	-	-	-	-	-	-	-	7,997	9,660
Transfers to organizations and individuals	249,581	-	-	-	22,500	-	-	-	72,972	141,683	486,736	465,530
Amortization	173,969	74,467	-	381,158	5,718,939	-	14,721	42,095	6,781	-	6,412,130	7,467,016
	2,893,539	1,050,374	42,501	1,157,516	13,413,367	581,470	411,673	667,672	751,984	206,872	21,176,968	21,055,206
Excess (deficiency) of revenue over expenses												
	\$ 12,040,720	\$ (870,552)	\$ (42,501)	\$ (629,718)	\$ (9,522,655)	\$ (442,731)	\$ (363,940)	\$ (380,611)	\$ (327,709)	\$ (140,872)	\$ (680,569)	\$ (1,820,653)

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	Unrestricted	Restricted surplus	Equity in tangible capital assets	2023	2022 Restated (note 3)
Balance, beginning of year	\$ 227,964	\$ 12,388,201	\$ 83,279,824	\$ 95,895,989	\$ 100,120,216
Opening ARO adjustment	-	-	-	-	(2,403,574)
Deficiency of revenues over expenses	(680,569)	-	-	(680,569)	(1,820,653)
Transferred to restricted surplus	(173,105)	173,105	-	-	-
Current year funds used for tangible capital assets	(5,781,011)	-	5,781,011	-	-
Contributed tangible capital assets	(31,042)	-	31,042	-	-
Net book value of tangible capital assets disposed	330,203	-	(330,203)	-	-
Amortization of tangible capital assets	6,184,418	-	(6,184,418)	-	-
Amortization of ARO expense	227,712	-	(227,712)	-	-
Accretion expense	94,163	-	(94,163)	-	-
Increase in debt	(129,253)	-	129,253	-	-
Change in accumulated surplus	41,516	173,105	(895,190)	(680,569)	(4,224,227)
Balance, end of year	\$ 269,480	\$ 12,561,306	\$ 82,384,634	\$ 95,215,420	\$ 95,895,989

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022
General taxation:			
Real property tax	\$ 8,603,338	\$ 8,606,440	\$ 8,450,926
Special tax - Claresholm	50,000	21,216	-
Linear property tax	8,668,950	8,668,503	6,875,554
Government grants in place of property taxes	11,977	5,135	11,568
	17,334,265	17,301,294	15,338,048
Requisitions:			
Alberta School Foundation Fund	3,770,270	3,770,270	3,698,335
Claresholm Recreation	50,000	21,090	-
Provincial Policing costs	440,662	439,966	324,044
Seniors Foundations	584,131	584,131	485,039
Designated Industrial Property	74,202	74,202	73,296
	4,919,265	4,889,659	4,580,714
Net municipal property tax	\$ 12,415,000	\$ 12,411,635	\$ 10,757,334

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022 Restated (note 3)
Salaries, wages and benefits	\$ 7,124,410	\$ 6,946,752	\$ 6,442,452
Contracted and general services	3,009,750	2,506,548	2,545,611
Materials, goods and utilities	4,286,585	4,451,293	3,762,675
Transfers to local boards	361,100	338,400	291,300
Interest and bank charges	8,350	7,997	9,660
Transfers to organizations and individuals	456,450	486,736	465,530
Other	50,000	27,112	70,962
Amortization	230,000	6,412,130	7,467,016
Total expenses by object	\$ 15,526,645	\$ 21,176,968	\$ 21,055,206

MUNICIPAL DISTRICT OF WILLOW CREEK NO. 26

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2023, with comparative information for 2022

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	2023	2022 Restated (note 3)
Cost:									
Balance, beginning of year	\$ 6,740,654	\$ 716,595	\$ 13,609,572	\$ 222,298,661	\$ 17,786,737	\$ 7,044,430	\$ 1,199,640	\$ 269,396,289	\$ 265,281,507
Prior period adjustments	-	-	320,232	1,716,541	17,244	-	-	2,054,017	2,054,017
Acquisition of tangible capital assets	61,871	48,171	149,067	2,734,339	2,453,819	333,744	-	5,781,011	5,257,558
Construction in progress	-	-	(6,459)	291,160	-	-	(284,701)	-	-
Contributed tangible capital assets	-	-	-	-	31,042	-	-	31,042	4,300
Disposal of tangible capital assets	(1)	-	-	-	(2,317,376)	-	-	(2,317,377)	(1,147,076)
Balance, end of year	6,802,524	764,766	14,072,412	227,040,701	17,971,466	7,378,174	914,939	274,944,982	271,450,306
Accumulated amortization:									
Balance, beginning of year	-	236,311	3,015,203	166,624,447	9,327,417	3,731,550	-	182,934,928	176,671,655
Prior period adjustments	-	-	163,677	1,467,379	6,898	-	-	1,637,954	85,947,143
Accumulated amortization on disposals	-	-	-	-	(1,987,173)	-	-	(1,987,173)	(976,032)
Amortization	-	27,863	225,276	4,201,430	1,364,380	365,470	-	6,184,419	7,239,305
Asset retirement obligation amortization	-	-	5,280	221,569	862	-	-	227,711	227,711
Balance, end of year	-	264,174	3,409,436	172,514,825	8,712,384	4,097,020	-	188,997,839	269,109,782
Net book value of tangible capital assets	6,802,524	500,592	10,662,976	54,525,876	9,259,082	3,281,154	914,939	85,947,143	86,877,423
2022 Net book value of tangible capital assets	\$ 6,740,654	\$ 480,284	\$ 10,750,924	\$ 55,923,376	\$ 8,469,665	\$ 3,312,880	\$ 1,199,640	\$ 86,877,423	