

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2022**

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# WESTEND REGIONAL SEWAGE SERVICES COMMISSION

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For the year ended December 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

To: The Members of  
Westend Regional Sewage Services Commission

### *Opinion*

We have audited the financial statements of the Westend Regional Sewage Services Commission which comprise the statement of financial position as at December 31, 2022, and the statements of operations, change in net financial (debt) assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2022, its results of operations, change in net financial (debt) assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT, continued

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

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

Lethbridge, Alberta

March 22, 2023



Chartered Professional Accountants

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2022

	2022	2021
<b>Financial assets</b>		
Cash and cash equivalents (note 3)	\$ -	\$ 5,413,174
Trade and other receivables (note 4)	952,571	247,162
	952,571	5,660,336
<b>Liabilities</b>		
Bank indebtedness	561,091	-
Accounts payable and accrued liabilities (note 6)	272,527	179,390
Deferred revenue (note 7)	-	3,588,571
Long-term debt (note 8)	178,196	227,023
	1,011,814	3,994,984
<b>Net financial (debt) assets</b>	(59,243)	1,665,352
<b>Non-financial assets</b>		
Tangible capital assets (schedule 1)	15,385,347	7,487,433
<b>Accumulated surplus (note 9, schedule 2)</b>	\$ 15,326,104	\$ 9,152,785

*Commitments and contingencies*

Approved on behalf of the board:

Member 

Member 

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2022

	Budget (unaudited)	2022	2021
<b>Revenue</b>			
Service fees charged to commission members	\$ 926,001	\$ 926,000	\$ 891,234
Other service fees and sales of goods	49,701	49,701	47,871
Investment income	13,500	29,358	26,023
Rental income	-	3,121	6,517
	989,202	1,008,180	971,645
<b>Expenses</b>			
Contracted and general services	404,978	298,275	219,215
Materials, goods and utilities	291,950	236,335	238,765
Bank charges and short-term interest	-	5,843	-
Interest on long-term debt	3,997	3,997	6,894
Amortization of tangible capital assets	120,118	119,679	120,185
	821,043	664,129	585,059
<b>Excess of revenue over expenses before other</b>	168,159	344,051	386,586
<b>Other</b>			
Government transfers for capital	10,122,411	5,829,268	1,368,736
Commission member capital contributions	-	-	382,313
	10,122,411	5,829,268	1,751,049
<b>Excess of revenue over expenses</b>	10,290,570	6,173,319	2,137,635
<b>Accumulated surplus, beginning of year</b>	9,152,785	9,152,785	7,015,150
<b>Accumulated surplus, end of year</b>	\$ 19,443,355	\$ 15,326,104	\$ 9,152,785

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL (DEBT) ASSETS**  
For the year ended December 31, 2022

	Budget (unaudited)	2022	2021
<b>Excess of revenue over expenses</b>	\$ 10,290,570	\$ 6,173,319	\$ 2,137,635
Acquisition of tangible capital assets	(13,872,145)	(8,017,593)	(1,866,544)
Amortization of tangible capital assets	120,118	119,679	120,185
	(13,752,027)	(7,897,914)	(1,746,359)
<b>Change in net financial assets</b>	(3,461,457)	(1,724,595)	391,276
<b>Net financial assets, beginning of year</b>	1,665,352	1,665,352	1,274,076
<b>Net financial assets (debt), end of year</b>	\$ (1,796,105)	\$ (59,243)	\$ 1,665,352

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION****STATEMENT OF CASH FLOWS****For the year ended December 31, 2022**

	2022	2021
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 6,173,319	\$ 2,137,635
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	119,679	120,185
	6,292,998	2,257,820
Net change in non-cash working capital items		
Trade and other receivables	(705,408)	(171,235)
Accounts payable and accrued liabilities	93,137	133,349
Deferred revenue	(3,588,571)	3,588,571
Temporary bank indebtedness	561,091	-
Cash provided by operating transactions	2,653,247	5,808,505
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(8,017,593)	(1,866,544)
<b>Financing transactions</b>		
Repayment of long-term debt	(48,828)	(82,472)
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(5,413,174)</b>	<b>3,859,489</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>5,413,174</b>	<b>1,553,685</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>	<b>\$ 5,413,174</b>



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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2022**

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**1. Nature of operations**

Westend Regional Sewage Services Commission is constituted under the Municipal Government Act and was approved by the Minister of Municipal Affairs on February 7, 1994 for the purpose of purpose of constructing, maintaining, controlling and managing the regional sewage treatment facility.

The members of the Commission are the Town of Turner Valley and the Town of Black Diamond.

The Commission is exempt from income taxation under Section 149 of the Canada Income Tax Act.

**2. Significant accounting policies**

The financial statements are prepared in accordance with Canadian public sector accounting standards and reflect the assets, liabilities, revenues and expenses, and change in the financial position of the Commission. Significant aspects of the accounting policies adopted by the Commission are as follows:

(a) Budget amounts

The budget amounts presented on the statement of operations are taken from the Commission's annual budget. Certain budget amounts have been reclassified to conform with the current year's financial statement presentation.

(b) Revenue recognition

Service fees and sales of goods are recognized as revenue in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenue.

Restricted investment income is recognized in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Government transfers are recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets acquired.

(c) Long-term debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transaction costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

(d) Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the investment is written down to recognize the loss.

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2022**

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**2. Significant accounting policies, continued**

(e) 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 expense during the period. Actual results could differ from those estimates.

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

(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 of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	20-25
Engineered structures	25-75

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**3. Cash and cash equivalents**

	2022	2021
Cash	\$ -	\$ 4,413,174
GIC	-	1,000,000
	\$ -	\$ 5,413,174

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2022

**4. Trade and other receivables**

	2022	2021
GST	\$ 528,140	\$ 104,965
Green Infrastructure Project - provincial and federal funding	424,431	-
Town of Turner Valley	-	136,656
Accrued interest	-	3,114
Trade	-	2,427
	<u>\$ 952,571</u>	<u>\$ 247,162</u>

**5. Bank Indebtedness**

The commission has negotiated an operating revolving loan to a maximum of \$1,500,000 with ATB Financial. The facility bears interest at the bank prime rate plus 1.0% per annum. Security pledged on the facility consists of a general security agreement.

**6. Accounts payable and accrued liabilities**

	2022	2021
Trade payables	\$ 240,887	\$ 92,908
Holdbacks payable	31,640	86,482
	<u>\$ 272,527</u>	<u>\$ 179,390</u>

**7. Deferred revenue**

Deferred revenue represents funds received for the Green Infrastructure Project that have not been spent by year end, as follows:

	2022	2021
Deferred revenue (accounts receivable), beginning of year	\$ 3,588,571	\$ (42,693)
Received during the year - provincial and federal government	1,816,266	5,000,000
Received during the year - commission members	-	382,313
Funding receivable - provincial and federal government	424,431	-
Recognized as revenue - provincial and federal government	(5,829,268)	(1,368,736)
Recognized as revenue - commission member contributions	-	(382,313)
	<u>\$ -</u>	<u>\$ 3,588,571</u>

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2022

**8. Long-term debt**

	2022	2021
Debentures payable	\$ 178,196	\$ 227,023

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2023	\$ 49,740	\$ 3,085	\$ 52,825
2024	50,670	2,155	52,825
2025	51,617	1,208	52,825
2026	26,169	243	26,412
	\$ 178,196	\$ 6,691	\$ 184,887

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates of 1.86% per annum.

Debenture debt is issued on the credit and security of the Commission at large.

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

	2022	2021
Total debt limit	\$ 2,016,360	\$ 1,943,290
Total debt	178,196	227,023
	\$ 1,838,164	\$ 1,716,267
Debt servicing limit	\$ 352,863	\$ 340,076
Debt servicing	52,825	53,275
	\$ 300,038	\$ 286,801

The debt limit is calculated at 2 times revenue of the Commission (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. The Commission has received approval to exceed the above debt and debt servicing limits and borrow up to \$8,000,000 for financing of facility upgrades.

These thresholds are guidelines used by Alberta Municipal Affairs to identify Commissions which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2022

**9. Accumulated surplus**

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

	2022	2021
Unrestricted surplus	\$ -	\$ 161,638
Internally restricted surplus (reserves) (note 10)	118,953	1,730,737
Equity in tangible capital assets (note 11)	15,207,151	7,260,410
	<u>\$ 15,326,104</u>	<u>\$ 9,152,785</u>

**10. Reserves**

	2022	2021
Operating	\$ 118,953	\$ 183,807
Debenture debt	-	56,334
Facility upgrade	-	961,429
Capital	-	414,898
Sludge	-	114,269
	<u>\$ 118,953</u>	<u>\$ 1,730,737</u>

**11. Equity in tangible capital assets**

	2022	2021
Tangible capital assets (schedule 1)	\$ 17,142,778	\$ 9,125,185
Accumulated amortization (schedule 1)	(1,757,431)	(1,637,752)
Long-term debt (note 8)	(178,196)	(227,023)
	<u>\$ 15,207,151</u>	<u>\$ 7,260,410</u>

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2022**

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**12. Related party transactions**

The Town of Turner Valley and the Town of Black Diamond are members of the Commission and, as such, have been identified as related parties.

Service fees are based on the budgeted net operating costs of the Commission and are allocated among the Commission members based on actual service utilization during the year. Service fees charged to Commission members are as follows:

	2022	2021
Town of Turner Valley	\$ 494,181	\$ 457,839
Town of Black Diamond	481,520	481,266
	<u>\$ 975,701</u>	<u>\$ 939,105</u>

During the year the Commission purchased services from the Town of Turner Valley in the amount of \$130,361 (2021 - \$122,585) and from the Town of Black Diamond in the amount of \$123,106 (2021 - \$104,042).

Included in accounts payable is \$22,019 (2021 - \$30,930) due to the Town of Turner Valley and \$7,593 (2021 - \$8,099) due to the Town of Black Diamond

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**13. Commitments**

The Commission is covered under the Town of Turner Valley's agreement with Enmax for fixed utility rates. The electricity agreement expires December 31, 2023.

The Commission has an agreement with MPE Engineering Ltd. to provide engineering services. This agreement has no end date and will run for the foreseeable future.

The Commission has a government Green Infrastructure Project grant agreement for the Lagoon Upgrade Project, which had an original estimated cost of \$17,340,000. Under this agreement, the Federal Investing in Canada Infrastructure Program will cover up to a maximum of \$6,936,000, and the Provincial Alberta Municipal Water/Wastewater Partnership will cover up to a maximum of \$5,779,422. The remainder will be funded by the Commission.

During the year, delays to the project occurred resulting in an estimated additional cost of \$2,706,619 which will be funded by the Commission. The total estimated cost of the project has been increased to \$20,046,619 and total costs of \$9,874,128 have been incurred up to December 31, 2022.

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2022**

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**14. Budget amounts**

The 2022 budget was approved by the Commission and has been reported in the financial statements for information purposes only. The budget amounts have not been audited, reviewed, or otherwise verified.

Budgeted surplus per financial statements	\$ 10,290,570
Less: Capital expenditures	(13,872,145)
Long-term debt repayments	(52,825)
Transfers to reserves	(47,104)
Add: Transfers from reserves	961,429
Long-term debt issuance	2,720,075
<hr/>	
Equals: Balanced budget	\$ -
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**15. Subsequent event**

Effective January 1, 2023, the Town of Turner Valley and Town of Black Diamond amalgamated to form the Town of Diamond Valley.

**16. Approval of financial statements**

These financial statements were approved by the Commission and Management.

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2022

**Schedule of tangible capital assets**

**Schedule 1**

	Land	Land improvements	Engineered structures	Construction in progress	2022	2021
<b>Cost:</b>						
Balance, beginning of year	\$ 295,711	\$ 41,396	\$ 6,764,925	\$ 2,023,153	\$ 9,125,185	\$ 7,258,641
Acquisitions	-	-	68,230	7,949,363	8,017,593	1,866,544
Balance, end of year	295,711	41,396	6,833,155	9,972,516	17,142,778	9,125,185
<b>Accumulated amortization:</b>						
Balance, beginning of year	-	34,137	1,603,615	-	1,637,752	1,517,566
Annual amortization	-	968	118,711	-	119,679	120,186
Balance, end of year	-	35,105	1,722,326	-	1,757,431	1,637,752
<b>Net book value</b>	<b>\$ 295,711</b>	<b>\$ 6,291</b>	<b>\$ 5,110,829</b>	<b>\$ 9,972,516</b>	<b>\$ 15,385,347</b>	<b>\$ 7,487,433</b>
<b>2021 net book value</b>	<b>\$ 295,711</b>	<b>\$ 7,259</b>	<b>\$ 5,161,310</b>	<b>\$ 2,023,153</b>	<b>\$ 7,487,433</b>	



**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2022

**Schedule of changes in accumulated surplus**

**Schedule 2**

	Unrestricted	Internally restricted	Equity in tangible capital assets	2022	2021
Balance, beginning of year	\$ 161,638	\$ 1,730,737	\$ 7,260,410	\$ 9,152,785	\$ 7,015,150
Excess of revenue over expenses	6,173,319	-	-	6,173,319	2,137,635
Unrestricted funds designated for future use	(235,454)	235,454	-	-	-
Restricted funds used for operations	30,000	(30,000)	-	-	-
Restricted funds used for tangible capital assets	-	(1,817,238)	1,817,238	-	-
Current year funds used for tangible capital assets	(6,200,355)	-	6,200,355	-	-
Annual amortization expense	119,679	-	(119,679)	-	-
Long-term debt repaid	(48,827)	-	48,827	-	-
Change in accumulated surplus	(161,638)	(1,611,784)	7,946,741	6,173,319	2,137,635
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 118,953</b>	<b>\$ 15,207,151</b>	<b>\$ 15,326,104</b>	<b>\$ 9,152,785</b>