WESTEND REGIONAL SEWAGE SERVICES COMMISSION

FINANCIAL STATEMENTS

For the year ended December 31, 2023

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

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Avail CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Member of
Westend Regional Sewage Services Commission

Qualified 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, 2023, and the statements of operations, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2023, and its results of operations, remeasurement gains and losses, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion
As discussed in note 3 to the financial statements, the Commission has not adopted the new accounting standard PS 3280 Asset Retirement Obligations, which constitutes a departure from Canadian public sector accounting standards. As a result, we were unable to determine whether any adjustments might be necessary to tangible capital assets, asset retirement obligations, and accumulated surplus as at December 31, 2023, or to revenue and expenses for the year then ended.

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 qualified audit 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:

- 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.

Avail LLP

Lethbridge, Alberta

March 20, 2024

Chartered Professional Accountants

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2023

	2023	2022
Financial assets		
Cash and cash equivalents	$ 2,673,426	$ -
Trade and other receivables (note 4)	78,962	952,571
	2,752,388	952,571
Liabilities		
Bank indebtedness (note 5)	-	561,091
Accounts payable and accrued liabilities (note 6)	81,312	272,527
Deferred revenue (note 7)	1,178,271	-
Long-term debt (note 8)	128,455	178,196
	1,388,038	1,011,814
Net financial assets (debt)	1,364,350	(59,243)
Non-financial assets		
Tangible capital assets (schedule 1)	16,464,160	15,385,347
Accumulated surplus		
Accumulated operating surplus (note 9, schedule 2)	17,828,510	15,326,104
Accumulated remeasurement gains (losses)	-	-
	$ 17,828,510	$ 15,326,104

Commitments (note 13)

Approved on behalf of the board:

Member _____ Member _____

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF OPERATIONS
For the year ended December 31, 2023

	Budget (unaudited)	2023	2022
Revenue			
Service fees charged to commission members	$ 1,343,461	$ 1,343,461	$ 926,000
Other service fees and sales of goods	-	-	49,701
Investment income	9,000	84,140	29,358
Rental income	-	1,121	3,121
	1,352,461	1,428,722	1,008,180
Expenses			
Contracted and general services	460,776	346,921	298,275
Materials, goods and utilities	312,800	199,142	236,335
Bank charges and short-term interest	20,000	4,549	5,843
Interest on long-term debt	281,943	3,084	3,997
Amortization of tangible capital assets	120,185	120,911	119,679
	1,195,704	674,607	664,129
Excess of revenue over expenses before other	156,757	754,115	344,051
Other revenue			
Government transfers for capital	5,474,724	848,291	5,829,268
Commission member capital contributions	-	900,000	-
	5,474,724	1,748,291	5,829,268
Excess of revenue over expenses	5,631,481	2,502,406	6,173,319
Accumulated operating surplus, beginning of year	15,326,104	15,326,104	9,152,785
Accumulated operating surplus, end of year	$ 20,957,585	$ 17,828,510	$ 15,326,104

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended December 31, 2023

	2023	2022
Accumulated remeasurement gains (losses), beginning of year	$ -	$ -
Unrealized gains (losses) attributable to:		
Equity investments	-	-
Amounts reclassified to statements of operations:		
Equity investments realized gains	-	-
Net remeasurement gains (losses) for the year	-	-
Accumulated remeasurement gains (losses), end of year	$ -	$ -

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
For the year ended December 31, 2023

	Budget (unaudited)	2023	2022
Excess of revenue over expenses	$ 5,631,481	$ 2,502,406	$ 6,173,319
Acquisition of tangible capital assets	(9,636,091)	(1,199,724)	(8,017,593)
Amortization of tangible capital assets	120,185	120,911	119,679
	(9,515,906)	(1,078,813)	(7,897,914)
Change in net financial assets (debt)	(3,884,425)	1,423,593	(1,724,595)
Net financial assets (debt), beginning of year	(59,243)	(59,243)	1,665,352
Net financial assets (debt), end of year	$ (3,943,668)	$ 1,364,350	$ (59,243)

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2023

	2023	2022
Operating transactions		
Excess of revenue over expenses	$ 2,502,406	$ 6,173,319
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	120,911	119,679
	2,623,317	6,292,998
Net change in non-cash working capital items		
Trade and other receivables	873,609	(705,408)
Accounts payable and accrued liabilities	(191,215)	93,137
Deferred revenue	1,178,271	(3,588,571)
Temporary bank indebtedness	(561,091)	561,091
Cash provided by operating transactions	3,922,891	2,653,247
Capital transactions		
Acquisition of tangible capital assets	(1,199,724)	(8,017,593)
Financing transactions		
Long-term debt repaid	(49,741)	(48,828)
Increase (decrease) in cash and cash equivalents	2,673,426	(5,413,174)
Cash and cash equivalents, beginning of year	-	5,413,174
Cash and cash equivalents, end of year	$ 2,673,426	$ -

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 constructing, maintaining, controlling and managing the regional sewage treatment facility.

Effective January 1, 2023, the Town of Turner Valley and the Town of Black Diamond amalgamated to form the Town of Diamond Valley, and the Town of Diamond Valley is now the only member of the Commission.

The Commission is exempt from income taxes 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.

2. Significant accounting policies

(e) 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.

(f) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Commission to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Commission reviews the carrying amount of the liability. The Commission recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Commission continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

2. Significant accounting policies

(g) Valuation of financial assets and liabilities
The Commission's financial assets and financial liabilities are measured as follows:

Financial statement component	Measurement
Cash and cash equivalents	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Bank indebtedness and long-term debt	Amortized cost
Deferred revenue	Cost

(h) 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.

There is measurement uncertainty related to asset retirement obligations as it involves estimates in determining the settlement amount, discount rates and timing of settlement. Changes to any of these estimates and assumptions may result in a change to the obligation.

3. Change in accounting policy

Effective January 1, 2023, the new accounting standard PS 3280 Asset Retirement Obligations became effective. The standard provides guidance on how to account for and report a liability for retirement of tangible capital assets, and was intended to be applied using the modified retroactive approach with restatement of prior year comparative information.

The Commission has not yet adopted the new standard and is assessing its impact on future operations.

4. Trade and other receivables

	2023	2022
GST	$ 78,962	$ 528,140
Green Infrastructure Project - provincial and federal funding	-	424,431
	$ 78,962	$ 952,571

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

	2023	2022
Trade payables	$ 53,327	$ 240,887
Holdbacks payable	27,985	31,640
	$ 81,312	$ 272,527

7. Deferred revenue

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

	2023	2022
Deferred revenue, beginning of year	$ -	$ 3,588,571
Received during the year - provincial and federal government	2,450,993	1,816,266
Received during the year - commission member	900,000	-
Funding receivable - provincial and federal government	(424,431)	424,431
Recognized as revenue - provincial and federal government	(848,291)	(5,829,268)
Recognized as revenue - commission member contributions	(900,000)	-
Deferred revenue, end of year	$ 1,178,271	$ -

8. Long-term debt

	2023	2022
Debentures payable	$ 128,455	$ 178,196

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2024	$ 50,670	$ 2,155	$ 52,825
2025	51,617	1,208	52,825
2026	26,168	243	26,411
	$ 128,455	$ 3,606	$ 132,061

Debenture debt is repayable to Province of Alberta and bears interest at 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:

	2023	2022
Total debt limit	$ 4,657,444	$ 2,016,360
Total debt	128,455	178,196
	$ 4,528,989	$ 1,838,164
Debt servicing limit	$ 815,053	$ 352,863
Debt servicing	52,825	52,825
	$ 762,228	$ 300,038

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.

9. Accumulated operating surplus

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

	2023	2022
Unrestricted surplus	$ 264,300	$ -
Restricted reserves (note 10)	1,228,505	118,953
Equity in tangible capital assets (note 11)	16,335,705	15,207,151
	$ 17,828,510	$ 15,326,104

10. Restricted reserves

	2023	2022
Operating	$ 208,320	$ 118,953
Capital	1,020,185	-
	$ 1,228,505	$ 118,953

11. Equity in tangible capital assets

	2023	2022
Tangible capital assets (schedule 1)	$ 18,342,502	$ 17,142,778
Accumulated amortization (schedule 1)	(1,878,342)	(1,757,431)
Long-term debt (note 8)	(128,455)	(178,196)
	$ 16,335,705	$ 15,207,151

12. Related party transactions

The Town of Diamond Valley is a member of the Commission and, as such, has been identified as a related party.

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 the Town of Diamond Valley were $1,343,461 (2022 - $975,701, in aggregate from the Towns of Turner Valley and Black Diamond).

Member contributions are based on the budgeted capital costs of the Commission. Member contributions recognized from the Town of Diamond Valley were $900,000 (2022 - $nil).

During the year, the Commission purchased services from the Town of Diamond Valley in the amount of $261,333 (2022 - $253,467).

Included in accounts payable is $14,501 (2022 - $29,612) due to the Town of Diamond Valley.

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 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 an agreement with the Town of Diamond Valley to provide operation of facilities and administration services effective from January 1, 2024 to December 31, 2026.

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 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. Delays to the project have resulted in an estimated additional cost of $3,623,206 which will be funded by the Commission. The total estimated cost of the project has been increased to $20,963,206 and total costs of $11,030,942 have been incurred up to December 31, 2023.

14. Budget amounts

The 2023 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		$ 5,631,481
Less:	Capital expenditures	(9,636,091)
	Long-term debt repayments	(156,757)
Add:	Long-term debt issuance	4,161,367
Equals:	Balanced budget	$ -

15. Subsequent event

Subsequent to year-end, the Commission received a debenture in the amount of $2,500,000 from the Province of Alberta. The debenture is repayable in semi-annual payments of $89,915, including interest at 5.2%, and is due in 2049.

16. Approval of financial statements

These financial statements were approved by the Commission and Management.

Schedule of tangible capital assets
Schedule 1

	Land	Land improvements	Engineered structures	Construction in progress	2023	2022
Cost:						
Balance, beginning of year	$ 295,711	$ 41,396	$ 6,833,155	$ 9,972,516	$ 17,142,778	$ 9,125,185
Acquisitions	-	-	42,909	1,156,815	1,199,724	8,017,593
Balance, end of year	295,711	41,396	6,876,064	11,129,331	18,342,502	17,142,778
Accumulated amortization:						
Balance, beginning of year	-	35,105	1,722,326	-	1,757,431	1,637,752
Annual amortization	-	968	119,943	-	120,911	119,679
Balance, end of year	-	36,073	1,842,269	-	1,878,342	1,757,431
Net book value	$ 295,711	$ 5,323	$ 5,033,795	$ 11,129,331	$ 16,464,160	$ 15,385,347
2022 net book value	$ 295,711	$ 6,291	$ 5,110,829	$ 9,972,516	$ 15,385,347	

Schedule of changes in accumulated operating surplus
Schedule 2

	Unrestricted	Restricted reserves	Equity in tangible capital assets	2023	2022
Balance, beginning of year	$ -	$ 118,953	$ 15,207,151	$ 15,326,104	$ 9,152,785
Excess of revenue over expenses	2,502,406	-	-	2,502,406	6,173,319
Unrestricted funds designated for future use	(1,109,552)	1,109,552	-	-	-
Current year funds used for tangible capital assets	(1,199,724)	-	1,199,724	-	-
Annual amortization expense	120,911	-	(120,911)	-	-
Long-term debt repaid	(49,741)	-	49,741	-	-
Change in accumulated surplus	264,300	1,109,552	1,128,554	2,502,406	6,173,319
Balance, end of year	$ 264,300	$ 1,228,505	$ 16,335,705	$ 17,828,510	$ 15,326,104