

TOWN OF DIAMOND VALLEY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Management's Responsibility

To the Members of Council of the Town of Diamond Valley:

Management is responsible for the preparation, accuracy, objectivity, integrity, and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2023 and the results of its operations for the year then ended.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

MNP LLP is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

August 1, 2024


Chief Administrative Officer

Independent Auditor's Report

To the Members of Council of the Town of Diamond Valley:

Qualified Opinion

We have audited the consolidated financial statements of Town of Diamond Valley (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, remeasurement gains and losses and cash flows and the related schedules I to VI for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

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

Basis of Qualified Opinion

As described in Note 1(k), information was not available to determine the costs associated with potential asset retirement obligations. Therefore, we were unable to determine the amount of adjustments, if any, that may be necessary to tangible capital assets, asset retirement obligations, accretion expense, excess (deficiency) of revenue over expenses, or accumulated surplus as at, and for the year ended, December 31, 2023.

Emphasis of Matter

Effective January 1, 2023, the Town of Diamond Valley was created through the amalgamation of the Town of Black Diamond and the Town of Turner Valley (the "Towns"). The comparative financial information for the year ended December 31, 2022 is consolidated based on the audited financial statements of the previous individual Towns' adjusted for amalgamation transactions between the Towns to present the consolidated financial statements as if the towns had always been one entity.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Town'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 Town'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 consolidated 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 Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:**
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 9.
- **Supplementary Accounting Principles and Standards Regulation:**
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 14.

Calgary, Alberta
August 1, 2024

MNP LLP
Chartered Professional Accountants

MNP

Town of Diamond Valley
Consolidated Statement of Financial Position


As at December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	10,612,939	11,616,286
Receivables		
Taxes and grants in place of taxes receivable (Note 3)	621,851	467,144
Trade and other receivables (Note 4)	1,679,209	1,828,421
Investments (Note 5)	6,674,502	6,438,822
	19,588,501	20,350,673
LIABILITIES		
Accounts payable and accrued liabilities	576,781	1,054,907
Deposit liabilities	1,721,935	1,652,933
Deferred revenue (Note 6)	3,932,188	5,186,370
Employee benefit obligations (Note 7)	133,330	185,252
Long-term debt (Note 8)	1,418,711	1,633,264
Other liabilities	-	34,787
	7,782,945	9,747,513
NET FINANCIAL ASSETS	11,805,556	10,603,160
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	82,384,405	83,507,877
Inventory for consumption	73,746	70,289
Prepaid expenses	251,597	218,667
	82,709,748	83,796,833
ACCUMULATED SURPLUS (Schedule I, Note 11)	94,515,304	94,399,993

Contingencies - Note 15

Approved on behalf of Council


 Mayor


 Councillor

The accompanying notes are an integral part of these consolidated financial statements

Town of Diamond Valley

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2023

	2023 Budget (Note 18)	2023	2022
REVENUE			
Net municipal taxes (Schedule III)	6,638,810	6,366,791	6,226,253
User fees and sales of goods	4,659,602	4,315,301	4,687,757
Government transfers for operating (Schedule IV)	1,104,317	2,317,573	475,174
Investment income	156,843	775,504	340,745
Penalties and costs of taxes	176,808	141,114	145,321
Development levies	-	183,027	39,959
Fines, rentals, licenses and permits	134,728	672,025	468,503
Franchise, concession contracts and other revenue	1,463,364	594,583	1,047,338
Gain on disposal of tangible capital assets	-	286,104	10,093
	14,334,472	15,652,022	13,441,143
EXPENSES			
Administration	2,950,343	2,575,968	2,591,120
Bylaw enforcement	425,717	702,923	665,745
Cemeteries and crematoriums	74,061	74,046	73,939
Culture - libraries, museums, halls	370,087	410,402	417,085
Disaster services	-	60,767	256,874
Economic and agricultural development	185,412	41,270	169,791
Family and community support services	140,091	168,301	149,590
Fire and emergency services	1,185,365	1,302,752	949,609
Land use planning, zoning and development	687,255	777,757	740,738
Legislative	213,687	258,905	392,954
Other environmental use and protection	-	-	42,144
Other protective services	-	-	29,646
Parks and recreation	1,681,922	2,267,852	2,308,452
Transportation services	1,779,798	2,703,667	2,685,413
Waste management	632,264	650,395	879,927
Wastewater treatment and disposal	3,248,232	4,135,267	2,967,970
Sheep River Regional Utility Corporation ("SRRUC")	868,371	702,087	529,184
	14,442,605	16,832,359	15,850,181
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(108,133)	(1,180,337)	(2,409,038)
OTHER			
Government transfers for capital (Schedule IV)	-	1,295,648	1,230,609
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(108,133)	115,311	(1,178,429)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	94,399,993	94,399,993	95,578,422
ACCUMULATED SURPLUS, END OF YEAR	94,291,860	94,515,304	94,399,993

The accompanying notes are an integral part of these consolidated financial statements

Town of Diamond Valley
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31, 2023

	2023 Budget (Note 18)	2023	2022
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(108,133)	115,311	(1,178,429)
Acquisition of tangible capital assets	(1,384,000)	(1,896,152)	(3,059,985)
Proceeds on disposal of tangible capital assets	-	314,255	11,843
Amortization of tangible capital assets	193,970	2,991,473	3,065,984
Gain on disposal of tangible capital assets	-	(286,104)	(10,093)
Disposal of land held for resale	-	-	48,414
(Acquisition) use of inventory for consumption	-	(3,457)	(20,557)
(Acquisition) use of prepaid expenses	-	(32,930)	(9,883)
DECREASE IN NET FINANCIAL ASSETS	(1,298,163)	1,202,396	(1,152,706)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	10,603,160	10,603,160	11,755,866
NET FINANCIAL ASSETS, END OF YEAR	9,304,997	11,805,556	10,603,160

Consolidated Statement of Remeasurement Gains and Losses

For the year ended December 31, 2023

	2023	2022
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	-	-
No change during the year	-	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	-	-

The accompanying notes are an integral part of these consolidated financial statements

Town of Diamond Valley
Consolidated Statement of Cash Flows
For the year ended December 31, 2023

	2023	2022
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	115,311	(1,178,429)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,991,473	3,065,984
(Gain) loss on disposal of tangible capital assets	(286,104)	(10,093)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(154,707)	69,492
Decrease in trade and other accounts receivable	149,212	1,306,357
Decrease (increase) in land held for resale	-	48,414
Decrease (increase) in inventory for consumption	(3,457)	(20,557)
Decrease (increase) in prepaid expenses	(32,930)	(9,883)
Increase (decrease) in accounts payable and accrued liabilities	(792,992)	(30,920)
Increase (decrease) in deposit liabilities	69,002	93,941
Decrease in deferred revenue	(1,254,182)	(110,413)
Cash provided by operating transactions	800,626	3,223,893
CAPITAL		
Acquisition of tangible capital assets (Schedule II)	(1,667,995)	(3,056,563)
Proceeds on disposal of tangible capital assets	314,255	11,843
Cash provided by (applied to) capital transactions	(1,353,740)	(3,044,720)
INVESTING		
Increase in investments	(235,680)	(1,093,923)
FINANCING		
Repayment of long-term debt	(214,553)	(217,311)
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(1,003,347)	(1,132,061)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	11,616,286	12,748,347
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	10,612,939	11,616,286

The accompanying notes are an integral part of these consolidated financial statements

Town of Diamond Valley
Schedule I - Consolidated Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
		(Note 13)	(Note 10)		
BALANCE, BEGINNING OF YEAR	(176,458)	12,701,838	81,874,613	94,399,993	95,578,422
Excess (deficiency) of revenue over expenses	115,311	-	-	115,311	(1,178,429)
Transfers from operating reserve (Note 13)	(255,692)	255,692	-	-	-
Transfers from capital reserves (Note 13)	20,711	(20,711)	-	-	-
Acquisition of tangible capital assets	(1,896,152)	-	1,896,152	-	-
Disposal of tangible capital assets	28,151	-	(28,151)	-	-
Annual amortization expense	2,991,473	-	(2,991,473)	-	-
Long-term debt repaid	(214,553)	-	214,553	-	-
Change in accumulated surplus	789,249	234,981	(908,919)	115,311	(1,178,429)
BALANCE, END OF YEAR	612,791	12,936,819	80,965,694	94,515,304	94,399,993

The accompanying notes are an integral part of these financial statements

Town of Diamond Valley
Schedule II - Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2023

	Land & Land Improvements	Vehicles	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2023	2022
COST:								
BALANCE, BEGINNING OF YEAR	5,232,768	5,117,990	15,708,315	92,068,174	9,052,926	209,148	127,389,321	124,605,593
Acquisition of tangible capital assets	228,983	361,999	100,784	527,579	492,107	184,700	1,896,152	3,059,985
Transfers of assets	3,695	-	-	95,539	8,692	(107,926)	-	-
Disposal of tangible capital assets	-	(262,242)	-	-	(110,383)	-	(372,625)	(276,257)
BALANCE, END OF YEAR	5,465,446	5,217,747	15,809,099	92,691,292	9,443,342	285,922	128,912,848	127,389,321
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	521,365	2,527,013	6,088,831	29,760,556	4,983,679	-	43,881,444	41,089,967
Annual amortization	100,822	228,135	305,297	1,860,244	496,975	-	2,991,473	3,065,984
Accumulated amortization on disposals	-	(262,242)	-	-	(82,232)	-	(344,474)	(274,507)
BALANCE, END OF YEAR	622,187	2,492,906	6,394,128	31,620,800	5,398,422	-	46,528,443	43,881,444
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,843,259	2,724,841	9,414,971	61,070,492	4,044,920	285,922	82,384,405	83,507,877
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,711,403	2,590,977	9,619,484	62,307,618	4,069,247	209,148	83,507,877	

During the year, tangible capital assets were acquired at an aggregate cost of \$1,896,152 of which \$228,157 is included in accounts payable at year end, consequently, \$1,667,995 was paid in cash to acquire tangible capital assets during the year.

During the year, assets with a net book value of \$28,151 were disposed of for proceeds of \$314,255 resulting in a gain on disposal of tangible capital assets of \$286,104.

The accompanying notes are an integral part of these financial statements

Town of Diamond Valley
Schedule III - Consolidated Schedule of Property and Other Taxes
For the year ended December 31, 2023

	2023 Budget	2023	2022
TAXATION			
Real property taxes	8,996,785	8,904,107	8,413,562
Linear property taxes	-	90,722	125,769
Government grants in lieu of property taxes	-	20,322	21,896
	8,996,785	9,015,151	8,561,227
REQUISITIONS			
Alberta School Foundation Fund	2,102,431	2,102,431	2,004,964
Christ the Redeemer School Division	157,914	157,914	150,612
Westwinds Communities	97,630	152,104	96,861
Municipal Police	-	235,911	82,537
	2,357,975	2,648,360	2,334,974
NET MUNICIPAL PROPERTY TAXES	6,638,810	6,366,791	6,226,253

The accompanying notes are an integral part of these consolidated financial statements

Town of Diamond Valley
Schedule IV - Consolidated Schedule of Government Transfers
For the year ended December 31, 2023

	2023 Budget	2023	2022
TRANSFERS FOR OPERATING			
Provincial government	1,104,317	1,512,286	184,481
Federal government	-	34,883	3,000
Other local governments	-	770,404	287,693
	1,104,317	2,317,573	475,174
TRANSFERS FOR CAPITAL			
Provincial government	-	1,295,648	1,209,014
Federal government	-	-	21,595
	-	1,295,648	1,230,609
TOTAL GOVERNMENT TRANSFERS	1,104,317	3,613,221	1,705,783

The accompanying notes are an integral part of these consolidated financial statements

Town of Diamond Valley
Schedule V - Consolidated Schedule of Expenses by Object

For the year ended December 31, 2023

	2023 Budget	2023	2022
EXPENSES BY OBJECT			
Amortization of tangible capital assets	193,970	2,991,473	3,065,984
Bank charges and short-term interest	1,125	7,247	3,988
Contracted and general services	4,354,295	3,743,289	4,046,733
Interest on long-term debt	63,901	65,030	72,053
Materials, goods and utilities	1,473,932	1,480,248	1,353,051
Other expenses	-	124,030	389,815
Salaries, wages and benefits	4,800,162	5,022,778	4,998,725
Transfers to local boards and agencies (Note 19)	3,555,220	3,028,958	1,158,636
Transfers to other organizations	-	369,306	761,196
	14,442,605	16,832,359	15,850,181

The accompanying notes are an integral part of these consolidated financial statements

Town of Diamond Valley
Schedule VI - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2023

	SRRUC	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
REVENUE									
Net municipal taxes	-	6,366,791	-	-	-	-	-	-	6,366,791
User fees and sales of goods	23,638	23,571	244,810	79,935	26,409	108,208	3,808,730	-	4,315,301
Government transfer	-	502,250	592,658	20,604	-	177,746	900,000	124,315	2,317,573
Investment income	30,255	745,249	-	-	-	-	-	-	775,504
Penalties and costs of taxes	-	101,766	-	-	560	-	38,788	-	141,114
Fines, rentals, licenses, permits and development levies	-	8,455	82,393	849	316,206	441,749	5,400	-	855,052
Gain on disposal of assets	-	-	49,335	-	231,289	5,480	-	-	286,104
Franchise, concession contracts and other revenue	-	544,689	11,253	-	-	38,641	-	-	594,583
	53,893	8,292,771	980,449	101,388	574,464	771,824	4,752,918	124,315	15,652,022
EXPENSES									
Bank charges and short-term interest	560	6,455	-	232	-	-	-	-	7,247
Contracted and general services	194,619	1,167,685	344,207	408,866	349,815	638,607	574,462	65,028	3,743,289
Interest on long-term debt	-	-	5,849	22,129	-	18,757	18,295	-	65,030
Materials, goods and utilities	52,566	215,817	269,434	471,124	24,255	248,402	191,246	7,404	1,480,248
Other expenses	29,249	87,880	-	-	775	4,626	-	1,500	124,030
Salaries, wages and benefits	219,044	1,309,636	1,026,672	500,925	411,225	1,001,756	459,005	94,515	5,022,778
Transfers to (from) local boards and agencies	-	-	60,767	-	30,124	280,572	2,952,901	73,900	3,398,264
	496,038	2,787,473	1,706,929	1,403,276	816,194	2,192,720	4,195,909	242,347	13,840,886
NET REVENUE,									
BEFORE AMORTIZATION	(442,145)	5,505,298	(726,480)	(1,301,888)	(241,730)	(1,420,896)	557,009	(118,032)	1,811,136
Government transfers for capital	-	-	194,351	454,990	-	529,116	117,191	-	1,295,648
Amortization expense	206,049	47,400	359,513	1,300,391	2,833	485,534	589,753	-	2,991,473
NET REVENUE	(648,194)	5,457,898	(1,085,993)	(2,602,279)	(244,563)	(1,906,430)	(32,744)	(118,032)	115,311

Town of Diamond Valley

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Diamond Valley (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of CPA Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, and changes 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 Town and are, therefore, accountable to the Town for the administration of their financial affairs and resources. The consolidated financial statements also include the Town's 90% ownership of the assets, liabilities, revenue and expenses of the Sheep River Regional Utility Corporation ("SRRUC") after the inter-entity transactions have been eliminated.

The Town is a member of various other boards, commissions and other organizations that are not part of the municipal reporting entity, including the Westend Regional Sewage Services Commission.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The consolidated financial 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 consolidated 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.

c) Measurement uncertainty (use of estimates)

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The area which requires management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

i) Amortization

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives. Management reviews useful lives and residual values of the depreciable assets at each reporting date, based on the expected utilization of the assets by the Town. Significant judgement is involved in the determination of useful life and residual values will not differ significantly from current assumptions.

ii) Allowance for doubtful accounts

Trade and other accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.

Town of Diamond Valley
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

d) Valuation of financial assets and liabilities

The Town's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Long-term debt	Amortized cost

e) Investments

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

f) 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.

g) 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.

h) Inventories for resale

Land held for resale is recorded at 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 charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function. Proceeds from sales of land held for resale are recorded as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met and reasonable estimates of the amounts can be made.

i) Revenue recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset. Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor.

i) Tax revenue

The Town recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at Management's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value from the original taxable event. At each financial statement date, the Town evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Town of Diamond Valley
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

i) Revenue recognition (continued from previous page)

ii) Government transfers

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

The Town recognizes a government transfer as revenue when the event giving rise to the transfer occurs, the transfer is authorized, all eligibility criteria, if any, have been met, and reasonable estimates of the amounts can be determined. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recorded as a liability. In such circumstances, the Town recognizes revenue as a liability is settled.

iii) Other revenue

User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied. The Town accounts for all other revenue in the period in which the transactions or events giving rise to the revenue occurred and collectibility is reasonably assured.

j) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material 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 all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Town is directly responsible or accepts responsibility;
- it is expected that the future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

It is management's assessment that no contaminated sites exist for the Town.

k) Asset retirement

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 Town 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.

Town of Diamond Valley

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

k) Asset retirement *(continued from previous page)*

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town 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 Town 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.

Currently no asset retirement obligations have been recognized and the Town has not determined if there are items that would require an asset retirement obligation.

l) 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 revenue 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, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings	20 - 50
Engineered structures	10 - 65
Machinery and equipment	5 - 40
Vehicles	8 - 25

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.

ii) Contributions 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) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Inventories

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

v) Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

Town of Diamond Valley

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

m) Segmented information

The Town conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the Town's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in the segments are consistent with those followed in the preparation of the consolidated financial statements. For additional information, see the consolidated schedule of segmented disclosure (Schedule VI).

n) Future Accounting Changes

i. Revenue

The Canadian Public Sector Accounting Board approved PS 3400, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3400 provides guidance on when to recognize revenue arising from exchange transactions and from unilateral transactions. This section is to be adopted retroactively or prospectively. The Town has not yet adopted this section or determined the effect on the financial statements.

ii. Public Private Partnerships

The Canadian Public Sector Accounting Board approved PS 3160, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3160 provides standards for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements. This section is to be adopted retroactively with or without prior period restatement. The Town has not yet adopted this section or determined the effect on the financial statements.

o) Adoption of new accounting standards

i. PSAS 3450 – Financial Instruments

On January 1, 2023, the Town adopted Public Sector Accounting Standard PS 3450 – Financial Instruments. The standard was adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Town's accounting policy choices. There were no instruments impacted by the change in policy and measurement of financial instrument remains consistent.

ii. PSAS 3280 - Asset Retirement Obligation

On January 1, 2023, the Town adopted Public Sector Accounting Standard PS 3280 – Asset Retirement Obligations. The Town has yet to determine the full impact of this policy change. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability.

Town of Diamond Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

2. CASH AND TEMPORARY INVESTMENTS

	2023	2022
Cash	10,612,939	11,616,286

Temporary investments are short-term deposits with maturities of three months or less.

Included in cash and temporary investments and investments disclosed in note 5 are restricted amounts aggregating \$3,932,188 (2022 - \$5,186,370) to be used for specific capital and other projects, as disclosed in deferred revenue (note 6).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2023	2022
Current taxes and grants in place of taxes	501,476	338,882
Arrears	120,375	128,262
	621,851	467,144

4. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade and other receivables	479,803	766,038
Local improvement levies	210,172	233,984
Utilities accounts receivable	601,729	545,142
Goods and services tax	68,641	69,009
Government grants receivable	318,864	214,248
	1,679,209	1,828,421

5. INVESTMENTS

	2023	2022
Short-term notes and deposits	6,674,502	4,210,444
Long-term notes and deposits	-	2,228,378
	6,674,502	6,438,822

Short-term notes and deposits have effective interest rates of 2.50% to 6.10% (2022 - 1.00% to 4.70%) and mature in less than one year.

The Town also administers \$63,607 (2022 - \$62,807) of short-term notes and deposits that represent funds held in trust for the benefit of external parties.

Town of Diamond Valley
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

6. DEFERRED REVENUE

	2023	2022
Flood Recovery Erosion Control	2,582,735	2,582,735
Municipal Sustainability Initiative - Capital	756,763	1,782,939
Canada Community Building Fund (CCBF)	464,709	464,709
Climate Resilience Capacity Building Program	27,492	120,714
Post Amalgamation	50,000	-
Calgary Foundation	15,000	30,000
Community Garden Fundraising	15,658	15,658
Municipal Stimulus Program (MSP)	-	17,837
Resident donations	-	26,277
Other deferred revenue	19,831	145,501
	3,932,188	5,186,370

7. EMPLOYEE BENEFITS OBLIGATIONS

	2023	2022
Vacation and overtime	133,330	185,252

Vacation and overtime: The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

8. LONG-TERM DEBT

	2023	2022
Self supported debentures	1,418,711	1,633,264

The current portion of the long-term debt amounts to \$194,398 (2022 - \$214,533).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2024	194,398	55,857	250,255
2025	202,926	46,926	249,852
2026	157,347	38,497	195,844
2027	111,692	31,502	143,194
2028	98,513	27,213	125,726
Thereafter	653,835	97,062	750,897
	1,418,711	297,057	1,715,768

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.497% to 7.064% (2022 - 1.497% to 6.500%) per annum, before Provincial subsidy, and matures in periods from 2023 through 2040. The average annual interest rate is 6.877% (2022 - 4.479%). Debenture debt is issued on the credit and security of the Town at large.

The Town of Diamond Valley's total cash payments for interest on long-term debt is \$65,030 (2022 - \$72,053).

Town of Diamond Valley
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

9. 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 Town of Diamond Valley be disclosed as follows:

	2023	2022
Total debt limit	23,478,033	20,161,715
Total debt (Note 8)	(1,418,711)	(1,633,264)
Amount debt limit remaining	22,059,322	18,528,451
Debt servicing limit	3,913,006	3,360,286
Debt servicing	(250,255)	(279,582)
Service on debt limit remaining	3,662,751	3,080,704

The debt limit is calculated at 1.5 times revenue of the Town excluding transfers from the governments of Alberta and Canada for the purposes of capital property (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital assets (Schedule II)	128,912,848	127,389,321
Accumulated amortization (Schedule II)	(46,528,443)	(43,881,444)
Long-term debt issued for capital purposes (Note 8)	(1,418,711)	(1,633,264)
	80,965,694	81,874,613

11. 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	612,791	(176,458)
Internally restricted surplus (Note 13)	12,936,819	12,701,838
Equity in tangible capital assets (Note 10)	80,965,694	81,874,613
	94,515,304	94,399,993

Town of Diamond Valley
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

12. SEGMENTED DISCLOSURE

The Town of Diamond Valley provides a range of services to its ratepayers. For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule VI).

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police, and fire. Transportation includes roads, streets, walks, and lighting. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental services, use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Sheep River Regional Utility Corporation, subsidiary that provide utility services, Town consolidates its 90% ownership.

13. RESERVES

Council has set aside funds as an internal allocation of accumulated surplus as follows:

	Balance Beginning	Net Change	Balance Closing
Operating			
General government	1,158,784	136,816	1,295,600
Planning and development	146,100	1,785	147,885
Utility and environmental services	634,410	351,921	986,331
Transportation services	13,129	2,040	15,169
Civic operations	377,321	(28,676)	348,645
Community services services	198,720	(30,146)	168,574
Public safety	109,400	(6,323)	103,077
Amalgamation	264,328	(171,725)	92,603
	2,902,192	255,692	3,157,884
Capital			
Offsite levies	2,350,452	122,865	2,473,317
Engineering structures	461,629	(181,789)	279,840
Machinery and equipment	1,637,508	(33,080)	1,604,428
General Capital	4,450,632	191,400	4,642,032
Vehicles	566,869	(99,207)	467,662
Buildings	332,556	(20,900)	311,656
	9,799,646	(20,711)	9,778,935
	12,701,838	234,981	12,936,819

Town of Diamond Valley
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

14. SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits & allowances ²	2023
Mayor B. Crane	35,906	5,315	41,221
Councillors:			
Councillor C. Bain (0.5 months)	430	33	463
Councillor C. Dixon (0.5 months)	373	376	749
Councillor D. Lalonde (0.5 months)	353	390	743
Councillor G. Raab (0.5 months)	373	-	373
Councillor J. Waring (0.5 months)	422	381	803
Councillor C. Vandenhoeck (0.5 months)	353	4	357
Councillor J. Gordon	18,810	908	19,718
Councillor C. Hollday	19,460	6,082	25,542
Councillor B. Kelly	24,693	1,258	25,951
Councillor V. Kloiber	18,870	914	19,784
Councillor H. Martin	18,810	6,045	24,855
Councillor H. Thomson	18,940	916	19,856
Administrators:			
S. Patience (4 months)	65,655	14,110	79,765
C. Middleton (6 months)	84,731	13,876	98,607
TMS Group - contracted (2 months)	30,077	-	30,077

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, mileage allowances and any other direct cash remuneration.
2. Benefits and allowances include the employer's 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 disability plans, professional memberships and tuition. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, and travel allowances.

Town of Diamond Valley

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

15. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest rate or currency risks arising from these financial instruments. Tax receivables and requisition over/under-levy are compulsory in nature, rather than contractual, however, the Town manages risk exposure on these items similar to other receivables and payables.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town 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.

18. BUDGET INFORMATION

The disclosed budget information has been approved by Council on May 12, 2023. The following is a reconciliation between the budget approved and that showing in the consolidated financial statements. Adjustments represent required changes for items that do not meet the criteria for recognition within the financial statements prepared in accordance with public sector accounting standards.

	Approved Budget	Adjustment	Financial Statements
Approved operating revenue budget (Town)	14,474,782	-	14,474,782
SRRUC (Town's 90% ownership)	789,392	-	789,392
Operating draw from reserves	-	(929,702)	(929,702)
Operating revenue budget on the Statement of Operations	15,264,174	(929,702)	14,334,472
Approved operating expense budget (Town)	14,474,782	-	14,474,782
SRRUC (Town's 90% ownership)	868,370	-	868,370
Operating transfer to reserves	-	(686,406)	(686,406)
Repayment of long-term debt	-	(214,141)	(214,141)
Operating expense budget on the Statement of Operations	15,343,152	(900,547)	14,442,605
Excess (Deficiency) of Revenue over Expenses on the Statement of Operations	(78,978)	(29,155)	(108,133)
Amortization of tangible capital assets	-	193,970	193,970
Acquisition of tangible capital assets	-	(1,384,000)	(1,384,000)
Decrease in Net Financial Assets on the Statement of Changes in Net Financial Assets	(78,978)	164,815	(1,298,163)

Town of Diamond Valley
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

19. TRANSFERS TO LOCAL BOARD AND AGENCIES

During the year, \$2,243,461 (2022 - \$535,039) was transferred to the Westend Regional Sewage Services Commission. Within the amount transferred this year, \$900,000 relates to capital upgrades.

20. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and management have approved these consolidated financial statements.