

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

FINANCIAL STATEMENTS

For the year ended December 31, 2020

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

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CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2020, and the statements of operations, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the commission as at December 31, 2020, its results of operations, change in net financial 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 23, 2021



Chartered Professional Accountants

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	2020	2019
Financial assets		
Cash and cash equivalents (note 3)	\$ 1,553,685	\$ 1,334,534
Trade and other receivables (note 4)	75,926	30,248
	1,629,611	1,364,782
Liabilities		
Accounts payable and accrued liabilities (note 5)	46,041	46,724
Long-term debt (note 6)	309,496	438,905
	355,537	485,629
Net financial assets	1,274,074	879,153
Non-financial assets		
Tangible capital assets (schedule 1)	5,741,076	5,725,138
Accumulated surplus (note 7, schedule 2)	\$ 7,015,150	\$ 6,604,291

Commitments (note 10)

Approved on behalf of the board:

Member _____

Member _____

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF OPERATIONS
For the year ended December 31, 2020

	Budget (unaudited)	2020	2019
Revenue			
Service fees charged to commission members	\$ 895,854	\$ 895,854	\$ 863,935
Investment income	16,747	17,798	20,236
Rental income	3,100	3,100	5,800
Other service fees and sales of goods	66,821	40,103	66,821
	982,522	956,855	956,792
Expenses			
Contracted and general services	422,434	224,877	287,370
Materials, goods and utilities	212,750	230,720	211,653
Interest on long-term debt	15,457	10,671	15,499
Amortization of tangible capital assets	104,517	120,118	114,318
	755,158	586,386	628,840
Excess of revenue over expenses before other	227,364	370,469	327,952
Other			
Government transfers for capital	-	42,693	671,628
Insurance proceeds (note)	-	-	1,605
Write-downs of tangible capital assets	-	(2,303)	(256,988)
	-	40,390	416,245
Excess of revenue over expenses	227,364	410,859	744,197
Accumulated surplus, beginning of year	6,604,291	6,604,291	5,860,094
Accumulated surplus, end of year	\$ 6,831,655	\$ 7,015,150	\$ 6,604,291

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2020

	Budget (unaudited)	2020	2019
Excess of revenue over expenses	\$ 227,364	\$ 410,859	\$ 744,197
Acquisition of tangible capital assets	-	(138,359)	(746,253)
Amortization of tangible capital assets	104,517	120,118	114,318
Write-downs of tangible capital assets	-	2,303	256,988
	104,517	(15,938)	(374,947)
Change in net financial assets	331,881	394,921	369,250
Net financial assets, beginning of year	879,153	879,153	509,903
Net financial assets, end of year	\$ 1,211,034	\$ 1,274,074	\$ 879,153

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

	2020	2019
Operating transactions		
Excess of revenue over expenses	\$ 410,859	\$ 744,197
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	120,118	114,318
Write-downs of tangible capital assets	2,303	256,988
	533,280	1,115,503
Net change in non-cash working capital items		
Trade and other receivables	(45,678)	470,608
Accounts payable and accrued liabilities	(683)	(44,484)
	486,919	1,541,627
Capital transactions		
Acquisition of tangible capital assets	(138,359)	(746,253)
Financing transactions		
Repayment of long-term debt	(129,409)	(121,882)
Increase in cash and cash equivalents	219,151	673,492
Cash and cash equivalents, beginning of year	1,334,534	661,042
Cash and cash equivalents, end of year	\$ 1,553,685	\$ 1,334,534

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

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.

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) Investments

The Commission has elected to classify all of its investments 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.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

2. Significant accounting policies

(d) 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. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(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 consolidated 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:

	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

	2020	2019
Cash	\$ 1,148,280	\$ 938,476
ATB Financial - GIC, 2%, matures January 2021	405,405	396,058
	\$ 1,553,685	\$ 1,334,534

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

4. Trade and other receivables

	2020	2019
Green Infrastructure Project receivable	\$ 42,693	\$ -
GST receivable	25,125	20,901
Accrued interest receivable	8,108	9,347
	\$ 75,926	\$ 30,248

5. Accounts payable and accrued liabilities

	2020	2019
Trade payables	\$ 45,624	\$ 41,522
Accrued interest payable	417	5,202
	\$ 46,041	\$ 46,724

6. Long-term debt

	2020	2019
Debentures payable	\$ 309,496	\$ 438,905
Current portion	\$ 82,472	\$ 129,409

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2021	\$ 82,472	\$ 7,310	\$ 89,782
2022	48,828	4,447	53,275
2023	49,740	3,997	53,737
2024	50,670	3,543	54,213
2025	51,617	3,084	54,701
Thereafter	26,169	2,622	28,791
	\$ 309,496	\$ 25,003	\$ 334,499

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.86% to 10% per annum. Debenture debt is issued on the credit and security of the Commission at large. Section 3 of Alberta Regulation 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

6. Long-term debt, continued

	2020	2019
Total debt limit	\$ 1,913,710	\$ 1,913,584
Total debt	309,496	438,905
	\$ 1,604,214	\$ 1,474,679
Debt servicing limit	\$ 334,899	\$ 334,877
Debt servicing	89,782	144,866
	\$ 245,117	\$ 190,011

The debt limit is calculated at 2 times revenue of the Commission (as defined in Alberta Regulation 76/2000) 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 from Alberta Municipal Affairs to exceed the above debt and debt servicing limits and borrow up to \$4,000,000 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.

7. Accumulated surplus

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

	2020	2019
Unrestricted surplus	\$ 161,637	\$ 67,635
Internally restricted surplus (reserves) (note 8)	1,421,933	1,250,423
Equity in tangible capital assets (note 9)	5,431,580	5,286,233
	\$ 7,015,150	\$ 6,604,291

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

8. Reserves

	2020	2019
Facility upgrade	\$ 850,409	\$ 737,025
Capital	238,440	200,626
Operating	183,807	183,807
Sludge	92,942	72,631
Debenture debt	56,335	56,334
	\$ 1,421,933	\$ 1,250,423

9. Equity in tangible capital assets

	2020	2019
Tangible capital assets (schedule 1)	\$ 7,258,642	\$ 7,123,204
Accumulated amortization (schedule 1)	(1,517,566)	(1,398,066)
Long-term debt (note 6)	(309,496)	(438,905)
	\$ 5,431,580	\$ 5,286,233

10. 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 has an 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 remaining \$4,624,578 will be funded by The Commission. The project is currently at the preliminary stage of engineering.

11. Approval of financial statements

These financial statements were approved by the Commission and Management.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

12. Budget amounts

The 2020 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		\$ 227,364
Less: Long-term debt repayments		(129,409)
Transfers to reserves		(202,472)
Add: Amortization		104,517
Equals: Balanced budget		\$ -

13. 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:

	2020	2019
Town of Turner Valley	\$ 403,135	\$ 371,492
Town of Black Diamond	492,719	492,443
	\$ 895,854	\$ 863,935

During the year the Commission purchased services from the Town of Turner Valley in the amount of \$739 (2019 - \$616) and from the Town of Black Diamond in the amount of \$65,767 (2019 - \$59,222). Included in accounts payable is \$131 (2019 - \$536) due to the Town of Turner Valley and \$4,696 (2019 - \$102) 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.

14. Alberta Municipal Affairs

During the year, Alberta Municipal Affairs repealed all Regional Services Commission regulations as of September 1, 2020 by making amendments to Part 15.1 of the Municipal Government Act. As a result, the Commission is required to review and update its bylaws. Operations are expected to continue with minimal impact and, going forward, the Commission will govern the services provided without the need for additional provincial approvals.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

15. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time. Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The Commission's revenues remained consistent from the beginning of the pandemic to year end. The Board is not aware of any material impairments that will impact the financial assets or liabilities of the Commission due to the pandemic. The situation is continually changing and the future impact on the Commission is not readily determinable at this time.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

Schedule of tangible capital assets

Schedule 1

	Land	Land improvements	Engineered structures	Construction in progress	2020	2019
Cost:						
Balance, beginning of year	\$ 295,711	\$ 41,396	\$ 6,687,709	\$ 98,389	\$ 7,123,205	\$ 6,737,204
Acquisitions	-	-	80,138	58,221	138,359	746,253
Disposals	-	-	(2,922)	-	(2,922)	(360,253)
Balance, end of year	295,711	41,396	6,764,925	156,610	7,258,642	7,123,204
Accumulated amortization:						
Balance, beginning of year	-	30,658	1,367,408	-	1,398,066	1,387,014
Annual amortization	-	1,850	118,268	-	120,118	114,318
Disposals	-	-	(618)	-	(618)	(103,266)
Balance, end of year	-	32,508	1,485,058	-	1,517,566	1,398,066
Net book value	\$ 295,711	\$ 8,888	\$ 5,279,867	\$ 156,610	\$ 5,741,076	\$ 5,725,138
2019 net book value	\$ 295,711	\$ 10,738	\$ 5,320,301	\$ 98,389	\$ 5,725,138	

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

Schedule of changes in accumulated surplus					Schedule 2	
	Unrestricted	Internally restricted	Equity in tangible capital assets	2020	2019	
Balance, beginning of year	\$ 67,635	\$ 1,250,423	\$ 5,286,233	\$ 6,604,291	\$ 5,860,094	
Excess of revenue over expenses	410,859	-	-	410,859	744,197	
Unrestricted funds designated for future use	(171,510)	171,510	-	-	-	
Current year funds used for tangible capital assets	(138,359)	-	138,359	-	-	
Disposal of tangible capital assets	2,303	-	(2,303)	-	-	
Annual amortization expense	120,118	-	(120,118)	-	-	
Long-term debt repaid	(129,409)	-	129,409	-	-	
Change in accumulated surplus	94,002	171,510	145,347	410,859	744,197	
Balance, end of year	\$ 161,637	\$ 1,421,933	\$ 5,431,580	\$ 7,015,150	\$ 6,604,291	