

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

FINANCIAL STATEMENTS

For the year ended December 31, 2016

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

We have audited the accompanying financial statements of Westend Regional Sewage Services Commission, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Westend Regional Sewage Services Commission as at December 31, 2016 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

March 28, 2017

A handwritten signature in cursive script that reads "Avail LLP".

Chartered Professional Accountants

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	2016	2015
Financial assets		
Cash and cash equivalents (note 3)	\$ 938,735	\$ 453,143
Trade and other receivables (note 4)	383,224	311,876
	1,321,959	765,019
Liabilities		
Accounts payable and accrued liabilities (note 6)	62,166	258,221
Long-term debt (note 7)	784,194	384,971
	846,360	643,192
Net financial assets	475,599	121,827
Non-financial assets		
Tangible capital assets (schedule 1)	4,653,802	4,573,638
Accumulated surplus (note 8)	\$ 5,129,401	\$ 4,695,465

Commitments (note 11)

Approved on behalf of the board:

Member



Member



WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF OPERATIONS
For the year ended December 31, 2016

	Budget (unaudited)	2016	2015
Revenue			
Service fees charged to commission members	\$ 669,507	\$ 669,507	\$ 538,716
Investment income	5,663	5,595	9,679
Rental income	2,786	5,180	3,958
Other service fees and sales of goods	2,815	2,201	2,030
	680,771	682,483	554,383
Expenses			
Contracted and general services	449,490	196,289	194,420
Materials, goods and utilities	94,707	89,094	84,818
Interest on long-term debt	43,073	34,800	34,967
Amortization of tangible capital assets	61,338	93,548	78,024
	648,608	413,731	392,229
Excess of revenue over expenses before other	32,163	268,752	162,154
Other			
Government transfers for capital	137,859	165,184	1,068,863
Contributed assets	-	-	1,050,375
	137,859	165,184	2,119,238
Excess of revenue over expenses	170,022	433,936	2,281,392
Accumulated surplus, beginning of year	4,695,465	4,695,465	2,414,073
Accumulated surplus, end of year	\$ 4,865,487	\$ 5,129,401	\$ 4,695,465

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2016

	Budget (unaudited)	2016	2015
Excess of revenue over expenses	\$ 170,022	\$ 433,936	\$ 2,281,392
Acquisition of tangible capital assets	(631,999)	(173,712)	(2,287,292)
Amortization of tangible capital assets	61,338	93,548	78,024
	(570,661)	(80,164)	(2,209,268)
Change in net financial assets	(400,639)	353,772	72,124
Net financial assets, beginning of year	121,827	121,827	49,703
Net financial assets (debt), end of year	\$ (278,812)	\$ 475,599	\$ 121,827

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

	2016	2015
Operating transactions		
Excess of revenue over expenses	\$ 433,936	\$ 2,281,392
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	93,548	78,024
	527,484	2,359,416
Net change in non-cash working capital items		
Trade and other receivables	(71,348)	(284,419)
Accounts payable and accrued liabilities	(196,055)	227,905
Deferred revenue	-	(876,229)
	260,081	1,426,673
Capital transactions		
Acquisition of tangible capital assets	(173,712)	(2,287,292)
Financing transactions		
Proceeds on long-term debt	480,000	-
Repayment of long-term debt	(80,777)	(54,109)
	399,223	(54,109)
Cash provided by (applied to) financing transactions		
	485,592	(914,728)
Increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	453,143	1,367,871
Cash and cash equivalents, end of year	\$ 938,735	\$ 453,143

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

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 in 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 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 as revenue in the year in which the related expenditures 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

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.

(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.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

2. Significant accounting policies, continued

(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 (Debt) 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 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 none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

3. Cash and cash equivalents

	2016	2015
Cash	\$ 697,611	\$ 214,294
Guaranteed investment certificate, 0.9%, matures May 2017	241,124	238,849
	\$ 938,735	\$ 453,143

4. Trade and other receivables

	2016	2015
Disaster Recovery Program	\$ 357,387	\$ 192,203
GST receivable	19,003	100,148
Trade accounts receivable	4,283	-
Accrued interest receivable	1,451	765
Town of Turner Valley	1,100	18,760
	\$ 383,224	\$ 311,876

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

5. Credit facilities

A demand operating loan has been authorized by the Royal Bank of Canada to a maximum of \$600,000. Interest is to be paid on the 26th day of each month at the prime rate plus 0.44% per annum. As at December 31, 2016 no amounts had been drawn on this credit facility.

6. Accounts payable and accrued liabilities

	2016	2015
Trade payables	\$ 28,949	\$ 46,533
Flood related payables	16,065	191,660
Accrued interest payable	17,152	20,028
	\$ 62,166	\$ 258,221

7. Long-term debt

	2016	2015
Debentures payable	\$ 326,142	\$ 384,971
Debentures payable - not yet applied to capital	458,052	-
	\$ 784,194	\$ 384,971

Current portion	\$ 108,484	\$ 58,829
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Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 108,484	\$ 36,381	\$ 144,865
2018	114,923	29,943	144,866
2019	121,882	22,983	144,865
2020	129,409	15,456	144,865
2021	82,472	7,310	89,782
Thereafter	227,024	10,686	237,710
	\$ 784,194	\$ 122,759	\$ 906,953

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

7. Long-term debt, continued

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:

	2016	2015
Total debt limit	\$ 1,364,966	\$ 1,108,766
Total debt	784,194	384,971
	\$ 580,772	\$ 723,795
Debt servicing limit	\$ 238,869	\$ 194,034
Debt servicing	144,865	92,041
	\$ 94,004	\$ 101,993

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. 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.

8. Accumulated surplus

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

	2016	2015
Unrestricted surplus	\$ 83,062	\$ -
Internally restricted surplus (reserves) (note 9)	718,679	506,798
Equity in tangible capital assets (note 10)	4,327,660	4,188,667
	\$ 5,129,401	\$ 4,695,465

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

9. Reserves

	2016	2015
Operating	\$ 204,135	\$ 125,374
Capital	274,365	159,589
Debenture debt	50,171	49,427
Sludge	190,008	172,408
	<u>\$ 718,679</u>	<u>\$ 506,798</u>

10. Equity in tangible capital assets

	2016	2015
Tangible capital assets	\$ 5,913,806	\$ 5,740,094
Accumulated amortization	(1,260,004)	(1,166,456)
Long-term debt	(326,142)	(384,971)
	<u>\$ 4,327,660</u>	<u>\$ 4,188,667</u>

11. Commitments

The Commission is covered under the Town of Turner Valley's agreement with Energy Associates International (EAI) for fixed utility rates. The electricity agreement expires December 31, 2018.

The Commission has an obligation to proceed with capital projects with an estimated cost of approximately \$1,420,000. Projects are expected to be funded in part by the Alberta Community Resiliency Program (ACRP) and Disaster Recovery Program (DRP).

12. Budget amounts

The 2016 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	\$ 170,022
Less: Capital expenditures	(631,999)
Long-term debt repayments	(163,804)
Transfers to reserves	(44,697)
Add: Amortization	61,338
Transfer from reserve	129,140
Long-term debt proceeds	480,000
Equals: Balanced budget	<u>\$ -</u>

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

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:

	2016	2015
Town of Turner Valley	\$ 283,394	\$ 206,754
Town of Black Diamond	388,314	333,992
	<u>\$ 671,708</u>	<u>\$ 540,746</u>

During the year the Commission purchased services from the Town of Turner Valley in the amount of \$734 (2015 - \$3,177) and from the Town of Black Diamond in the amount of \$53,386 (2015 - \$46,472).

Included in accounts receivable is \$1,100 (2015 - \$18,760) due from the Town of Turner Valley. Included in accounts payable is \$100 (2015 - \$305) due to the Town of Turner Valley and \$851 (2015 - \$4,219) 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. Approval of financial statements

These financial statements were approved by the Commission and Management.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of tangible capital assets	Schedule 1				
	Land	Land improvements	Engineered structures	Construction in progress	2015
Cost:					
Balance, beginning of year	\$ 295,711	\$ 103,914	\$ 5,183,042	\$ 157,428	\$ 3,452,802
Acquisitions	-	-	173,712	-	2,287,292
Balance, end of year	295,711	103,914	5,356,754	157,428	5,740,094
Accumulated amortization:					
Balance, beginning of year	-	84,217	1,082,239	-	1,088,432
Annual amortization	-	3,412	90,136	-	78,024
Balance, end of year	-	87,629	1,172,375	-	1,166,456
Net book value	\$ 295,711	\$ 16,285	\$ 4,184,379	\$ 157,428	\$ 4,573,638
2015 net book value	\$ 295,711	\$ 19,697	\$ 4,100,803	\$ 157,428	\$ 4,573,638

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of changes in accumulated surplus				Schedule 2	
	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ -	\$ 506,798	\$ 4,188,667	\$ 4,695,465	\$ 2,414,073
Excess of revenue over expenses	433,936	-	-	433,936	2,281,392
Unrestricted funds designated for future use	(211,881)	211,881	-	-	-
Current year funds used for tangible capital assets	(173,712)	-	173,712	-	-
Annual amortization expense	93,548	-	(93,548)	-	-
Long-term debt repaid	(58,829)	-	58,829	-	-
Change in accumulated surplus	83,062	211,881	138,993	433,936	2,281,392
Balance, end of year	\$ 83,062	\$ 718,679	\$ 4,327,660	\$ 5,129,401	\$ 4,695,465