

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

FINANCIAL STATEMENTS

For the year ended December 31, 2018

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, 2018, 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, 2018, and its results of operations 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

April 2, 2019



Chartered Professional Accountants

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and cash equivalents (note 3)	\$ 661,042	\$ 1,560,918
Trade and other receivables (note 4)	500,856	24,471
	1,161,898	1,585,389
Liabilities		
Accounts payable and accrued liabilities (note 5)	91,208	108,613
Deferred revenue (note 6)	-	47,381
Long-term debt (note 7)	560,787	675,709
	651,995	831,703
Net financial assets	509,903	753,686
Non-financial assets		
Tangible capital assets (schedule 1)	5,350,191	4,588,460
Accumulated surplus (note 8)	\$ 5,860,094	\$ 5,342,146


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, 2018

	Budget (unaudited)	2018	2017
Revenue			
Service fees charged to commission members	\$ 742,215	\$ 740,016	\$ 737,383
Investment income	2,400	21,667	9,772
Rental income	3,100	4,100	3,299
Other service fees and sales of goods	27,255	2,201	2,201
	774,970	767,984	752,655
Expenses			
Contracted and general services	536,957	585,422	243,362
Materials, goods and utilities	150,986	110,869	88,614
Interest on long-term debt	29,943	28,846	32,762
Amortization of tangible capital assets	93,548	104,517	90,102
	811,434	829,654	454,840
(Deficiency) excess of revenue over expenses before other	(36,464)	(61,670)	297,815
Other			
Government transfers for capital	-	408,063	62,619
Insurance proceeds (note 12)	-	171,555	-
Write down of capital asset	-	-	(147,689)
	-	579,618	(85,070)
Excess of revenue over expenses	(36,464)	517,948	212,745
Accumulated surplus, beginning of year	5,342,146	5,342,146	5,129,401
Accumulated surplus, end of year	\$ 5,305,682	\$ 5,860,094	\$ 5,342,146

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2018

	Budget (unaudited)	2018	2017
Excess of revenue over expenses	\$ (36,464)	\$ 517,948	\$ 212,745
Acquisition of tangible capital assets	-	(866,247)	(172,449)
Amortization of tangible capital assets	93,548	104,516	90,102
Write-downs of tangible capital assets	-	-	147,689
	93,548	(761,731)	65,342
Change in net financial assets	57,084	(243,783)	278,087
Net financial assets, beginning of year	753,686	753,686	475,599
Net financial assets, end of year	\$ 810,770	\$ 509,903	\$ 753,686

WESTEND REGIONAL SEWAGE SERVICES COMMISSION**STATEMENT OF CASH FLOWS****For the year ended December 31, 2018**

	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 517,948	\$ 212,745
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	104,516	90,102
Write down of capital asset	-	147,687
	622,464	450,534
Net change in non-cash working capital items		
Trade and other receivables	(476,384)	358,754
Accounts payable and accrued liabilities	(17,405)	46,447
Deferred revenue	(47,381)	47,381
Cash provided by operating transactions	81,294	903,116
Capital transactions		
Acquisition of tangible capital assets	(866,247)	(172,449)
Financing transactions		
Repayment of long-term debt	(114,923)	(108,484)
(Decrease) increase in cash and cash equivalents	(899,876)	622,183
Cash and cash equivalents, beginning of year	1,560,918	938,735
Cash and cash equivalents, end of year	\$ 661,042	\$ 1,560,918

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

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 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.

(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, 2018

2. Significant accounting policies

(e) Non-financial assets

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

	2018	2017
Cash	\$ 271,604	\$ 1,560,918
ATB Financial - GIC, 1.7%, matures January 2019	389,438	-
	\$ 661,042	\$ 1,560,918

4. Trade and other receivables

	2018	2017
Disaster Recovery Program receivable	\$ 360,682	\$ -
GST receivable	73,216	22,161
EIL Insurance receivable	59,287	-
Accrued interest receivable	6,621	-
Trade accounts receivable	1,050	2,310
	\$ 500,856	\$ 24,471

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. Accounts payable and accrued liabilities

	2018	2017
Trade payables	\$ 78,521	\$ 79,016
Accrued interest payable	12,687	13,532
Flood related payables	-	16,065
	<u>\$ 91,208</u>	<u>\$ 108,613</u>

6. Deferred revenue

	2018	2017
Disaster Recovery Program		
Opening balance	\$ 47,381	\$ -
Add: amounts received during the year	-	110,000
Less: amounts spent during the year	(47,381)	(62,619)
	<u>\$ -</u>	<u>\$ 47,381</u>

7. Long-term debt

	2018	2017
Debentures payable	\$ 499,420	\$ 313,019
Debentures payable - not yet applied to capital	61,366	362,696
	<u>\$ 560,787</u>	<u>\$ 675,709</u>
Current portion	<u>\$ 121,882</u>	<u>\$ 114,923</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 121,882	\$ 22,984	\$ 144,866
2020	129,409	15,457	144,866
2021	82,472	7,310	89,782
2022	48,827	3,997	52,824
2023	49,740	3,084	52,824
Thereafter	128,457	3,606	132,063
	<u>\$ 560,787</u>	<u>\$ 56,438</u>	<u>\$ 617,225</u>

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

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:

	2018	2017
Total debt limit	\$ 1,535,968	\$ 1,505,310
Total debt	560,787	675,709
	\$ 975,181	\$ 829,601
Debt servicing limit	\$ 268,794	\$ 263,429
Debt servicing	144,865	144,865
	\$ 123,929	\$ 118,564

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:

	2018	2017
Unrestricted surplus	\$ 284,546	\$ 193,131
Internally restricted surplus (reserves) (note 9)	724,777	873,574
Equity in tangible capital assets (note 10)	4,850,771	4,275,441
	\$ 5,860,094	\$ 5,342,146

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

9. Reserves

	2018	2017
Capital	\$ 414,646	\$ 410,191
Operating	204,135	204,135
Debenture debt	53,278	51,112
Sludge	52,718	208,136
	\$ 724,777	\$ 873,574

10. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 1)	\$ 6,737,204	\$ 5,933,475
Accumulated amortization (schedule 1)	(1,387,013)	(1,345,015)
Long-term debt (note 7)	(499,420)	(313,019)
	\$ 4,850,771	\$ 4,275,441

11. 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 an obligation to pay 10% of the costs of a forcemain relocation project. The other 90% of this project is covered by a grant which was applied for by the Town of Turner Valley on the Commissions behalf. The total estimated project cost is \$800,000 and the project is estimated to be complete in 2019 at which time the 10% will be payable to the Town of Turner Valley.

12. Insurance Proceeds

The Commission has recorded insurance proceeds from two events, as follows:

- \$112,268 for the replacement of the blower, which was damaged and written off in 2017
- \$59,287 for repair work done to fix a leak in the original trunk main

13. 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, 2018

14. Budget amounts

The 2018 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 deficit per financial statements	\$ (36,464)
Less: Long-term debt repayments	(114,923)
Transfers to reserves	(159,386)
Add: Amortization	93,548
Transfer from reserves	217,225
Equals: Balanced budget	\$ -

15. 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:

	2018	2017
Town of Turner Valley	\$ 320,408	\$ 311,903
Town of Black Diamond	421,809	427,682
	\$ 742,217	\$ 739,585

During the year the Commission purchased services from the Town of Turner Valley in the amount of \$709 (2017 - \$866) and from the Town of Black Diamond in the amount of \$68,013 (2017 - \$45,037). Included in accounts payable is \$134 (2017 - \$107) due to the Town of Turner Valley and \$451 (2017 - \$4,429) 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.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets

Schedule 1

	Land	Land improvements	Engineered structures	Construction in progress	2018	2017
Cost:						
Balance, beginning of year	\$ 295,711	\$ 103,914	\$ 5,235,541	\$ 298,310	\$ 5,933,475	\$ 5,913,806
Acquisitions	-	-	866,247	-	866,247	172,449
Construction-in-progress	-	-	199,921	(199,921)	-	-
Write downs	-	(62,518)	-	-	(62,518)	(152,780)
Balance, end of year	295,711	41,396	6,301,709	98,389	6,737,204	5,933,475
Accumulated amortization:						
Balance, beginning of year	-	89,478	1,255,537	-	1,345,015	1,260,004
Annual amortization	-	1,849	102,667	-	104,516	90,103
Disposals	-	(62,518)	-	-	(62,518)	(5,092)
Balance, end of year	-	28,809	1,358,204	-	1,387,013	1,345,015
Net book value	\$ 295,711	\$ 12,587	\$ 4,943,505	\$ 98,389	\$ 5,350,191	\$ 4,588,460
2017 net book value	\$ 295,711	\$ 14,436	\$ 3,980,003	\$ 298,310	\$ 4,588,460	

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of changes in accumulated surplus

Schedule 2

	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 193,131	\$ 873,574	\$ 4,275,441	\$ 5,342,146	\$ 5,129,401
Excess of revenue over expenses	517,948	-	-	517,948	212,745
Unrestricted funds designated for future use	(59,339)	59,339	-	-	-
Restricted funds used for operations	208,136	(208,136)	-	-	-
Current year funds used for tangible capital assets	(866,247)	-	866,247	-	-
Annual amortization expense	104,516	-	(104,516)	-	-
Long-term debt repaid	(107,365)	-	107,365	-	-
Capital additions funded through debenture	293,766	-	(293,766)	-	-
Change in accumulated surplus	91,415	(148,797)	575,330	517,948	212,745
Balance, end of year	\$ 284,546	\$ 724,777	\$ 4,850,771	\$ 5,860,094	\$ 5,342,146