

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2019**

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# WESTEND REGIONAL SEWAGE SERVICES COMMISSION

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For the year ended December 31, 2019

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## 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, 2019, 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, 2019, 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

March 24, 2020



Chartered Professional Accountants

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2019**

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents (note 3)	\$ 1,334,534	\$ 661,042
Trade and other receivables (note 4)	30,249	500,856
	<u>1,364,783</u>	<u>1,161,898</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	46,724	91,208
Long-term debt (note 6)	438,905	560,787
	<u>485,629</u>	<u>651,995</u>
<b>Net financial assets</b>	879,154	509,903
<b>Non-financial assets</b>		
Tangible capital assets (schedule 1)	5,725,137	5,350,191
<b>Accumulated surplus (note 7)</b>	<u>\$ 6,604,291</u>	<u>\$ 5,860,094</u>

*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, 2019

	Budget (unaudited)	2019	2018
<b>Revenue</b>			
Service fees charged to commission members	\$ 863,936	\$ 863,935	\$ 740,016
Investment income	24,016	20,236	21,667
Rental income	3,100	5,800	4,100
Other service fees and sales of goods	66,821	66,821	2,201
	957,873	956,792	767,984
<b>Expenses</b>			
Contracted and general services	404,695	287,370	585,421
Materials, goods and utilities	223,360	211,653	110,869
Interest on long-term debt	22,984	15,499	28,847
Amortization of tangible capital assets	90,102	114,318	104,517
	741,141	628,840	829,654
<b>Excess (deficiency) of revenue over expenses before other</b>	216,732	327,952	(61,670)
<b>Other</b>			
Government transfers for capital	-	671,628	408,063
Insurance proceeds (note 11)	-	1,605	171,555
Write-downs of tangible capital assets	-	(256,988)	-
	-	416,245	579,618
<b>Excess of revenue over expenses</b>	216,732	744,197	517,948
<b>Accumulated surplus, beginning of year</b>	5,860,094	5,860,094	5,342,146
<b>Accumulated surplus, end of year</b>	\$ 6,076,826	\$ 6,604,291	\$ 5,860,094

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2019

	Budget (unaudited)	2019	2018
<b>Excess of revenue over expenses</b>	\$ 216,732	\$ 744,197	\$ 517,948
Acquisition of tangible capital assets	-	(746,253)	(866,247)
Amortization of tangible capital assets	90,102	114,319	104,517
Write-downs of tangible capital assets	-	256,988	-
	90,102	(374,946)	(761,730)
<b>Change in net financial assets</b>	306,834	369,251	(243,782)
<b>Net financial assets, beginning of year</b>	509,903	509,903	753,685
<b>Net financial assets, end of year</b>	\$ 816,737	\$ 879,154	\$ 509,903

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION****STATEMENT OF CASH FLOWS****For the year ended December 31, 2019**

	2019	2018
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 744,197	\$ 517,948
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	114,319	104,517
Write-downs of tangible capital assets	256,988	-
	1,115,504	622,465
Net change in non-cash working capital items		
Trade and other receivables	470,607	(476,385)
Accounts payable and accrued liabilities	(44,484)	(17,405)
Deferred revenue	-	(47,381)
Cash provided by operating transactions	1,541,627	81,294
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(746,253)	(866,247)
<b>Financing transactions</b>		
Repayment of long-term debt	(121,882)	(114,923)
<b>Increase (decrease) in cash and cash equivalents</b>	673,492	(899,876)
<b>Cash and cash equivalents, beginning of year</b>	661,042	1,560,918
<b>Cash and cash equivalents, end of year</b>	\$ 1,334,534	\$ 661,042



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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**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.

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

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**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**

	2019	2018
Cash	\$ 938,476	\$ 271,604
ATB Financial - GIC, 2.36%, matures January 2020	396,058	389,438
	\$ 1,334,534	\$ 661,042

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**4. Trade and other receivables**

	2019	2018
Disaster Recovery Program receivable	\$ -	\$ 360,682
GST receivable	20,901	73,216
EIL Insurance receivable	-	59,287
Accrued interest receivable	9,348	6,621
Trade accounts receivable	-	1,050
	<u>\$ 30,249</u>	<u>\$ 500,856</u>

**5. Accounts payable and accrued liabilities**

	2019	2018
Trade payables	\$ 41,521	\$ 78,521
Accrued interest payable	5,203	12,687
	<u>\$ 46,724</u>	<u>\$ 91,208</u>

**6. Long-term debt**

	2019	2018
Debentures payable	\$ 438,905	\$ 499,420
Debentures payable - not yet applied to capital	-	61,366
	<u>\$ 438,905</u>	<u>\$ 560,787</u>

Current portion	\$ 129,409	\$ 121,882
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Principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	\$ 129,409	\$ 15,457	\$ 144,866
2021	82,472	7,310	89,782
2022	48,827	4,447	53,274
2023	49,740	3,997	53,737
2024	50,670	3,543	54,213
Thereafter	77,787	5,706	83,493
	<u>\$ 438,905</u>	<u>\$ 40,460</u>	<u>\$ 479,365</u>

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**6. 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:

	2019	2018
Total debt limit	\$ 1,913,584	\$ 1,535,968
Total debt	438,905	560,787
	\$ 1,474,679	\$ 975,181
Debt servicing limit	\$ 334,877	\$ 268,794
Debt servicing	144,865	144,865
	\$ 190,012	\$ 123,929

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.

**7. Accumulated surplus**

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

	2019	2018
Unrestricted surplus	\$ 67,636	\$ 284,546
Internally restricted surplus (reserves) (note 8)	1,250,423	724,777
Equity in tangible capital assets (note 9)	5,286,232	4,850,771
	\$ 6,604,291	\$ 5,860,094

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**8. Reserves**

	2019	2018
Facility upgrade	\$ 737,025	\$ -
Capital	200,626	414,646
Operating	183,807	204,135
Sludge	72,630	52,718
Debenture debt	56,335	53,278
	<u>\$ 1,250,423</u>	<u>\$ 724,777</u>

**9. Equity in tangible capital assets**

	2019	2018
Tangible capital assets (schedule 1)	\$ 7,123,204	\$ 6,737,204
Accumulated amortization (schedule 1)	(1,398,067)	(1,387,013)
Long-term debt (note 6)	(438,905)	(499,420)
	<u>\$ 5,286,232</u>	<u>\$ 4,850,771</u>

**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.

**11. Insurance Proceeds**

In the prior year the Commission recorded insurance proceeds totaling \$171,555 for the replacement of a blower and repair work on a leak in the original trunk main. During the current year an additional \$1,605 was received and has been included in 2019 revenue.

**12. Approval of financial statements**

These financial statements were approved by the Commission and Management.

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**13. Budget amounts**

The 2019 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	\$	216,732
Less: Long-term debt repayments		(121,882)
Transfers to reserves		(184,952)
Add: Amortization		90,102
<hr/>		
Equals: Balanced budget	\$	-
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**14. 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:

	2019	2018
Town of Turner Valley	\$ 371,492	\$ 320,408
Town of Black Diamond	492,443	421,809
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	\$ 863,935	\$ 742,217
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During the year the Commission purchased services from the Town of Turner Valley in the amount of \$616 (2018 - \$709) and from the Town of Black Diamond in the amount of \$59,222 (2018 - \$68,013). Included in accounts payable is \$536 (2018 - \$134) due to the Town of Turner Valley and \$102 (2018 - \$451) 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, 2019

**Schedule of tangible capital assets**

**Schedule 1**

	Land	Land improvements	Engineered structures	Construction in progress	2019	2018
<b>Cost:</b>						
Balance, beginning of year	\$ 295,711	\$ 41,396	\$ 6,301,709	\$ 98,389	\$ 6,737,204	\$ 5,933,475
Acquisitions	-	-	746,253	-	746,253	866,247
Disposals	-	-	(360,253)	-	(360,253)	-
Write downs	-	-	-	-	-	(62,518)
Balance, end of year	295,711	41,396	6,687,709	98,389	7,123,204	6,737,204
<b>Accumulated amortization:</b>						
Balance, beginning of year	-	28,809	1,358,204	-	1,387,014	1,345,015
Annual amortization	-	1,849	112,469	-	114,318	104,516
Disposals	-	-	(103,265)	-	(103,265)	(62,518)
Balance, end of year	-	30,658	1,367,408	-	1,398,067	1,387,013
<b>Net book value</b>	<b>\$ 295,711</b>	<b>\$ 10,738</b>	<b>\$ 5,320,301</b>	<b>\$ 98,389</b>	<b>\$ 5,725,137</b>	<b>\$ 5,350,191</b>
<b>2018 net book value</b>	<b>\$ 295,711</b>	<b>\$ 12,587</b>	<b>\$ 4,943,504</b>	<b>\$ 98,389</b>	<b>\$ 5,350,191</b>	

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**Schedule of changes in accumulated surplus**

**Schedule 2**

	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 284,546	\$ 724,777	\$ 4,850,771	\$ 5,860,094	\$ 5,342,146
Excess of revenue over expenses	744,197	-	-	744,197	517,948
Unrestricted funds designated for future use	(525,646)	525,646	-	-	-
Current year funds used for tangible capital assets	(746,253)	-	746,253	-	-
Disposal of tangible capital assets	256,988	-	(256,988)	-	-
Annual amortization expense	114,319	-	(114,319)	-	-
Long-term debt repaid	(121,882)	-	121,882	-	-
Capital additions funded through debenture	61,367	-	(61,367)	-	-
Change in accumulated surplus	(216,910)	525,646	435,461	744,197	517,948
<b>Balance, end of year</b>	<b>\$ 67,636</b>	<b>\$ 1,250,423</b>	<b>\$ 5,286,232</b>	<b>\$ 6,604,291</b>	<b>\$ 5,860,094</b>