

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

FINANCIAL STATEMENTS

For the year ended December 31, 2013

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

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For the year ended December 31, 2013

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Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2013, 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.

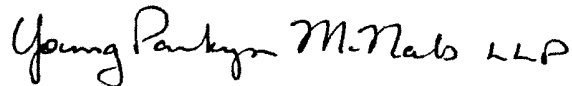
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 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 11, 2014



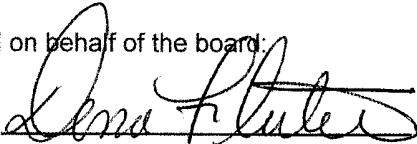
Chartered Accountants

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2013

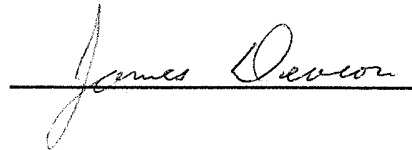
	2013	2012
Financial assets		
Cash and cash equivalents (note 4)	\$ 493,738	\$ 474,145
Trade and other receivables (note 5)	74,738	14,468
	<u>568,476</u>	<u>488,613</u>
Liabilities		
Accounts payable and accrued liabilities	76,070	42,197
Long-term debt (note 6)	488,856	534,656
	<u>564,926</u>	<u>576,853</u>
Net financial assets (debt)	<u>3,550</u>	<u>(88,240)</u>
Non-financial assets		
Tangible capital assets (schedule 1)	2,332,477	2,331,140
Accumulated surplus (note 7)	<u>\$ 2,336,027</u>	<u>\$ 2,242,900</u>

Approved on behalf of the board:

Member



Member



WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF OPERATIONS
For the year ended December 31, 2013

	Budget (unaudited)	2013	2012
Revenue			
Service fees charged to commission members	\$ 408,227	\$ 408,347	\$ 380,157
Disaster recovery proceeds	-	58,018	-
Rental income	5,100	11,438	4,740
Investment income	4,000	4,520	5,738
Other service fees and sales of goods	3,076	3,076	3,076
	420,403	485,399	393,711
Expenses			
Materials, goods and utilities	117,570	119,029	129,934
Contracted and general services	136,840	108,635	126,100
Flood related expenses	-	58,018	-
Interest on long-term debt	46,242	43,778	47,942
Amortization of tangible capital assets	61,951	62,812	62,024
	362,603	392,272	366,000
Excess of revenue over expenses	57,800	93,127	27,711
Accumulated surplus, beginning of year	2,242,900	2,242,900	2,215,189
Accumulated surplus, end of year	\$ 2,300,700	\$ 2,336,027	\$ 2,242,900

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
For the year ended December 31, 2013

	Budget (unaudited)	2013	2012
Excess of revenue over expenses	\$ 57,800	\$ 93,127	\$ 27,711
Acquisition of tangible capital assets	-	(64,148)	(6,575)
Amortization	61,951	62,811	62,024
	61,951	(1,337)	55,449
Change in net financial debt	119,751	91,790	83,160
Net financial debt, beginning of year	(88,240)	(88,240)	(171,400)
Net financial assets (debt), end of year	\$ 31,511	\$ 3,550	\$ (88,240)

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013

	2013	2012
Operating transactions		
Excess of revenue over expenses	\$ 93,127	\$ 27,711
Adjustments for items which do not affect cash		
Amortization	62,811	62,024
	155,938	89,735
Net change in non-cash working capital items		
Trade and other receivables	(60,270)	(3,273)
Accounts payable and accrued liabilities	33,873	(3,138)
	129,541	83,324
Capital transactions		
Acquisition of tangible capital assets	(64,148)	(6,575)
Financing transactions		
Repayment of long-term debt	(45,800)	(42,148)
Increase in cash and cash equivalents	19,593	34,601
Cash and cash equivalents, beginning of year	474,145	439,544
Cash and cash equivalents, end of year	\$ 493,738	\$ 474,145

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

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 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 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, 2013

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 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. Subsequent events

The Disaster Recovery Program has approved Westend Regional Services Commission for \$2,130,000 to repair damages and relocate the sewage forcemain to higher ground; \$1,000,000 was received subsequent to year end.

In addition, the Town of Turner Valley has been approved for an additional \$1,040,375 from the the Flood Recovery Erosion Control program for relocation of the forcemain. Work on this project is expected to take place during 2014 and 2015.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

4. Cash and cash equivalents

Cash and cash equivalents consists of cash and a guaranteed investment certificate that bears interest at 0.80% and matures in 2014. The carrying value of the guaranteed investment certificate approximates fair value.

	2013	2012
Cash	\$ 323,627	\$ 202,248
Temporary investment	170,111	271,897
	\$ 493,738	\$ 474,145

5. Trade and other receivables

	2013	2012
Flood insurance receivable	\$ 58,018	-
GST receivable	15,464	10,381
Accrued interest receivable	1,256	4,087
	\$ 74,738	\$ 14,468

6. Long-term debt

	2013	2012
Debenture payable	\$ 488,856	\$ 534,656
Current portion	\$ 49,776	\$ 45,800

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2014	\$ 49,776	\$ 42,265	\$ 92,041
2015	54,109	37,932	92,041
2016	58,829	33,212	92,041
2017	63,973	28,068	92,041
2018	69,580	22,461	92,041
Thereafter	192,589	28,452	221,041
	\$ 488,856	\$ 192,390	\$ 681,246

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

6. Long-term debt, continued

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 5.38% 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:

	2013	2012
Total debt limit	\$ 970,798	\$ 787,422
Total debt	488,856	534,656
	\$ 481,942	\$ 252,766
Debt servicing limit	\$ 169,890	\$ 137,799
Debt servicing	92,041	92,041
	\$ 77,849	\$ 45,758

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:

	2013	2012
Unrestricted surplus	\$ 75,164	\$ 43,870
Internally restricted surplus (reserves) (note 8)	417,242	402,546
Equity in tangible capital assets (note 9)	1,843,621	1,796,484
	\$ 2,336,027	\$ 2,242,900

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

8. Reserves

	2013	2012
Operating	\$ 116,126	\$ 104,126
Debenture	47,415	45,815
Capital	253,701	252,605
	\$ 417,242	\$ 402,546

9. Equity in tangible capital assets

	2013	2012
Tangible capital assets (schedule 1)	\$ 3,359,522	\$ 3,295,374
Accumulated amortization (schedule 1)	(1,027,045)	(964,234)
Long-term debt (note 6)	(488,856)	(534,656)
	\$ 1,843,621	\$ 1,796,484

10. 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 natural gas contract will expire December 31, 2016.

Effective January 1, 2012, the Commission entered into a service agreement with the Town of Black Diamond. The Town will provide services to assist with the operations of the Commission's facilities. This agreement expires December 31, 2014.

Effective October 1, 2013 the Commission entered into a service agreement with the Town of Turner Valley. The Town will provide engineering/sanitary sewage utilities advisor services to the Commission. Compensation will be based on an hourly rate for services provided and on a per kilometre rate for the use of Town vehicles. This agreement expires September 30, 2016, subject to renewal.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

11. 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:

	2013	2012
Town of Turner Valley	\$ 161,876	\$ 167,835
Town of Black Diamond	249,547	215,397
	<u>\$ 411,423</u>	<u>\$ 383,232</u>

During the year the Commission purchased services from members as follows:

	2013	2012
Town of Turner Valley	\$ 2,950	\$ 636
Town of Black Diamond	40,982	42,683
	<u>\$ 43,932</u>	<u>\$ 43,319</u>

Amounts due to Commission members are as follows:

	2013	2012
Town of Turner Valley	\$ 2,379	\$ 231
Town of Black Diamond	3,477	2,590
	<u>\$ 5,856</u>	<u>\$ 2,821</u>

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
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

12. Approval of financial statements

These financial statements were approved by the Commission and Management.

13. Budget amounts

The 2013 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	\$	57,800
Less: Long-term debt repayments		(45,800)
Transfers to reserves		(73,951)
Add: Amortization		61,951
Equals: Balanced budget	\$	-

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

Schedule of tangible capital assets	Schedule 1				
	Land	Land improvements	Engineered structures	2013	2012
Cost:					
Balance, beginning of year	\$ 295,711	\$ 103,914	\$ 2,895,750	\$ 3,295,374	\$ 3,288,799
Acquisitions	-	-	64,148	64,148	6,575
Balance, end of year	295,711	103,914	2,959,898	3,359,522	3,295,374
Accumulated amortization:					
Balance, beginning of year	-	69,291	894,943	964,234	902,210
Annual amortization	-	4,975	57,836	62,811	62,024
Balance, end of year	-	74,266	952,779	1,027,045	964,234
Net book value	\$ 295,711	\$ 29,648	\$ 2,007,119	\$ 2,332,477	\$ 2,331,140
2012 net book value	\$ 295,711	\$ 34,622	\$ 2,000,807	\$ 2,331,140	

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

Schedule of changes in accumulated surplus				Schedule 2	
	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2013	2012
Balance, beginning of year	\$ 43,870	\$ 402,546	\$ 1,796,484	\$ 2,242,900	\$ 2,215,189
Excess of revenue over expenses	93,127	-	-	93,127	27,711
Unrestricted funds designated for future use	(78,844)	78,844	-	-	-
Restricted funds used for tangible capital assets	-	(64,148)	64,148	-	-
Annual amortization expense	62,811	-	(62,811)	-	-
Long-term debt repaid	(45,800)	-	45,800	-	-
Change in accumulated surplus	31,294	14,696	47,137	93,127	27,711
Balance, end of year	\$ 75,164	\$ 417,242	\$ 1,843,621	\$ 2,336,027	\$ 2,242,900