

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

FINANCIAL STATEMENTS

For the year ended December 31, 2015

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

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For the year ended December 31, 2015

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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, 2015, 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, 2015 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

April 7, 2016



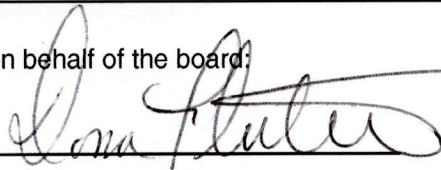
Chartered Accountants

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2015

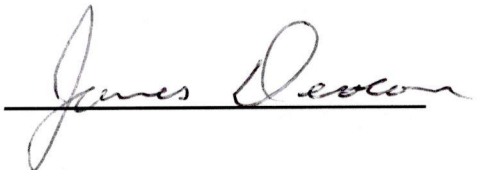
	2015	2014
Financial assets		
Cash and cash equivalents (note 3)	\$ 453,143	\$ 1,367,871
Trade and other receivables (note 4)	311,876	27,458
	765,019	1,395,329
Liabilities		
Accounts payable and accrued liabilities (note 6)	258,221	30,316
Deferred revenue (note 7)	-	876,229
Long-term debt (note 8)	384,971	439,080
	643,192	1,345,625
Net financial assets	121,827	49,704
Non-financial assets		
Tangible capital assets (schedule 1)	4,573,638	2,364,369
Accumulated surplus (note 9)	\$ 4,695,465	\$ 2,414,073

Approved on behalf of the board:

Member



Member



WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF OPERATIONS
For the year ended December 31, 2015

	Budget (unaudited)	2015	2014
Revenue			
Service fees charged to commission members	\$ 538,697	\$ 538,716	\$ 448,130
Investment income	8,063	9,679	14,709
Rental income	6,000	3,958	3,861
Other service fees and sales of goods	2,030	2,030	2,031
	554,790	554,383	468,731
Expenses			
Flood related expenses	-	-	65,753
Contracted and general services	314,325	194,422	203,106
Materials, goods and utilities	93,600	84,818	86,625
Interest on long-term debt	-	34,965	39,567
Amortization of tangible capital assets	-	78,024	61,386
	407,925	392,229	456,437
Excess of revenue over expenses before other	146,865	162,154	12,294
Other			
Government transfers for capital	-	1,068,863	65,753
Contributed assets	-	1,050,375	-
	-	2,119,238	65,753
Excess of revenue over expenses	146,865	2,281,392	78,047
Accumulated surplus, beginning of year	2,414,073	2,414,073	2,336,026
Accumulated surplus, end of year	\$ 2,560,938	\$ 4,695,465	\$ 2,414,073

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2015

	Budget (unaudited)	2015	2014
Excess of revenue over expenses	\$ 146,865	\$ 2,281,392	\$ 78,047
Acquisition of tangible capital assets	-	(2,287,292)	(93,280)
Amortization of tangible capital assets	-	78,023	61,386
	-	(2,209,269)	(31,894)
Change in net financial assets	146,865	72,123	46,153
Net financial assets, beginning of year	49,704	49,704	3,551
Net financial assets, end of year	\$ 196,569	\$ 121,827	\$ 49,704

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

	2015	2014
Operating transactions		
Excess of revenue over expenses	\$ 2,281,392	\$ 78,047
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	78,023	61,386
	2,359,415	139,433
Net change in non-cash working capital items		
Trade and other receivables	(284,418)	47,281
Accounts payable and accrued liabilities	227,905	(45,754)
Deferred revenue	(876,229)	876,229
Cash provided by operating transactions	1,426,673	1,017,189
Capital transactions		
Acquisition of tangible capital assets	(2,287,292)	(93,280)
Financing transactions		
Repayment of long-term debt	(54,109)	(49,776)
(Decrease) increase in cash and cash equivalents	(914,728)	874,133
Cash and cash equivalents, beginning of year	1,367,871	493,738
Cash and cash equivalents, end of year	\$ 453,143	\$ 1,367,871

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

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, 2015

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. Cash and cash equivalents

	2015	2014
Cash	\$ 214,294	\$ 245,574
Guaranteed investment certificates, 0.95%, mature in 2016	238,849	1,122,297
	<u>\$ 453,143</u>	<u>\$ 1,367,871</u>

4. Trade and other receivables

	2015	2014
Disaster Recovery Program	\$ 192,203	\$ -
GST receivable	100,148	18,285
Town of Turner Valley	18,760	-
Accrued interest receivable	765	9,173
	<u>\$ 311,876</u>	<u>\$ 27,458</u>

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

5. Credit facilities

A demand operating loan has been authorized by the Royal Bank of Canada to a maximum of \$600,000 and is to be repaid immediately upon receipt of funds from the Disaster Recovery Program, no later than September 30, 2016. 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, 2015 no amounts had been drawn on this credit facility.

6. Accounts payable and accrued liabilities

	2015	2014
Flood related payables	\$ 191,660	\$ -
Trade payables	46,533	7,321
Accrued interest payable	20,028	22,995
	<u>\$ 258,221</u>	<u>\$ 30,316</u>

7. Deferred revenue

The Commission received \$1,000,000 from the Disaster Recovery Program to repair damages and relocate the sewage forcemain to higher ground.

	2015	2014
Balance, beginning of year	\$ 876,229	\$ -
Funds received	-	1,000,000
Expenses - 2013	-	(58,018)
Expenses - 2014	-	(65,753)
Expenses - 2015	(876,229)	-
	<u>\$ -</u>	<u>\$ 876,229</u>

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

8. Long-term debt

		2015		2014
Debenture payable	\$	384,971	\$	439,080
Current portion	\$	58,829	\$	54,109

Principal and interest repayments are due as follows:

		Principal		Interest		Total
2016	\$	58,829	\$	33,212	\$	92,041
2017		63,973		28,068		92,041
2018		69,580		22,461		92,041
2019		75,692		16,349		92,041
2020		82,356		9,685		92,041
Thereafter		34,541		2,418		36,959
	\$	384,971	\$	112,193	\$	497,164

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:

		2015		2014
Total debt limit	\$	1,108,766	\$	937,462
Total debt		384,971		439,080
	\$	723,795	\$	498,382
Debt servicing limit	\$	194,034	\$	164,056
Debt servicing		92,041		92,041
	\$	101,993	\$	72,015

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.

A request to exceed the regulated debt and debt servicing limits for a borrowing of up to \$1.75 million was approved by Alberta Municipal Affairs May 7, 2015. As of December 31, 2015, the proceeds from the approved debenture are nil.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

9. Accumulated surplus

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

	2015	2014
Unrestricted surplus	\$ -	\$ 32,527
Internally restricted surplus (reserves) (note 10)	506,798	456,257
Equity in tangible capital assets (note 11)	4,188,667	1,925,289
	<u>\$ 4,695,465</u>	<u>\$ 2,414,073</u>

10. Reserves

	2015	2014
Operating	\$ 125,374	\$ 71,126
Capital	159,589	265,595
Debenture debt	49,427	48,170
Sludge	172,408	71,366
	<u>\$ 506,798</u>	<u>\$ 456,257</u>

11. Equity in tangible capital assets

	2015	2014
Tangible capital assets	\$ 5,740,094	\$ 3,452,802
Accumulated amortization	(1,166,456)	(1,088,433)
Long-term debt (note 8)	(384,971)	(439,080)
	<u>\$ 4,188,667</u>	<u>\$ 1,925,289</u>

12. 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.

The Commission approved a contract with a submitted bid price at \$1,911,884 (including contingency, excluding GST) for the sanitary trunkmain relocation.

The Commission has an obligation to proceed with additional capital projects with an estimated cost of approximately \$480,000.

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

13. Budget amounts

The 2015 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	\$	146,865
Less: Long-term debt repayments		(108,388)
Transfers to reserves		(92,842)
Add: Transfer from reserve		54,365
Equals: Balanced budget	\$	-

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:

	2015	2014
Town of Turner Valley	\$ 206,754	\$ 190,245
Town of Black Diamond	333,992	259,816
	\$ 540,746	\$ 450,061

During the year the Commission purchased services from the Town of Turner Valley in the amount of \$3,177 (2014 - \$4,570) and from the Town of Black Diamond in the amount of \$46,472 (2014 - \$38,189).

Included in accounts receivable is \$18,760 (2014 - \$0) due from the Town of Turner Valley .

Included in accounts payable is \$305 (2014 - \$105) due to the Town of Turner Valley and \$4,219 (2014 - \$225) 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.

15. 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, 2015

Schedule of tangible capital assets	Schedule 1				
	Land	Land improvements	Engineered structures	Construction in progress	2014
Cost:					
Balance, beginning of year	\$ 295,711	\$ 103,914	\$ 2,895,750	\$ 157,428	\$ 3,359,522
Acquisitions	-	-	2,287,292	-	2,287,292
Balance, end of year	295,711	103,914	5,183,042	157,428	5,740,094
Accumulated amortization:					
Balance, beginning of year	-	79,242	1,009,190	-	1,088,432
Annual amortization	-	4,975	73,049	-	78,024
Balance, end of year	-	84,217	1,082,239	-	1,166,456
Net book value	\$ 295,711	\$ 19,697	\$ 4,100,803	\$ 157,428	\$ 4,573,638
2014 net book value	\$ 295,711	\$ 24,672	\$ 1,886,560	\$ 157,428	\$ 2,364,370

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2015

Schedule of changes in accumulated surplus

Schedule 2

	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2015	2014
Balance, beginning of year	\$ 32,525	\$ 456,257	\$ 1,925,291	\$ 2,414,073	\$ 2,336,026
Excess of revenue over expenses	2,281,392	-	-	2,281,392	78,047
Unrestricted funds designated for future use	(203,321)	203,321	-	-	-
Restricted funds used for tangible capital assets	-	(152,780)	152,780	-	-
Current year funds used for tangible capital assets	(1,084,136)	-	1,084,136	-	-
Contributed tangible capital assets	(1,050,375)	-	1,050,375	-	-
Annual amortization expense	78,024	-	(78,024)	-	-
Long-term debt repaid	(54,109)	-	54,109	-	-
Change in accumulated surplus	(32,525)	50,541	2,263,376	2,281,392	78,047
Balance, end of year	\$ -	\$ 506,798	\$ 4,188,667	\$ 4,695,465	\$ 2,414,073