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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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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 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.

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**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

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**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**

	2014	2013
Cash	\$ 245,574	\$ 323,627
Guaranteed investment certificates, 1.2%, mature in 2015	1,122,297	170,111
	<u>\$ 1,367,871</u>	<u>\$ 493,738</u>

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**4. Trade and other receivables**

	2014	2013
GST receivable	\$ 18,283	\$ 15,464
Accrued interest receivable	9,175	1,255
Disaster Recovery Program receivable	-	58,018
\$ 27,458	\$ 74,737	

**5. Deferred revenue**

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

	2014	2013
Opening balance	\$ -	\$ -
Funds received	1,000,000	-
Expenses - 2013	(58,018)	-
Expenses - 2014	(65,753)	-
\$ 876,229	\$ -	

**6. Long-term debt**

	2014	2013
Debenture payable	\$ 439,080	\$ 488,856
Current portion	\$ 54,109	\$ 49,776

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2019	75,692	16,349	92,041
Thereafter	116,897	12,103	129,000
\$ 439,080	\$ 150,125	\$ 589,205	

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**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:

	2014	2013
Total debt limit	\$ 1,068,968	\$ 970,798
Total debt	439,080	488,856
	\$ 629,888	\$ 481,942
Debt servicing limit	\$ 187,069	\$ 169,890
Debt servicing	92,041	92,041
	\$ 95,028	\$ 77,849

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:

	2014	2013
Unrestricted surplus	\$ 32,527	\$ 75,164
Internally restricted surplus (reserves) (note 8)	456,257	417,241
Equity in tangible capital assets (note 9)	1,925,289	1,843,621
	\$ 2,414,073	\$ 2,336,026

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**8. Reserves**

	2014	2013
Operating	\$ 71,126	\$ 116,126
Capital	265,595	253,700
Debenture debt	48,170	47,415
Sludge	71,366	-
	<b>\$ 456,257</b>	<b>\$ 417,241</b>

**9. Equity in tangible capital assets**

	2014	2013
Tangible capital assets	\$ 3,452,802	\$ 3,359,522
Accumulated amortization	(1,088,433)	(1,027,045)
Long-term debt (note 6)	(439,080)	(488,856)
	<b>\$ 1,925,289</b>	<b>\$ 1,843,621</b>

**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.

The Commission has an obligation to proceed with capital projects with an estimated cost of approximately \$2,342,000.

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

**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:

	2014	2013
Town of Turner Valley	\$ 190,245	\$ 161,876
Town of Black Diamond	259,816	249,547
	<b>\$ 450,061</b>	<b>\$ 411,423</b>

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

	2014	2013
Town of Turner Valley	\$ 4,570	\$ 2,950
Town of Black Diamond	38,199	40,982
	<b>\$ 42,769</b>	<b>\$ 43,932</b>

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.

**12. Approval of financial statements**

These financial statements were approved by the Commission and Management.

**13. Budget amounts**

The 2014 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	\$ 3,652
Less: Long-term debt repayments	(49,776)
Transfers to reserves	(15,900)
Add: Amortization	62,024
<b>Equals: Balanced budget</b>	<b>\$ -</b>

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2014

Schedule of tangible capital assets	Schedule 1					
	Land	Land improvements	Engineered structures	Construction in progress	2014	2013
<b>Cost:</b>						
Balance, beginning of year	\$ 295,711	\$ 103,914	\$ 2,895,750	\$ 64,148	\$ 3,359,522	\$ 3,295,374
Acquisitions	-	-	-	93,280	93,280	64,148
Balance, end of year	295,711	103,914	2,895,750	157,428	3,452,802	3,359,522
<b>Accumulated amortization:</b>						
Balance, beginning of year	-	74,266	952,779	-	1,027,046	964,234
Annual amortization	-	4,976	56,411	-	61,387	62,811
Balance, end of year	-	79,242	1,009,190	-	1,088,433	1,027,045
<b>Net book value</b>	<b>\$ 295,711</b>	<b>\$ 24,672</b>	<b>\$ 1,886,560</b>	<b>\$ 157,428</b>	<b>\$ 2,364,369</b>	<b>\$ 2,332,477</b>
<b>2013 net book value</b>	<b>\$ 295,711</b>	<b>\$ 29,647</b>	<b>\$ 1,942,971</b>	<b>\$ 64,148</b>	<b>\$ 2,332,477</b>	

**WESTEND REGIONAL SEWAGE SERVICES COMMISSION**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2014**

Schedule of changes in accumulated surplus				Schedule 2	
	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2014	2013
Balance, beginning of year	\$ 75,163	\$ 417,242	\$ 1,843,621	\$ 2,336,026	\$ 2,242,899
Excess of revenue over expenses	78,047	-	-	78,047	93,127
Unrestricted funds designated for future use	(211,180)	211,180	-	-	-
Restricted funds used for operations	78,885	(78,885)	-	-	-
Restricted funds used for tangible capital assets	-	(93,280)	93,280	-	-
Annual amortization expense	61,388	-	(61,388)	-	-
Long-term debt repaid	(49,776)	-	49,776	-	-
Change in accumulated surplus	(42,636)	39,015	81,668	78,047	93,127
<b>Balance, end of year</b>	<b>\$ 32,527</b>	<b>\$ 456,257</b>	<b>\$ 1,925,289</b>	<b>\$ 2,414,073</b>	<b>\$ 2,336,026</b>