WESTEND REGIONAL SEWAGE SERVICES COMMISSION

FINANCIAL STATEMENTS

For the year ended December 31, 2021

WESTEND REGIONAL SEWAGE SERVICES COMMISSION

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For the year ended December 31, 2021

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Avail LLP

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, 2021, 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, 2021, its results of operations, change in net financial assets 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:

- 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.

Avail LLP

Lethbridge, Alberta

March 23, 2022

Chartered Professional Accountants

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents (note 3)	$ 5,413,174	$ 1,553,685
Trade and other receivables (note 4)	247,162	75,926
	5,660,336	1,629,611
Liabilities		
Accounts payable and accrued liabilities (note 5)	179,390	46,040
Deferred revenue (note 6)	3,588,571	-
Long-term debt (note 7)	227,023	309,496
	3,994,984	355,536
Net financial assets	1,665,352	1,274,075
Non-financial assets		
Tangible capital assets (schedule 1)	7,487,433	5,741,075
Accumulated surplus (note 8, schedule 2)	$ 9,152,785	$ 7,015,150

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, 2021

	Budget (unaudited)	2021	2020
Revenue			
Service fees charged to commission members	$ 891,234	$ 891,234	$ 895,854
Other service fees and sales of goods	47,871	47,871	40,103
Investment income	6,000	26,023	17,798
Rental income	-	6,517	3,100
	945,105	971,645	956,855
Expenses			
Contracted and general services	418,499	219,215	224,878
Materials, goods and utilities	223,730	238,765	230,720
Interest on long-term debt	7,310	6,894	10,670
Amortization of tangible capital assets	114,318	120,185	120,118
	763,857	585,059	586,386
Excess of revenue over expenses before other	181,248	386,586	370,469
Other			
Government transfers for capital	762,632	1,368,736	42,693
Commission member capital contributions	-	382,313	-
Write-downs of tangible capital assets	-	-	(2,303)
	762,632	1,751,049	40,390
Excess of revenue over expenses	943,880	2,137,635	410,859
Accumulated surplus, beginning of year	7,015,150	7,015,150	6,604,291
Accumulated surplus, end of year	$ 7,959,030	$ 9,152,785	$ 7,015,150

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2021

	Budget (unaudited)	2021	2020
Excess of revenue over expenses	$ 943,880	$ 2,137,635	$ 410,859
Acquisition of tangible capital assets	(1,040,000)	(1,866,544)	(138,359)
Amortization of tangible capital assets	114,318	120,186	120,118
Write-downs of tangible capital assets	-	-	2,303
	(925,682)	(1,746,358)	(15,938)
Change in net financial assets	18,198	391,277	394,921
Net financial assets, beginning of year	1,274,075	1,274,075	879,154
Net financial assets, end of year	$ 1,292,273	$ 1,665,352	$ 1,274,075

WESTEND REGIONAL SEWAGE SERVICES COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

	2021	2020
Operating transactions		
Excess of revenue over expenses	$ 2,137,635	$ 410,859
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	120,186	120,118
Write-downs of tangible capital assets	-	2,303
	2,257,821	533,280
Net change in non-cash working capital items		
Trade and other receivables	(171,237)	(45,677)
Accounts payable and accrued liabilities	133,350	(684)
Deferred revenue	3,588,571	-
Cash provided by operating transactions	5,808,505	486,919
Capital transactions		
Acquisition of tangible capital assets	(1,866,544)	(138,359)
Financing transactions		
Repayment of long-term debt	(82,472)	(129,409)
Increase in cash and cash equivalents	3,859,489	219,151
Cash and cash equivalents, beginning of year	1,553,685	1,334,534
Cash and cash equivalents, end of year	$ 5,413,174	$ 1,553,685

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 Towns of Turner Valley and 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.

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 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

	2021	2020
Cash	$ 4,413,174	$ 1,148,280
ATB Financial - GIC, 0.54%, matures February 27, 2022	1,000,000	405,405
	$ 5,413,174	$ 1,553,685

4. Trade and other receivables

	2021	2020
Town of Turner Valley	$ 136,656	$ -
GST receivable	104,965	25,125
Accrued interest receivable	3,114	8,108
Trade receivable	2,427	-
Green Infrastructure Project receivable	-	42,693
	$ 247,162	$ 75,926

5. Accounts payable and accrued liabilities

	2021	2020
Trade payables	$ 179,390	$ 45,624
Accrued interest payable	-	416
	$ 179,390	$ 46,040

6. Deferred revenue

Deferred revenue represents funds received for the Green Infrastructure Project that have not been spent by year end, as follows:

	Amounts received during year	Less prior year accounts receivable	Recognized	Balance, end of year
Provincial and federal funding	5,000,000	(42,693)	1,368,736	3,588,571
Town of Black Diamond	251,313	-	251,313	-
Town of Turner Valley	131,000	-	131,000	-
	5,382,313	(42,693)	1,751,049	3,588,571

7. Long-term debt

	2021	2020
Debentures payable	$ 227,023	$ 309,496

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2022	$ 48,828	$ 4,447	$ 53,275
2023	49,739	3,997	53,736
2024	50,670	3,543	54,213
2025	51,617	3,084	54,701
2026	26,169	2,622	28,791
	$ 227,023	$ 17,693	$ 244,716

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.86% to 7% 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:

7. Long-term debt, continued

Section 3 of Alberta Regulation 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

	2021	2020
Total debt limit	$ 1,943,290	$ 1,913,710
Total debt	227,023	309,496
	$ 1,716,267	$ 1,604,214
Debt servicing limit	$ 340,076	$ 334,899
Debt servicing	53,275	89,782
	$ 286,801	$ 245,117

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. The Commission has received approval from Alberta Municipal Affairs to exceed the above debt and debt servicing limits and borrow up to $4,000,000 for financing of facility upgrades. 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:

	2021	2020
Unrestricted surplus	$ 161,638	$ 161,638
Internally restricted surplus (reserves) (note 9)	1,730,737	1,421,933
Equity in tangible capital assets (note 10)	7,260,410	5,431,579
	$ 9,152,785	$ 7,015,150

9. Reserves

	2021	2020
Facility upgrade	$ 961,429	$ 850,409
Capital	414,898	238,440
Operating	183,807	183,807
Sludge	114,269	92,942
Debenture debt	56,334	56,335
	$ 1,730,737	$ 1,421,933

10. Equity in tangible capital assets

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

	2021	2020
Tangible capital assets (schedule 1)	$ 9,125,185	$ 7,258,641
Accumulated amortization (schedule 1)	(1,637,752)	(1,517,566)
Long-term debt (note 7)	(227,023)	(309,496)
	$ 7,260,410	$ 5,431,579

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 a government Green Infrastructure Project grant agreement for the Lagoon Upgrade Project, which has an estimated cost of $17,340,000. Under this agreement, the Federal Investing in Canada Infrastructure Program will cover up to a a maximum of $6,936,000, and the Provincial Alberta Municipal Water/Wastewater Partnership will cover up to a maximum of $5,779,422. The remaining $4,624,578 will be funded by the Commission. Total costs of $1,924,764 have been incurred up to December 31, 2021. There is $3,588,571 held in deferred revenue at year end for this project.

12. Approval of financial statements

These financial statements were approved by the Commission and Management.

13. Budget amounts

The 2021 budget was approved by the Commission and has been reported in the financial statements for information purposes only.

Budgeted surplus per financial statements		$ 943,880
Less:	Capital expenditures	(1,040,000)
	Long-term debt repayments	(82,472)
	Transfers to reserves	(98,776)
Add:	Transfer from reserves	277,368
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:

	2021	2020
Town of Turner Valley	$ 409,968	$ 403,135
Town of Black Diamond	481,266	492,719
	$ 891,234	$ 895,854

During the year the Commission purchased services from the Town of Turner Valley in the amount of $122,585 (2020 - $739) and from the Town of Black Diamond in the amount of $104,042 (2020 - $65,767). Included in accounts payable is $30,930 (2020 - $131) due to the Town of Turner Valley and $8,099 (2020 - $4,696) due to the Town of Black Diamond. Included in accounts receivable is $136,656 (2020 - $0) due from the Town of Turner Valley.

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. COVID-19

Events have occurred as a result of the COVID-19 pandemic that have caused economic uncertainty. The duration and impact of the pandemic, as well as the effectiveness of government responses, remain unclear at this time. Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The Commission's revenues have remained consistent from the beginning of the pandemic. Management is not aware of any material impairments that will impact the financial assets or liabilities of the Commission due to the pandemic. The situation is continually changing and the future impact on the Commission is not readily determinable at this time.

Schedule of tangible capital assets **Schedule 1**

	Land	Land improvements	Engineered structures	Construction in progress	2021	2020
Cost:						
Balance, beginning of year	$ 295,711	$ 41,396	$ 6,764,925	$ 156,609	$ 7,258,641	$ 7,123,204
Acquisitions	-	-	-	1,866,544	1,866,544	138,359
Disposals	-	-	-	-	-	(2,922)
Balance, end of year	295,711	41,396	6,764,925	2,023,153	9,125,185	7,258,641
Accumulated amortization:						
Balance, beginning of year	-	32,508	1,485,058	-	1,517,566	1,398,066
Annual amortization	-	1,629	118,557	-	120,186	120,118
Disposals	-	-	-	-	-	(618)
Balance, end of year	-	34,137	1,603,615	-	1,637,752	1,517,566
Net book value	$ 295,711	$ 7,259	$ 5,161,310	$ 2,023,153	$ 7,487,433	$ 5,741,075
2020 net book value	$ 295,711	$ 8,888	$ 5,279,867	$ 156,609	$ 5,741,075	

Schedule of changes in accumulated surplus **Schedule 2**

	Unrestricted	Internally restricted	Equity in tangible capital assets	2021	2020
Balance, beginning of year	$ 161,638	$ 1,421,933	$ 5,431,579	$ 7,015,150	$ 6,604,291
Excess of revenue over expenses	2,137,635	-	-	2,137,635	410,859
Unrestricted funds designated for future use	(308,804)	308,804	-	-	-
Current year funds used for tangible capital assets	(1,866,544)	-	1,866,544	-	-
Annual amortization expense	120,185	-	(120,185)	-	-
Long-term debt repaid	(82,472)	-	82,472	-	-
Change in accumulated surplus	-	308,804	1,828,831	2,137,635	410,859
Balance, end of year	$ 161,638	$ 1,730,737	$ 7,260,410	$ 9,152,785	$ 7,015,150

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SIGNATURE CERTIFICATE

REFERENCE NUMBER
FA0657FC-2CDA-4DED-9862-0ABD7DE98998

TRANSACTION DETAILS	DOCUMENT DETAILS
Reference Number FA0657FC-2CDA-4DED-9862-0ABD7DE98998	**Document Name** 2021 Year End Documents For Signing - Westend Regional Sewage Services Commission
Transaction Type Signature Request	**Filename** 2021_year_end_documents_for_signing_-_westend_regional_sewage_services_commission.pdf
Sent At 03/25/2022 10:31 MST	**Pages** 29 pages
Executed At 03/25/2022 17:07 MST	**Content Type** application/pdf
Identity Method email	**File Size** 829 KB
Distribution Method email	**Original Checksum** ec5e259fde8e58bd88877467c845c0557b49e2d68809b7a9d68b71e0cc73537d
Signed Checksum 6fc6d06f5237c183c1eeefa0ad008093ba0dfbf18e4dae43d8131e2f5cf933db	
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SIGNERS

SIGNER	E-SIGNATURE	EVENTS
Name Ted Bain	**Status** signed	**Viewed At** 03/25/2022 17:05 MST
Email t.bain@town.blackdiamond.ab.ca	**Multi-factor Digital Fingerprint Checksum** 27db9eec1d26286d25b9b4bce71cb512518411c7bade0e03bc3dfe4242c9c7dc	**Identity Authenticated At** 03/25/2022 17:07 MST
Components 1	**IP Address** 205.206.77.110	**Signed At** 03/25/2022 17:07 MST
	Device Safari via Mac	
	Drawn Signature 	
	Signature Reference ID 75158C06	
	Signature Biometric Count 207	
Name Liza Zeer	**Status** signed	**Viewed At** 03/25/2022 12:28 MST
Email info@westendregionalsewageservicescommission.ca	**Multi-factor Digital Fingerprint Checksum** d6dbdb33e9189cc3abf08fe7a84c1f8c12ac1e3aca80879d331f83f18073cce2	**Identity Authenticated At** 03/25/2022 12:36 MST
Components 8	**IP Address** 206.75.196.10	**Signed At** 03/25/2022 12:36 MST
	Device Chrome via Windows	
	Drawn Signature 	
	Signature Reference ID 9C22CDE9	
	Signature Biometric Count 249	

Name
John Waring

Email
johnw@turnervalley.ca

Components
1

Status
signed

Multi-factor Digital Fingerprint Checksum
0bcb3de47be0bfb47734b3ddd295fb943a60efa2baa44ae2e6055d63646c0a8f

IP Address
50.99.71.247

Device
Safari via Mac

Drawn Signature

Signature Reference ID
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Signature Biometric Count
740

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03/25/2022 11:58 MST

AUDITS

TIMESTAMP	AUDIT
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