

Portage la Prairie Regional Landfill Authority
Financial Statements
December 31, 2017

Portage la Prairie Regional Landfill Authority Contents

For the year ended December 31, 2017

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Management's Responsibility

To the Directors of Portage la Prairie Regional Landfill Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 26, 2018

Director

Director

Independent Auditors' Report

To the Directors of Portage la Prairie Regional Landfill Authority:

We have audited the accompanying financial statements of Portage la Prairie Regional Landfill Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net 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.

Auditors' 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 auditors' 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 Portage la Prairie Regional Landfill Authority as at December 31, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Portage la Prairie, Manitoba

July 26, 2018

MNP LLP

Chartered Professional Accountants

Portage la Prairie Regional Landfill Authority

Statement of Financial Position

As at December 31, 2017

	2017	2016 <i>(Restated)</i>
Assets		
Current		
Cash	304,252	443,763
Accounts receivable <i>(Note 3)</i>	123,241	114,675
GST receivable <i>(Note 4)</i>	44,118	-
	471,611	558,438
Capital assets <i>(Note 5), (Note 10)</i>	1,057,237	874,764
Reserve accounts <i>(Note 6)</i>	401,110	290,465
	1,929,958	1,723,667
Liabilities		
Current		
Accounts payable and accruals	129,853	112,843
Due to reserve account <i>(Note 6)</i>	99,955	66,471
Current portion of long-term debt <i>(Note 7)</i>	20,900	20,000
	250,708	199,314
Long-term debt <i>(Note 7)</i>	19,866	40,778
Landfill closure and post closure liability <i>(Note 8)</i>	45,770	47,726
	316,344	287,818
Net Assets		
Restricted for capital reserve	255,669	155,139
Restricted for closure reserve	74,671	62,602
Invested in capital assets <i>(Note 10)</i>	1,016,472	813,986
Restricted for land improvements reserve	25,000	25,000
Unrestricted	241,802	379,122
	1,613,614	1,435,849
	1,929,958	1,723,667

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Portage la Prairie Regional Landfill Authority

Statement of Operations

For the year ended December 31, 2017

	2017 <i>(Budget)</i>	2017	2016 <i>(restated)</i>
Revenue			
Tipping fees - Commercial	330,000	349,365	316,582
Tipping fees - City residential	109,450	112,398	107,717
Tipping fees - R.M residential	62,600	53,211	56,641
McCain & Simplot contract	20,000	12,837	20,850
Septic waste	33,000	30,720	30,390
Other disposals	5,700	10,795	6,442
Investments	-	361	663
	560,750	569,687	539,285
Expenses			
Amortization	109,319	80,679	93,970
Bad debts	-	3,391	4,613
Bank charges and interest	1,200	1,768	1,109
Board expenses	3,000	2,177	2,377
Environmental health - landfill closure costs (recovery)	-	(1,956)	(14,798)
Fuel expenses	25,000	27,253	18,711
GST expense (recovery)	-	(25,739)	25,739
Interest on long-term debt	3,200	2,095	2,851
Licences and fees	-	-	7,500
Materials nuisance grounds	25,000	8,053	17,100
Miscellaneous	5,415	-	-
Office	58,050	50,918	49,863
Professional fees	6,900	7,412	6,461
Repairs and maintenance	5,000	5,077	4,230
Roadside pick up	2,700	2,280	2,520
Salaries, wages and benefits	202,000	210,119	189,188
Training and education	4,000	4,562	2,016
	450,784	378,089	413,450
Excess of revenue over expenses before other items	109,966	191,598	125,835
Other items			
Loss on disposal of capital assets	-	(13,833)	-
Excess of revenue over expenses	109,966	177,765	125,835

The accompanying notes are an integral part of these financial statements

Portage la Prairie Regional Landfill Authority
Statement of Changes in Net Assets

For the year ended December 31, 2017

	<i>Restricted for capital reserve</i>	<i>Restricted for closure reserve</i>	<i>Invested in capital assets</i>	<i>Restricted for land improvements reserve</i>	<i>Unrestricted</i>	<i>2017</i>	<i>2016</i>
							<i>(Restated)</i>
Net assets, end of prior year	155,139	62,602	854,046	25,000	379,122	1,475,909	1,310,014
Correction of error (Note 10)	-	-	(40,060)	-	-	(40,060)	-
Net assets, beginning of year (as restated)	155,139	62,602	813,986	25,000	379,122	1,435,849	1,310,014
Excess of revenue over expenses	264	2,069	(82,771)	-	258,203	177,765	125,835
Investment in capital assets	-	-	263,153	-	(263,153)	-	-
Payment of long term debt	-	-	22,104	-	(22,104)	-	-
Internally imposed restrictions (Note 6)	100,266	10,000	-	-	(110,266)	-	-
Net assets, end of year	255,669	74,671	1,016,472	25,000	241,802	1,613,614	1,435,849

The accompanying notes are an integral part of these financial statements

Portage la Prairie Regional Landfill Authority

Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016 <i>(Restated)</i>
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	177,765	125,835
Amortization	80,679	93,970
Loss on disposal of capital assets	13,833	-
Change in closure and post closure liability	(1,956)	(14,798)
	270,321	205,007
Changes in working capital accounts		
Accounts receivable	(8,566)	164
GST receivable	(44,118)	21,507
Prepaid expenses	-	8,926
Accounts payable and accruals	17,011	(1,403)
Reserve accounts	(110,645)	(86,884)
	124,003	147,317
Financing		
Repayment of long-term debt	(20,012)	(19,254)
Due to reserve account	33,484	(46,595)
	13,472	(65,849)
Capital activities		
Purchase of capital assets	(289,986)	(12,144)
Proceeds on sale of capital assets	13,000	-
	(276,986)	(12,144)
Increase (decrease) in cash resources	(139,511)	69,324
Cash resources, beginning of year	443,763	374,439
Cash resources, end of year	304,252	443,763

The accompanying notes are an integral part of these financial statements

Portage la Prairie Regional Landfill Authority

Notes to the Financial Statements

For the year ended December 31, 2017

1. Purpose of Organization

Portage la Prairie Regional Landfill Authority is a self sustaining not-for-profit entity which is responsible for maintaining the landfill in the Rural Municipality of Portage la Prairie. It was established by the Rural Municipality of Portage la Prairie and the City of Portage la Prairie under the Regional Waste Management Authorities Act (RWMAA) on December 21, 2004 under regulation number 238/2004 of the RWMAA. This regulation established their membership and operation of the Board of Directors.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash. The Authority has internally restricted cash for funding capital purchases, land improvements, and the closure reserve.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	40 years
Equipment	straight-line	10 years
Land improvements	straight line	30 years
Computers	straight-line	4 years
Land improvements - sludge removal	straight line	3 years
Land improvement - windbreaks	straight line	20 years

Landfill Closure and Post Closure Liabilities

The estimated cost to close and maintain the solid waste landfill site is based on estimated future expenses, in current dollars, adjusted for estimated inflation, and are charged to expenses as the landfill capacity is used.

Long-lived assets

Long-lived assets consist of property, plant, and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Revenue recognition

The Authority uses the deferral method of accounting for contributions and reports on a fund accounting basis. Unrestricted contributions are recognized as revenue in the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from contracts and Tipping fee contracts are recognized as revenue in the year in which the related expenditures are incurred.

All other Tipping fee revenue, septic waste amounts, and investment income is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Portage la Prairie Regional Landfill Authority
Notes to the Financial Statements
For the year ended December 31, 2017

2. **Significant accounting policies** *(Continued from previous page)*

Basis of presentation

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenue as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the directives issued by the Board of Directors. Five funds are maintained: Unrestricted, Restricted for Capital Reserve, Restricted for Closure Reserve, Invested in Capital Assets, and Restricted for Land Improvements Reserve.

The Unrestricted Fund is used to account for all revenue and expenses related to general operations of the Authority.

The Restricted for Capital Reserve is maintained for the purpose of funding future landfill equipment repairs and maintenance.

The Restricted for Closure Reserve is maintained for the purpose of funding estimated future closure costs of the regional landfill.

The Invested in Capital Assets fund is used to account for all property, plant and equipment of the Authority and to present the flow of funds related to their acquisition and disposal.

The Restricted for Land Improvements Reserve is maintained for the purpose of funding future land improvement requirements.

Measurement uncertainty (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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues over expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

Expenditures that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration. Annual provisions for these costs are recorded in the closure reserve fund.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

Portage la Prairie Regional Landfill Authority
Notes to the Financial Statements
For the year ended December 31, 2017

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

The carrying values of financial assets and liabilities measured at cost or amortized cost and fair value are as follows:

	CAD\$ 2017	CAD\$ 2016
Financial assets measured at fair value:		
Cash	304,252	443,763
Reserve accounts	301,155	290,465
Financial assets measured at cost or amortized cost:		
Accounts receivable	123,241	114,675
Financial liabilities measured at cost or amortized cost:		
Long-term debt	40,766	60,778
Accounts payable	129,853	113,847

3. Accounts receivable

	2017	2016 <i>(Restated)</i>
Accounts receivable	129,279	119,288
Less: Allowance for doubtful accounts	(6,038)	(4,613)
	123,241	114,675

4. GST receivable

In the prior year it was deemed by management that GST input tax credits would not be collectable due to difficulty receiving public service body status. In the current year public service body status was established and the Authority was able to retroactively recover GST input tax credits previously recorded.

Portage la Prairie Regional Landfill Authority
Notes to the Financial Statements
For the year ended December 31, 2017

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2017 Net book value</i>	<i>2016 (Restated) Net book value</i>
Buildings	504,473	126,108	378,365	391,036
Equipment	594,670	129,326	465,344	255,760
Land	421,205	208,417	212,788	227,775
Computers	12,409	11,669	740	193
	1,532,757	475,520	1,057,237	874,764

6. Reserve accounts

The Authority has internally restricted accounts to fund equipment purchases and the closing and post closing liability as follows:

	<i>2017</i>	<i>2016 (Restated)</i>
Restricted funds		
Closure reserve - bank account	736	120,655
Closure reserve GIC	120,000	-
Closure reserve - due to operating	(295)	(10,328)
Capital reserve - bank account	180,418	103,338
Capital reserve - due from operating	75,251	51,800
Land improvements - due from operating	25,000	25,000
Total	401,110	290,465

Notes to restricted assets

During the year, the Organization restricted an additional \$10,000 (2016 - \$10,000) for the closure reserve, and \$100,266 (2016 - \$76,855) for the equipment reserve, and \$Nil (2016 - \$18,000) for the land improvements reserve. Of these funds, \$99,955 (2016 - \$66,472) has not yet been allocated from the general operating account.

Portage la Prairie Regional Landfill Authority
Notes to the Financial Statements
For the year ended December 31, 2017

7. Long-term debt

	2017	2016 <i>(Restated)</i>
Loan payable to Stride Credit Union in monthly installments of \$1,842, bearing interest at 4.00% due October 2019. Secured by a General Security Agreement and equipment with a net book value of \$138,024 (2016 - \$151,443).	40,766	60,778
Less: Current portion	20,900	20,000
	19,866	40,778

Principal repayments on long-term debt in each of the next two years are estimated as follows:

	Principal	Interest	Total
2018	20,900	1,250	22,150
2019	19,900	400	20,300
Total	40,800	1,650	42,450

8. Landfill closure and post closure liability

	2017	2016 <i>(Restated)</i>
Estimated closure and post closure costs over the next 30 (2016 - 25) years	289,200	289,200
Discount rate	5.47%	5.90%
Discounted costs	78,828	84,251
Expected year capacity will be reached	2046	2041
Capacity (tonnes)		
Used to date	1,438,616	1,403,536
Remaining	1,039,084	1,074,164
Total	2,477,700	2,477,700
Percentage utilized	58%	57%
	45,770	47,726

Portage la Prairie Regional Landfill Authority

Notes to the Financial Statements

For the year ended December 31, 2017

9. Related party transactions

The City of Portage la Prairie and the Rural Municipality of Portage la Prairie are related through joint control of the Authority. During the year, various transactions occurred between the Authority, the City of Portage la Prairie, and the Rural Municipality of Portage la Prairie. Such transactions include the transfer of waste from the City of Portage la Prairie and Rural Municipality of Portage la Prairie to the Authority in exchange for tipping fees. The transactions were in the normal course of operations, conducted on the same terms and at similar prices as transactions with arm's length parties, and measured at the exchange amount.

Transactions with the Rural Municipality of Portage la Prairie amounted to \$53,211 (2016 - \$56,641) of tipping fee revenue. Included in accounts receivable is \$8,960 (2016 - \$1,932) for transactions in the normal course of business. Included in accounts payable is \$24,293 (2016 - \$19,271) for transactions in the normal course of business.

Transactions with the City of Portage la Prairie amounted to \$112,398 (2016 - \$107,717) of tipping fee revenue. Included in accounts receivable is \$28,269 (2016 - \$22,643) for transactions in the normal course of business.

10. Correction of an error

During the year the Organization determined that the prior year depreciation calculation was understated by \$40,060. For 2016 the impact of this correction has resulted in a decrease to property, plant, and equipment of \$40,060 and a decrease in Invested in capital assets of \$40,060.