

Portage la Prairie Regional Landfill Authority
Financial Statements
December 31, 2018

Portage la Prairie Regional Landfill Authority Contents

For the year ended December 31, 2018

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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.

May 8, 2019



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Director

Director

Independent Auditor's Report

To the Directors of Portage la Prairie Regional Landfill Authority:

Opinion

We have audited the financial statements of Portage la Prairie Regional Landfill Authority (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net 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 Organization as at December 31, 2018, and the results of its operations 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Portage la Prairie, Manitoba

May 8, 2019

MNP LLP

Chartered Professional Accountants

Portage la Prairie Regional Landfill Authority

Statement of Financial Position

As at December 31, 2018

	2018	2017
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Assets		
Current		
Cash	545,762	304,257
Accounts receivable (Note 3)	133,853	123,241
GST receivable (Note 4)	-	44,118
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	679,615	471,616
Capital assets (Note 5)	975,919	1,057,237
Reserve accounts (Note 6)	401,110	401,110
	<hr/>	<hr/>
	2,056,644	1,929,963
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Liabilities		
Current		
Accounts payable and accruals	123,914	129,858
Current portion of long-term debt (Note 7)	20,098	20,900
Due to reserve account (Note 6)	97,235	99,955
GST Payable	350	-
	<hr/>	<hr/>
	241,597	250,713
Long-term debt (Note 7)	-	19,866
Landfill closure and post closure liability (Note 8)	44,027	45,770
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	285,624	316,349
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Net Assets		
Restricted for capital reserve	255,669	255,669
Restricted for closure reserve	76,414	74,671
Invested in capital assets	955,822	1,016,472
Restricted for land improvements reserve	25,000	25,000
Unrestricted	458,115	241,802
	<hr/>	<hr/>
	1,771,020	1,613,614
	<hr/>	<hr/>
	2,056,644	1,929,963
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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, 2018

	2018 <i>(Budget)</i>	2018	2017
Revenue			
Tipping fees - Commercial	321,000	353,282	349,365
Tipping fees - City residential	108,000	113,430	112,398
Tipping fees - R.M residential	65,000	53,411	53,211
McCain & Simplot contract	30,000	1,124	12,837
Septic waste	32,000	32,423	30,720
Other disposals	10,350	7,949	10,795
Investments	-	3,597	361
	566,350	565,216	569,687
Expenses			
Amortization	123,500	80,211	80,679
Bad debts (recovery)	-	(5,634)	3,391
Bank charges and interest	900	7,026	1,768
Board	3,000	2,048	2,177
Environmental health - landfill closure costs (recovery)	-	(1,743)	(1,956)
Fuel	25,000	29,459	27,253
GST expense (recovery) <i>(Note 4)</i>	-	-	(25,739)
Interest on long-term debt	3,500	1,449	2,095
Materials nuisance grounds	25,000	7,866	8,053
Office	24,115	43,818	50,918
Professional fees	6,000	15,119	7,412
Repairs and maintenance	35,000	5,952	5,077
Roadside pick up	3,900	2,280	2,280
Salaries, wages and benefits	202,000	212,620	210,119
Training and education	9,300	6,681	4,562
	461,215	407,152	378,089
Excess of revenue over expenses before other items	105,135	158,064	191,598
Other items			
Loss on disposal of capital assets	-	(658)	(13,833)
Excess of revenue over expenses	105,135	157,406	177,765

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, 2018

	<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>	2018	<i>2017</i>
Net assets, end of prior year	255,669	74,671	1,016,472	25,000	241,802	1,613,614	1,475,909
Correction of error	-	-	-	-	-	-	(40,060)
Net assets, beginning of year (as restated)	255,669	74,671	1,016,472	25,000	241,802	1,613,614	1,435,849
Excess of revenue over expenses	-	1,743	(81,660)	-	237,323	157,406	177,765
Investment in capital assets	-	-	(1,107)	-	1,107	-	-
Payment of long term debt	-	-	22,117	-	(22,117)	-	-
Net assets, end of year	255,669	76,414	955,822	25,000	458,115	1,771,020	1,613,614

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, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	157,406	177,765
Amortization	80,211	80,679
Loss on disposal of capital assets	658	13,833
Change in closure and post closure liability	(1,743)	(1,956)
	236,532	270,321
Changes in working capital accounts		
Accounts receivable	(10,611)	(8,561)
GST receivable	44,469	(44,118)
Accounts payable and accruals	(5,947)	17,011
Reserve accounts	-	(110,645)
	264,443	124,008
Financing		
Repayment of long-term debt	(20,668)	(20,012)
Due to reserve account	(2,720)	33,484
	(23,388)	13,472
Capital activities		
Purchase of capital assets	-	(289,986)
Proceeds on sale of capital assets	450	13,000
	450	(276,986)
Increase (decrease) in cash resources	241,505	(139,506)
Cash resources, beginning of year	304,257	443,763
Cash resources, end of year	545,762	304,257

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, 2018

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, 2018

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, 2018

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\$ 2018	CAD\$ 2017
Financial assets measured at fair value:		
Cash	545,762	304,257
Reserve accounts	401,110	401,110
Financial assets measured at cost or amortized cost:		
Accounts receivable	133,853	123,241

3. Accounts receivable

	2018	2017
Accounts receivable	134,257	129,279
Less: Allowance for doubtful accounts	(404)	(6,038)
	133,853	123,241

4. GST receivable

In the 2016 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 2017 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, 2018

5. Capital assets

			2018	2017
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>	<i>Net book value</i>
Buildings	504,473	138,789	365,684	378,365
Equipment	591,901	179,969	411,932	465,344
Land	421,205	223,395	197,810	212,788
Computers	12,409	11,916	493	740
	1,529,988	554,069	975,919	1,057,237

6. Reserve accounts

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

	2018	2017
Restricted funds		
Closure reserve - bank account	736	736
Closure reserve GIC	122,346	120,000
Closure reserve - due to operating	(2,642)	(295)
Capital reserve - bank account	180,793	180,418
Capital reserve - due from operating	74,877	75,251
Land improvements - due from operating	25,000	25,000
Total	401,110	401,110

Notes to restricted assets

During the year, the Organization restricted an additional \$NIL (2017 - \$10,000) for the closure reserve, and \$NIL (2017 - \$100,266) for the equipment reserve, and \$Nil (2017 - \$18,000) for the land improvements reserve. Of these funds, \$97,235 (2017 - \$99,955) 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, 2018

7. Long-term debt

	2018	2017
Loan payable to Stride Credit Union in monthly installments of \$1,842 (2017 - \$1,842), bearing interest at 4.00% (2017 - 4.00%) due October 2019. Secured by a General Security Agreement and equipment with a net book value of \$124,605 (2017 - \$138,024)	20,098	40,766
Less: Current portion	20,098	20,900
	-	19,866

Principal repayments on long-term debt are estimated as follows:

	Principal	Interest	Total
2019	20,098	1,250	21,348

8. Landfill closure and post closure liability

	2018	2017
Estimated closure and post closure costs over the next 34 years (2017 - 29 years)	459,000	289,200
Discount rate	5.64%	5.47%
Discounted costs	74,217	78,829
Expected year capacity will be reached	2052	2047
Capacity (tonnes)		
Used to date	1,468,751	1,438,616
Remaining	1,008,949	1,039,084
Total	2,477,700	2,477,700
Percentage utilized	59	58
	44,027	45,770

Portage la Prairie Regional Landfill Authority

Notes to the Financial Statements

For the year ended December 31, 2018

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 \$53,411 (2017 - \$53,211) of tipping fee revenue. Included in accounts receivable is \$7,132 (2017 - \$8,961) for transactions in the normal course of business. Included in accounts payable is \$12,955 (2017 - \$24,293) for transactions in the normal course of business.

Transactions with the City of Portage la Prairie amounted to \$113,430 (2017 - \$112,398) of tipping fee revenue. Included in accounts receivable is \$32,859 (2017 - \$28,269) for transactions in the normal course of business.