

Portage la Prairie Regional Landfill Authority
Financial Statements
December 31, 2014

Portage la Prairie Regional Landfill Authority Contents

For the year ended December 31, 2014

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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 primarily of Directors who are neither management nor employees of the Authority. 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 Authority's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members 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.

June 19, 2015

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, 2014, 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, 2014 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

June 19, 2015

MNP LLP
Chartered Accountants

Portage la Prairie Regional Landfill Authority

Statement of Financial Position

As at December 31, 2014

	2014	2013
Assets		
Current		
Cash	197,308	76,188
Accounts receivable	108,375	110,525
GST receivable	16,830	6,704
	322,513	193,417
Capital assets (Note 3)	1,041,073	754,241
Restricted cash	90,362	408,099
	1,453,948	1,355,757
Liabilities		
Current		
Accounts payable and accruals	140,276	145,679
Current portion of long-term debt (Note 6)	18,500	-
	158,776	145,679
Long-term debt (Note 6)	80,031	-
Landfill closure and post closure liability (Note 7)	57,108	52,519
	295,915	198,198
Net Assets		
Restricted for capital reserve	35	317,915
Restricted for closure reserve	33,218	37,665
Invested in capital assets	1,041,074	754,241
Unrestricted	83,706	47,738
	1,158,033	1,157,559
	1,453,948	1,355,757

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, 2014

	2014	2013
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Revenue		
Tipping fees - Other	323,914	364,154
Tipping fees - City residential	106,065	104,945
Tipping fees - R.M. residential	65,648	68,775
McCain & Simplot contract	39,648	44,733
Septic waste	30,900	19,949
Other disposals	8,431	8,030
Investments	719	1,794
	<hr/>	<hr/>
	575,325	612,380
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Expenses		
Amortization	70,039	42,624
Bad debts	612	-
Bank charges and interest	841	596
Board expenses	2,888	2,248
Environmental health - landfill closure costs	4,590	4,698
Fuel expenses	4,662	-
Interest on long-term debt	373	-
Landfill contract	263,110	310,000
Materials nuisance grounds	43,115	25,935
Office	28,973	22,092
Professional fees	8,378	3,942
Roadside pick up	3,800	3,990
Salaries, wages and benefits	135,429	122,203
Training and education	8,041	7,359
	<hr/>	<hr/>
	574,851	545,687
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Excess of revenue over expenses	474	66,693
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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, 2014

	<i>Restricted for capital reserve</i>	<i>Restricted for closure reserve</i>	<i>Invested in capital assets</i>	<i>Unrestricted</i>	2014	2013
Net assets beginning of year, as previously stated	317,915	37,665	754,241	47,738	1,157,559	1,138,687
Correction of error (Note 8)	-	-	-	-	-	(47,821)
Net assets, beginning of year	317,915	37,665	754,241	47,738	1,157,559	1,090,866
Excess (deficiency) of revenue over expenses	485	(4,590)	(70,039)	74,618	474	66,693
Invested in capital assets	(318,365)	-	356,872	(38,507)	-	-
Internally imposed restrictions (Note 9)	-	143	-	(143)	-	-
Net assets, end of year	35	33,218	1,041,074	83,706	1,158,033	1,157,559

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, 2014

	2014	2013
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenue over expenses	474	66,693
Amortization	70,039	42,624
	70,513	109,317
Changes in working capital accounts		
Accounts and GST receivable	(7,976)	(117,229)
Accounts payable and accruals	(5,400)	105,529
Due from related party	-	161,223
Restricted cash	317,735	(10,218)
	374,872	248,622
Financing activities		
Acquisition of long-term debt	100,000	-
Payment of long-term debt	(1,470)	-
	98,530	-
Capital activities		
Purchases of capital assets	(356,872)	(179,507)
Change in closure and post closure liability	4,590	4,700
Increase in cash resources	121,120	73,815
Cash resources, beginning of year	76,188	2,373
Cash resources, end of year	197,308	76,188

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, 2014

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 including 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 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
Computer equipment	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, 2014

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. Four funds are maintained: Unrestricted, Restricted for Capital Reserve, Restricted for Closure Reserve and Invested in Capital Assets.

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.

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, 2014

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\$ 2014	CAD\$ 2013
Financial assets measured at fair value:		
Cash	197,308	76,188
Restricted cash	90,362	408,099
Financial assets measured at cost or amortized cost:		
<i>Amortized cost</i>		
Accounts receivable	108,375	110,525
GST receivable	16,830	6,704
Financial liabilities measured at cost or amortized cost:		
Long-term debt	98,531	-

3. Capital assets

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	504,473	88,043	416,430	429,111
Equipment	334,098	13,034	321,064	9,075
Land improvements	409,061	106,162	302,899	316,055
Computer equipment	11,423	10,743	680	-
	1,259,055	217,982	1,041,073	754,241

Portage la Prairie Regional Landfill Authority Notes to the Financial Statements

For the year ended December 31, 2014

4. Restricted cash

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

	2014	2013
Restricted cash		
Closure reserve account	90,327	90,184
Equipment reserve account	35	317,915
Total	90,362	408,099

5. 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 \$69,391 (2013 - \$76,812) of tipping fee revenue, \$7,744 (2013 - \$44,079) of Disaster Financial Assistance and \$29,898 (2013 - \$23,464) of gravel for land improvements and repairs and maintenance. Included in accounts receivable are amounts owing from the Rural Municipality of Portage la Prairie is \$2,696 (2013 - \$7,129) and included in accounts payable is nil (2013 - \$1,066) for transactions in the normal course of business.

Transactions with the City of Portage la Prairie amounted to \$149,086 (2013 - \$104,431) of tipping fee revenue. Included in accounts receivable is \$24,553 (2013 - \$21,690) and included in accounts payable is \$630 (2013 - nil) for transactions in the normal course of business.

6. Long-term debt

	2014	2013
Loan payable to Portage Credit Union in monthly installments of \$1,842, bearing interest at 4.00% due October 2019.	98,531	-
	98,531	-
Less: Current portion	18,500	-
	80,031	-

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

	Principal	Interest	Total
2015	18,500	3,605	22,105
2016	19,300	2,851	22,151
2017	20,000	2,066	22,066
2018	20,900	1,250	22,150
2019	19,831	400	20,231
Total	98,531	10,172	108,703

Portage la Prairie Regional Landfill Authority
Notes to the Financial Statements
For the year ended December 31, 2014

7. Landfill closure and post closure liability

The Authority is currently operating a Class 1 landfill site. Legislation requires closure and post-closure care of solid waste landfill sites. Closure costs may include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post closure care requirements may include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

	2014	2013
Estimated closure and post closure costs over the next 27 years	324,000	324,000
Discount rate	5.9%	5.6%
Discounted costs	107,588	100,998
Expected year capacity will be reached	2041	2041
Capacity (tonnes)		
Used to date	1,315,170	1,282,050
Remaining	1,162,530	1,195,650
Total	2,477,700	2,477,700
Percent utilized	53%	52%
Liability based on percentage	57,108	52,519

8. Correction of an error

During the prior year the Organization determined that the landfill closure and post closure liability was understated by \$47,821. For 2012, the impact of this correction has resulted in an increase in landfill closure and post closure liability of \$47,821, a decrease in opening net assets for restricted for closure reserve of \$43,706, and a decrease in excess revenue over expenses of \$4,115.

9. Internally restricted fund balances

In 2014, the Authority has internally restricted resources amounting to \$33,253 (2013 - \$355,580). \$33,218 is to be used for costs relating to the closing activities for the landfill necessary under environmental law, with the remaining \$35 restricted for capital reserve. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

During 2014, the Authority has transferred \$143 (2013 - \$10,218) from the unrestricted funds to the internally restricted resources.