

**Portage la Prairie Regional Landfill
Authority Inc.
Financial Statements
For the Year Ended December 31, 2020**

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Financial Statements
For the Year Ended December 31, 2020

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Management's Responsibility

To the Board of Directors of Portage la Prairie Regional Landfill Authority Inc.

The accompanying financial statements are the responsibility of management of Portage la Prairie Regional Landfill Authority Inc. and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Standards Board of The Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal control and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board of Directors of the Entity met with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

BDO Canada LLP as the Entity's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Board of Directors and appears on the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Entity in accordance with Canadian public sector accounting standards for not-for-profit organizations.

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Independent Auditor's Report

To the Board of Directors of Portage la Prairie Regional Landfill Authority Inc.

Opinion

We have audited the financial statements of Portage la Prairie Regional Landfill Authority Inc. (the "Entity"), which comprise the statement of financial position as at December 31, 2020, 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 Entity as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

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 Entity 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.

Restated Comparative Information

Without modifying our opinion we draw attention to Note 11 of the financial statements, which describes that certain comparative financial information presented for the year ended December 31, 2020 has been restated.

The financial statements for the year ended December 31, 2020 (prior to the adjustments that were applied to restate certain comparative information explained in Note 11) were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those financial statements on June 20, 2020. Our opinion is not modified in respect of this matter.

As part of our audit of the financial statements for the year ended December 31, 2020, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2019. Accordingly we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the annual report.

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 for not-for-profit organizations, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Chartered Professional Accountants

Brandon, Manitoba

May 7, 2021

**Portage la Prairie Regional Landfill Authority Inc.
Statement of Financial Position**

December 31	2020	2019
		Restated (Note 11)
Assets		
Current		
Cash	\$ 719,392	\$ 367,856
Reserve funds (Note 3)	749,314	495,369
Accounts receivable (Note 2)	166,434	306,815
GST receivable	7,010	39,496
	<u>1,642,150</u>	<u>1,209,536</u>
Reserve funds (Note 3)	127,169	124,732
Property, plant and equipment (Note 4)	<u>1,654,401</u>	<u>1,561,997</u>
	<u>\$ 3,423,720</u>	<u>\$ 2,896,265</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 158,262	\$ 204,040
Landfill closure and post closure liability (Note 5)	<u>127,399</u>	<u>109,622</u>
	<u>285,661</u>	<u>313,662</u>
Net Assets		
Restricted for capital reserve	330,340	255,669
Restricted for closure reserve	252,065	70,353
Invested in capital assets	1,654,401	1,561,997
Restricted for land improvements reserve	25,000	25,000
Unrestricted	876,253	669,584
	<u>3,138,059</u>	<u>2,582,603</u>
	<u>\$ 3,423,720</u>	<u>\$ 2,896,265</u>

The accompanying notes are an integral part of these financial statements.

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

For the year ended December 31	Restricted for capital reserve	Restricted for closure reserve	Invested in capital assets	Restricted for land improvements reserve	Unrestricted	2020 Total	2019 Total
							Restated (Note 11)
Net assets, beginning of year, as previously stated	\$ 255,669	\$ 70,353	\$ 1,561,997	\$ 25,000	\$ 729,117	\$ 2,642,136	\$ 1,771,017
Prior period adjustment (Note 11)	-	-	-	-	(59,533)	(59,533)	(52,230)
Net assets, beginning of year, restated	255,669	70,353	1,561,997	25,000	669,584	2,582,603	1,718,787
Excess of revenues over expenses	1,164	2,478	(169,426)	-	721,240	555,456	864,816
Investment in property, plant and equipment	-	-	261,830	-	(261,830)	-	-
Internal transfer (Note 7)	73,507	179,234	-	-	(252,741)	-	-
Net assets, end of year	\$ 330,340	\$ 252,065	\$ 1,654,401	\$ 25,000	\$ 876,253	\$ 3,138,059	\$ 2,583,603

The accompanying notes are an integral part of these financial statements.

Portage la Prairie Regional Landfill Authority Inc. Statement of Operations

For the year ended December 31	2020	2019
		Restated (Note 11)
Revenue		
Tipping fees - Commercial	\$ 1,002,957	\$ 1,296,337
Tipping fees - City residential	149,413	140,312
Tipping fees - R.M. residential	83,583	71,914
Septic waste	44,940	35,520
Other disposals	3,602	6,413
	<u>1,284,495</u>	<u>1,550,496</u>
Expenses		
Amortization	169,426	131,752
Bad debt expense (recovery)	-	(229)
Bank charges and interest	13,873	11,217
Board	4,076	2,569
Fuel	46,351	43,801
Ground maintenance	3,820	5,987
Interest on long-term debt	-	704
Landfill closure costs	17,777	12,365
Office	67,582	67,621
Professional fees	48,547	54,523
Repairs and maintenance	14,691	5,759
Roadside pick up	1,900	2,090
Training and education	1,525	4,429
Wages and benefits	344,731	326,729
	<u>734,299</u>	<u>669,317</u>
Excess of revenues over expenses before other items	<u>550,196</u>	<u>881,179</u>
Other items		
Interest income	5,260	3,572
Loss on disposal of capital assets	-	(19,935)
	<u>5,260</u>	<u>(16,363)</u>
Excess of revenue over expenses	<u>\$ 555,456</u>	<u>\$ 864,816</u>

The accompanying notes are an integral part of these financial statements.

Portage la Prairie Regional Landfill Authority Inc. Statement of Cash Flows

For the year ended December 31	2020	2019
		Restated (Note 11)
Cash flows from operating activities		
Excess of revenues over expenses	\$ 555,456	\$ 864,816
Items not affecting cash:		
Amortization of capital assets	169,426	131,752
Loss on disposal of capital assets	-	19,935
Change in closure and post closure liability	17,777	12,365
	<u>742,659</u>	1,028,868
Changes in non-cash working capital:		
Accounts receivable	140,381	(172,968)
GST receivable	32,478	(39,838)
Accounts payable and accrued liabilities	(45,770)	80,120
	<u>869,748</u>	896,182
Cash flows from investing activities		
Purchase of capital assets	(261,831)	(782,765)
Proceeds on sale of capital assets	-	45,000
	<u>(261,831)</u>	(737,765)
Cash flows from financing activities		
Repayment of long-term debt	-	(20,098)
Change in reserve account	(256,382)	(316,224)
	<u>(256,382)</u>	(336,322)
Net increase (decrease) in cash	351,535	(177,905)
Cash, beginning of the year	367,857	545,762
Cash, end of the year	\$ 719,392	\$ 367,857

The accompanying notes are an integral part of these financial statements.

Portage la Prairie Regional Landfill Authority Inc.

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

Nature and Purpose of Organization	The Entity is a self sustaining not-for-profit responsible for maintaining the landfill in the Rural Municipality of Portage la Prairie. The entity 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. Any surplus it generates is non-taxable.
Basis of Accounting	The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Entity follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Revenue from commercial, residential, septic and miscellaneous tipping fees is recognized upon transfer of materials, when the related service is provided.</p> <p>Investment income is recognized when earned on the related investment balance.</p>
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>

Portage la Prairie Regional Landfill Authority Inc.

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

Property, Plant and Equipment

Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution, unless fair value is not determinable in which case contributed capital assets are recorded at nominal value at the date of contribution. Contributed capital assets are subsequently amortized. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Building	Straight-line	40 years
Equipment	Straight-line	10 years
Computers	Straight-line	4 years
Land improvements	Straight-line	30 years
Land improvements - sludge	Straight-line	3 years
Land improvements - windbreak	Straight-line	20 years

Capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

When a capital asset no longer contributes to an Entity's ability to provide goods and services, or the future economic benefits or service potential of the capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

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.

Portage la Prairie Regional Landfill Authority Inc.

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Accounts receivable are stated after evaluation as to their collectibility 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 account.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Portage la Prairie Regional Landfill Authority Inc. Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

Funded Reserves

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Entity, the accounts are maintained as funded reserves. 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 Entity.

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 purposes 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 Entity 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.

Portage la Prairie Regional Landfill Authority Inc.
Notes to Financial Statements

December 31, 2020

2. Accounts Receivable

	2020	2019
Accounts receivable	\$ 165,033	\$ 306,990
Allowance for doubtful accounts	(175)	(175)
Accrued interest	1,576	-
	\$ 166,434	\$ 306,815

3. Reserve Funds

	2020	2019
Current		
Stride Credit Union equipment reserve account bearing interest at 2.36%	\$ 549,286	\$ 474,617
Stride Credit Union closure reserve account bearing interest at 2.11%	200,028	20,752
	749,314	495,369
Long-term		
Stride Credit Union closure reserve GIC bearing interest at 1.95%, maturing May 2022	127,169	124,732
	\$ 876,483	\$ 620,101

**Portage la Prairie Regional Landfill Authority Inc.
Notes to Financial Statements**

December 31, 2020

4. Property, Plant and Equipment

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 504,473	\$ 164,151	\$ 504,473	\$ 151,470
Equipment	1,446,192	397,291	1,267,927	252,672
Computer	13,131	13,131	12,409	12,162
Land improvements	428,044	245,709	428,044	234,552
Asset under construction	82,843	-	-	-
	2,474,683	820,282	2,212,853	650,856
		\$ 1,654,401		\$ 1,561,997

**Portage la Prairie Regional Landfill Authority Inc.
Notes to Financial Statements**

December 31, 2020

5. Landfill Closure and Post Closure Liability

	2020	2019
		Restated (Note 11)
Estimated closure costs (2024)	\$ 30,000	\$ 30,000
Estimated post-closure costs (2025 through 2055)	309,000	309,000
Total closure and post-closure costs	339,000	339,000
Discount rate	5.25%	5.64%
Discounted costs	149,881	134,846
Percentage utilized	85	81
Landfill closure and post-closure liability	\$ 127,399	\$ 109,622
Expected year capacity will be reached	2024	2024

Future closure and post-closure costs will be funded by the closure bank account and term deposit (see Note 2) held by the Entity with a combined carrying value of \$327,196 (2019 - \$145,485). The Board transferred funds to the closure accounts in the amount of \$179,234 in 2020 (2019 - \$Nil) and has approved an annual allocation of \$50,000 until such time as the site is fully closed.

	Capacity (tonnes) 2020	% Utilized 2020	Capacity (tonnes) 2019	% Utilized 2019
Used to date	883,000	0.85	840,580	0.81
Remaining	151,000	0.15	193,420	0.19
Total	1,034,000	1.00	1,034,000	1.00

6. Contingent Liability

The Portage la Prairie Regional Landfill has not recognized a liability for non-compliance with Conservation and Climate Manitoba, primarily for the secretion of leachate out of the landfill land. The fair value of the liability cannot be reasonably estimated.

Portage la Prairie Regional Landfill Authority Inc. Notes to Financial Statements

December 31, 2020

7. Funded Reserves

The Capital Reserve is maintained for the purpose of funding future landfill equipment repairs and maintenance. In 2020, \$73,507 was transferred into the Capital Reserve (2019 - \$292,831) from unrestricted net assets. Cash reserved for use in the Capital Reserve is segregated and interest earned on these funds is allocated to the Capital Reserve. In 2020, interest earned amounted to \$1,164 (2019 - \$993).

The Capital Reserve is funded by the equipment reserve bank account (see Note 2) with a balance of \$549,286 (2019 - \$474,617) resulting in an overfunded reserve in the amount of \$218,946 (2019 - \$218,948).

The Closure Reserve is maintained for the purpose of funding estimated future closure costs of the regional landfill. In 2020, \$179,234 was transferred into the Closure Reserve (2019 - \$20,000) from unrestricted net assets. Cash reserved for use in the Closure Reserve is segregated and interest earned on these funds is allocated to the Closure Reserve. In 2020, interest earned amounted to \$2,478 (2019 - \$16).

The Closure Reserve is funded by the closure reserve bank account and term deposit (see Note 2) with a combined balance of \$327,196 (2019 - \$145,485) resulting in an overfunded reserve in the amount of \$75,132 (2019 - \$75,131).

The Land Improvements Reserve is maintained for the purpose of funding future land improvement requirements. In 2020, \$Nil was transferred into the Land Improvements Reserve fund (2019 - \$Nil) from the unrestricted fund. The Land Improvements Reserve is un-funded as at December 31, 2020 and December 31, 2019.

8. Related Party Transactions

The City of Portage la Prairie and the Rural Municipality of Portage la Prairie are related through joint control of the Entity. During the year, various transactions occurred between the Entity, 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 \$116,292 (2019 - \$108,338) of tipping fee revenue. Included in accounts receivables is \$14,265 (2019 - \$10,281) for transactions in the normal course of business. Included in accounts payable is \$45,953 (2019 - \$28,280) for transactions in the normal course of business.

Transactions with the City of Portage la Prairie amounted to \$196,597 (2019 - \$179,969) of tipping fee revenue. Included in accounts receivables is \$36,778 (2019 - \$36,929) for transactions in the normal course of business. Included in accounts payable is \$Nil (2019 - \$209) for transactions in the normal course of business.

Portage la Prairie Regional Landfill Authority Inc. Notes to Financial Statements

December 31, 2020

9. Financial Impact of COVID-19

Throughout the fiscal year and subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The global pandemic, COVID-19, has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The Entity's ability to continue to collect tipping fees and meet their other obligations as they come due is dependent on the continued ability to generate earnings and cash flows. Management is actively monitoring the impact on its financial condition, liquidity, operations, industry and workforce.

10. Comparative Figures

The prior year balances have been reclassified to conform with current year presentation.

11. Prior Period Adjustment

During the year, it was determined that the landfill closure and post-closure liability as calculated in the prior year included assumptions of capacity increases that have not yet been subject to legislative approval. Accordingly, the landfill closure and post-closure liability was understated. The impact of this correction has been reflected below for the year ended December 31, 2019.

	Prior to Restatement	Restatement	Balance Restated
Landfill closure and post-closure liability	\$ (50,089)	\$ (59,533)	\$ (109,622)
Landfill closure costs	6,062	6,303	12,365
Unrestricted net assets - closing	(729,117)	59,533	(669,584)
Total net assets - opening	(1,771,017)	52,230	(1,718,787)
