M.D. #52 WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

DRAFT
FOR DISCUSSION
PURPOSES ONLY

M.D. #52 WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

TO: The Board of Directors

We have audited the accompanying financial statements of the M.D. #52 Waste Management Authority, which comprise the statement of financial position as at December 31, 2015, 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.

Managements' 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 6, future site closure and post closure obligations cannot be reliably determined at this time, so adequate provision for these costs may not be recorded.

Qualified Opinion

In our opinion, except for the effect of adjustments, which might have determined to be necessary related to closure and post closure obligations, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2015 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 8, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

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M.D. #52 WASTE MANAGEMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	$ 15,453	$ 19,851
Accounts receivable	13,585	12,900
GST receivable	8,117	27,853
Term deposits (Note 4)	360,000	320,000
Prepaid expenses	1,857	2,675
	399,012	383,279
TANGIBLE CAPITAL ASSETS (Note 5)	467,664	434,125
	866,676	817,404

LIABILITIES

	2015	2014
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	24,849	47,634
LONG TERM LIABILITIES		
Future site closure and post closure obligations (Note 6)	66,037	55,865
	90,886	103,499

NET ASSETS

	2015	2014
RESTRICTED NET ASSETS (Note 7)	311,700	283,356
EQUITY IN TANGIBLE CAPITAL ASSETS	467,664	434,125
UNRESTRICTED NET ASSETS	(3,574)	(3,576)
	775,790	713,905
	$ 866,676	$ 817,404

APPROVED OF BEHALF OF THE BOARD:

________________________ Director

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M.D. #52 WASTE MANAGEMENT AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015				2014
	Restricted Net Assets	Equity in Tangible Capital Assets	Unrestricted Net Assets	Total	Total
NET ASSETS - BEGINNING OF YEAR	$ 283,356	$ 434,125	$ (3,576)	$ 713,905	$ 714,264
Purchase of tangible capital assets	-	94,587	(94,587)	-	-
Amortization	-	(61,048)	61,048	-	-
Transfers (to) from reserves	28,344	-	(28,344)	-	-
Net earnings (loss) for the year	-	-	61,885	61,885	(359)
NET ASSETS - END OF YEAR	$ 311,700	$ 467,664	$ (3,574)	$ 775,790	$ 713,905

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M.D. #52 WASTE MANAGEMENT AUTHORITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
REVENUE		
Landfill and other charges	$ 54,855	$ 57,435
Interest	4,489	5,744
Rent	1,043	1,043
	60,387	64,222
EXPENDITURES		
Administration		
Administration fees	9,581	11,176
Advertising	540	3,015
Liability insurance	960	966
Office	722	1,693
Professional fees	3,065	5,295
	14,868	22,145
Landfill		
Amortization	57,986	37,003
Engineering	221	378
Fuel and repairs	13,338	21,611
Future site reclamation costs (Note 6)	10,172	11,765
Insurance	2,086	1,862
Operator	66,269	66,269
Recycle bins	14,975	13,081
Refrigerant and used oil removal	1,979	2,817
Site maintenance	19,851	23,962
Utilities and telephone	5,531	6,393
Wages	18,530	19,267
	210,938	204,408
Transfer Site		
Amortization	3,062	1,272
Collection contract	55,127	55,747
Custom work	24,908	51,584
Maintenance	40,142	19,080
Paint & hazardous waste	974	678
Supervision	33,125	31,487
	157,338	159,848
Total Expenditures	383,144	386,401
OPERATING SURPLUS (DEFICIT)	(322,757)	(322,179)
GAIN ON DISPOSAL OF TANGIBLE CAPITAL ASSETS	-	20,000
REQUISITIONS	384,642	301,820
NET EARNINGS (LOSS) FOR THE YEAR	$ 61,885	$ (359)

M.D. #52 WASTE MANAGEMENT AUTHORITY

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Net earnings for the year	$ 61,885	$ (359)
Items not affecting cash resources		
Amortization	61,048	38,275
Future site closure and post closure obligations	10,172	11,765
	133,105	49,681
Changes in non-cash current assets and liabilities		
Accounts receivable	(684)	4,907
GST receivable	19,737	(13,089)
Prepaid expenses	818	(1,459)
Accounts payable and accrued liabilities	(22,787)	19,483
Cash provided by (used in) operating activities	130,189	59,523
INVESTING ACTIVITIES		
Purchase of property and equipment	(94,587)	(273,070)
Cash provided by (used in) investing activities	(94,587)	(273,070)
NET INCREASE (DECREASE) DURING THE YEAR	35,602	(213,547)
CASH – BEGINNING OF YEAR	339,851	553,398
CASH – END OF YEAR	375,453	339,851
CASH IS MADE UP OF:		
Cash	15,453	19,851
Term deposits	360,000	320,000
	$ 375,453	$ 339,851

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M.D. #52 WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

1. NATURE OF OPERATIONS

The M.D. #52 Waste Management Authority is an unincorporated, para-municipal organization that operates a landfill site and transfer stations on behalf of its member municipalities and is governed by the Code of Practices for Landfills. The authority is funded by requisitions paid by member municipalities and by charges billed to users. Its intended community of service is Provost and surrounding areas. The authority is a non-taxable entity as defined in the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the authority have been prepared in accordance with Canadian public sector accounting standards including the standards for not-for-profit organizations in sections 4200 to 4270 of the Chartered Professional Accountants of Canada Handbook.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

(a) <u>Measurement Uncertainty</u>

The preparation of these financial statements in conformity with Canadian Public Sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Amortization is based on the estimated useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(b) <u>Cash and Cash Equivalents</u>

Cash and cash equivalents consist of cash on hand, accounts with banks and term deposits. The authority's bank account pays interest at prime less 1.6%.

(c) <u>Tangible Capital Assets</u>

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

M.D. #52 WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(c) Tangible Capital Assets - Continued

	YEARS
Buildings	25-50
Land Improvements	
Cell	2
Roadways	15
Retaining walls, screens and fences	20
Detention Pond	25
Water and test wells	25
Other engineered structures	25
Machinery and equipment	10-15
Vehicles	10

The annual amortization charge in the year of acquisition and in the year of disposal is pro-rated based on the number of months that the asset was in use during the year. Assets under construction are not amortized until the asset is available for productive use.

(d) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(e) Equity in Property and Equipment

Equity in property and equipment represents the authority's net investment in its total property and equipment.

(f) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post – remediation including operation, maintenance and monitoring.

M.D. #52 WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUTED

(g) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The authority initially measures its financial assets and liabilities at fair value. The authority subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial instruments of the authority consist of cash, accounts receivable, GST receivable, term deposits, future site and post closure obligations and accounts payable. The carrying value of the cash, accounts receivable, term deposits and accounts payable approximate their fair values due to their short maturities. The fair value of other assets and liabilities is disclosed if it is readily obtainable.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down would be recognized in net income.

The authority recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

It is the policy of the authority not to disclose fair value information about financial assets and liabilities for which fair value is not readily obtainable.

(h) Contributions

Contributions are recorded using the deferral method. Restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. All other contributions are reported as revenue of the current period.

(i) Revenue Recognition

The authority recognizes revenue when it is realized or realizable and earned. The authority considers revenue realized or realizable and earned when services have been provided to a customer, the price for the services is fixed or determinable and collection is reasonably assured.

3. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The authority is currently evaluating the effect of adopting these standards on their financial statements.

(a) Section PS 3041 - Portfolio Investments

This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2016 fiscal year.

(b) Section PS 3450 – Financial Instruments

This section establishes standards on how to account for and report all types of financial instruments including derivatives. This standard is effective for the 2016 fiscal year.

4. TERM DEPOSITS

Term deposits bear interest at 1.21% and mature January 26th and February 24, 2016.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2015	2014
Land Improvements	$ 46,627	$ 46,627	$ -	$ -
Engineering structures	551,586	462,524	89,062	26,335
Buildings	277,072	188,556	88,516	92,466
Equipment	588,529	298,443	290,086	315,324
	$ 1,463,814	$ 996,150	$ 467,664	$ 434,125

6. FUTURE SITE CLOSURE AND POST CLOSURE OBLIGATIONS

The potential reclamation costs have been estimated at $66,037. The liability is increased annually based on the amount of waste added to the site. The estimated length of time needed for post-closure care is undetermined. Funds needed for closure and post-closure are expected to be obtained through tipping fees and annual requisitions from member municipalities. Future costs may include drainage control, water quality and leachate monitoring, and final cover and vegetation.

M.D. #52 WASTE MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

7. RESTRICTED NET ASSETS

	2015	2014
Bin replacement	$ 15,603	$ 19,715
Environmental liability	169,517	154,660
Equipment replacement	83,640	43,123
Future site replacement	36,536	30,767
Landfill restricted	32,354	-
Operating	3,117	3,081
Transfer site	(29,067)	(33,990)
Trench	-	66,000
	$ 311,700	$ 283,356

The amount of cash and cash equivalents is sufficient to fund restricted net assets, but no specific cash balances have been set aside.

8. RELATED PARTY TRANSACTIONS

During the year, the authority received requisitions of $384,642 (2014 - $301,820) from its member municipalities.

The amount of $19,906 (2014 - $41,731) is due to a member municipality in the ordinary course of operations at normal trade terms.

The amounts are recorded at exchange amount which is the amount agreed to by the related parties.

9. ECONOMIC DEPENDENCE

The authority relies on requisitions received from its member municipalities. Without these requisitions the authority's ability to operate would be questionable.

10. FINANCIAL INSTRUMENTS

The authority is exposed to various risks through its financial instruments. The following analysis provides a measure of the authority's risk exposure and concentrations at year end.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that the authority is not exposed to significant market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The authority's accounts receivable are subject to normal industry credit risks. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with these customers.

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company has fixed rate investments which are subject to fair value risk, as the value will fluctuate as a result of changes in market rates.

11. COMMITMENTS

The authority has a collection contract with Prairie Trail Disposal, which is in effect until June 30, 2017. The authority is paying $10,116 plus applicable GST per month under the terms of the contract.

The authority has agreements with transfer site contractors to provide services as required. The agreements do not have a specified date of termination.