

DRUMHELLER & DISTRICT SOLID WASTE
MANAGEMENT ASSOCIATION
Financial Statements
Year Ended December 31, 2018

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Index to Financial Statements

Year Ended December 31, 2018

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Accumulated Surplus	6
Statement of Changes in Net Financial Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 18
Landfill Revenues and Expenses (<i>Schedule 1</i>)	19 - 20
Recycling Revenues and Expenses (<i>Schedule 2</i>)	21

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Drumheller & District Solid Waste Management Association (the "Association") are the responsibility of the Association's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 of the financial statements.


The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Association's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management. The Board of Directors meets with management and the external auditor to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by RSM Alberta LLP, independent external auditor appointed by the Association. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Association's financial statements.



Chairperson



Treasurer



INDEPENDENT AUDITOR'S REPORT

To the Members of
Drumheller & District Solid Waste Management Association

Opinion

We have audited the financial statements of Drumheller & District Solid Waste Management Association (the Association), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, changes in accumulated surplus and net financial 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 Association as at December 31, 2018, and its results of operations, its changes in accumulated surplus and net financial assets 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 Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 19, 2018.

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 Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

(continues)

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 Association'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 Association'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 Association 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.

Edmonton, Alberta
May 3, 2019

RSM Alberta LLP
Chartered Professional Accountants

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Statement of Financial Position
December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash (Note 3)	\$ 696,700	\$ 874,601
Accounts receivable	69,994	100,633
Interest receivable	41,058	32,836
Goods and Services Tax receivable	59,276	49,697
Investments (Notes 3, 4)	3,559,500	3,500,000
	4,426,528	4,557,767
LIABILITIES		
Accounts payable and accrued liabilities	41,539	168,182
Solid waste closure and post-closure liabilities (Note 5)	85,316	64,446
	126,855	232,628
NET FINANCIAL ASSETS	4,299,673	4,325,139
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	8,143,024	8,218,423
Prepaid expenses and inventories of supplies	18,599	19,312
	8,161,623	8,237,735
ACCUMULATED SURPLUS (Note 7)	\$ 12,461,296	\$ 12,562,874

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

**DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT
ASSOCIATION**

Statement of Operations

Year Ended December 31, 2018

	Budget 2018 (Note 10)	2018	2017
OPERATING REVENUES (EXPENSES) - NET			
Landfill (Schedule 1)	\$ (155,398)	\$ (170,441)	\$ (149,392)
Recycling (Schedule 2)	(80,720)	(20,783)	47,099
	(236,118)	(191,224)	(102,293)
OTHER REVENUES			
Interest	60,000	89,646	59,076
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	\$ (176,118)	\$ (101,578)	\$ (43,217)

See notes to financial statements

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Statement of Changes in Accumulated Surplus
Year Ended December 31, 2018

	Operating Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE - BEGINNING OF YEAR	\$ 924,190	\$ 3,420,261	\$ 8,218,423	\$ 12,562,874	\$ 12,606,091
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	237,270	-	(338,848)	(101,578)	(43,217)
NET TRANSFERS (TO) FROM OPERATIONS TO RESTRICTED SURPLUS	35,247	(35,247)	-	-	-
ACQUISITION OF TANGIBLE CAPITAL ASSETS	(264,330)	-	264,330	-	-
DISPOSAL OF TANGIBLE CAPITAL ASSETS	881	-	(881)	-	-
BALANCE - END OF YEAR	\$ 933,258	\$ 3,385,014	\$ 8,143,024	\$ 12,461,296	\$ 12,562,874

See notes to financial statements

**DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT
ASSOCIATION**

Statement of Changes in Net Financial Assets

Year Ended December 31, 2018

	Budget 2018	2018	2017
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (176,118)	\$ (101,578)	\$ (43,217)
Acquisition of tangible capital assets	(264,330)	(264,330)	(133,430)
Disposal of tangible capital assets	881	881	3,484
Amortization of tangible capital assets	338,848	338,848	341,549
	75,399	75,399	211,603
Change in prepaid expenses and inventory of supplies	-	713	(32)
	75,399	76,112	211,571
NET CHANGE IN NET FINANCIAL ASSETS	(100,719)	(25,466)	168,354
NET FINANCIAL ASSETS - BEGINNING OF YEAR	4,325,139	4,325,139	4,156,785
NET FINANCIAL ASSETS - END OF YEAR	\$ 4,224,420	\$ 4,299,673	\$ 4,325,139

See notes to financial statements

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (101,578)	\$ (43,217)
Items not affecting cash:		
Amortization of tangible capital assets	338,848	341,549
Gain on disposal of tangible capital assets	-	(6,189)
	<u>237,270</u>	<u>292,143</u>
Changes in non-cash working capital:		
Accounts receivable	30,839	(29,145)
Accrued investment income	(8,222)	(32,836)
Goods and Services Tax receivable	(9,579)	(18,140)
Prepaid expenses and inventories of supplies	713	(32)
Accounts payable and accrued liabilities	(126,643)	158,521
Solid waste closure and post-closure liabilities	20,870	4,202
	<u>(92,222)</u>	<u>82,570</u>
	<u>145,048</u>	<u>374,713</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(264,330)	(133,430)
Proceeds on disposal of tangible capital assets	881	9,673
	<u>(263,449)</u>	<u>(123,757)</u>
INVESTING ACTIVITIES		
Purchase of investments	(59,500)	(3,500,000)
	<u>(59,500)</u>	<u>(3,500,000)</u>
DECREASE IN CASH	(177,901)	(3,249,044)
Cash - beginning of year	874,601	4,123,645
CASH - END OF YEAR	\$ 696,700	\$ 874,601

See notes to financial statements

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Drumheller & District Solid Waste Management Association (the "Association") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The purpose of the Association is to coordinate solid waste removal and disposal for Drumheller and surrounding areas. The Association is comprised of member municipalities and requisitions funds from its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash is comprised of cash on hand and on deposit with banks and investment institutions.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the straight-line basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Transfer stations	25 years
Buildings	50 years
Machinery and equipment	10 to 50 years
Land improvements	10 to 75 years

One-half of the annual amortization is charged in the year of acquisition. Work in process (assets under construction) is not amortized until the asset is available for productive use.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for the sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the change in net financial assets for the year.

(continues)

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Municipal requisitions, disposal fees and program revenues are recognized as revenue in the period in which the service is delivered or in which transactions or events occurred that give rise to the revenues.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Donated services

The Association receives certain donated services as part of its recycling operations. The value of donated services is recognized when the fair value can be reasonably estimated and when the services are used in the normal course of the Association's operations and would otherwise have been purchased.

Solid waste landfills

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Association is required to fund costs of the closure and the post-closure costs of its active landfill site. The Association's liability provision provides for the estimated closure and post closure costs of the active landfill site and the related waste management infrastructure.

Closure activities include final cover and vegetation costs, removal of site infrastructure and the instalment and completion of facilities for drainage. Post-closure activities consist of two annual inspections and maintenance of the final cover, leachate monitoring, groundwater and surface water quality monitoring and landfill gas monitoring.

The closure and post-closure costs are recognized as an accrued liability over the estimated remaining life of the landfill site. The liability is recognized using the net present value of the total estimated closure and post-closure costs, and is prorated for the percentage of the utilized capacity of the landfill site. The Association has calculated the net present value of the estimated closure and post-closure costs using an interest rate of 4.252% (2017 - 4.252%).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant estimates included in the preparation of the financial statements pertain to the collectability of accounts receivable, the estimated useful lives of tangible capital assets and related amortization, accrued liabilities and solid waste closure and post-closure liabilities and reserves. Actual results could differ from these estimates.

(continues)

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recently adopted accounting pronouncements

Effective January 1, 2018, the Commission adopted the following accounting standards concurrently as required by the Public Sector Accounting Standards Board.

PS 2200 - Related Party Disclosures: This section provides guidance on the definition of a related party and establishes the disclosure requirements for transactions between related parties. The Commission adopted PS 2200 prospectively and there were no impacts on the financial statement amounts or disclosures.

PS 3210 – Assets: This section provides guidance on the various components related to the definition of an asset and establishes the related disclosure requirements. The Commission adopted PS 3210 prospectively and there were no impacts on the financial statement amounts or disclosures.

PS 3320 - Contingent Assets: This section provides a general application standard providing guidance on the definition and disclosures standards related to contingent assets. It is noted that specific types of contingent assets are excluded from this standard. The Commission adopted the PS 3320 prospectively and there were no impacts on the financial statement amounts or disclosures.

PS 3380 - Contractual Rights: This section provides guidance on the disclosure of contractual rights, including their nature, extent and timing. The Commission adopted PS 3380 prospectively and there were no impacts on the financial statement amounts or disclosures.

PS 3420 – Inter-Entity Transactions: This section provides guidance on the recognition, measurement and presentation of transactions between entities controlled by a government within the government reporting entity from the perspective of both parties. The Commission adopted PS 3420 prospectively and there were no impacts on the financial statement amounts or disclosures.

(continues)

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future accounting pronouncements

PS 1201 - Financial Statement Presentation: The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2019.

PS 2601 - Foreign Currency Translation: This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency, and non-monetary items valued at fair value, denominated in a foreign currency, to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2019.

PS 3041 - Portfolio Investments: This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section and PS 3450. PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2019.

PS 3430 - Restructure Transactions: This section provides guidance on the recognition, measurement and presentation on restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. This section is effective for fiscal years beginning on or after April 1, 2018.

PS 3450 - Financial Instruments: This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments: all other financial instruments can be measured at either cost or fair value depending upon elections made by the Entity. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is effective for fiscal years beginning on or after April 1, 2019.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

3. CASH AND SHORT-TERM INVESTMENTS

	2018	2017
Cash	\$ 696,700	\$ 874,601
Short-term investments	3,559,500	3,500,000
	<u>4,256,200</u>	<u>4,374,601</u>
Cash to fund Capital reserve	(114,801)	(109,333)
Cash to fund Closure and post-closure liability and reserve	(728,027)	(687,045)
Cash to fund Equipment reserve	(91,854)	(122,580)
Cash to fund Landfill contingency reserve	(31,208)	(30,701)
Cash to fund Landfill detention pond reserve	(40,921)	(25,380)
Cash to fund Landfill expansion reserve	(1,880,541)	(1,789,096)
Cash to fund Recycle capital reserve	(104,589)	(116,097)
Cash to fund Recycle hauling reserve	(40,293)	(35,819)
Cash to fund Recycle contingency reserve	(140,509)	(138,227)
Cash to fund Recycle trailer reserve	(41,550)	(40,875)
Cash to fund Transtor reserve	(170,721)	(325,108)
	<u>(3,385,014)</u>	<u>(3,420,261)</u>
Accounts receivable	69,994	100,633
Accrued investment income	41,058	32,836
Goods and Services Tax receivable	59,276	49,697
Prepaid expenses and inventories of supplies	18,599	19,312
Accounts payable and accrued liabilities	(41,539)	(168,182)
Closure and post-closure liabilities	(85,316)	(64,446)
	<u>\$ 933,258</u>	<u>\$ 924,190</u>

Included in cash and short-term investments are the following amounts that are internally restricted to fund the closure and post-closure liability and closure and post-closure reserve.

Opening balance	\$ 687,045	\$ 741,363
Transfers to reserves	30,000	30,000
Interest earned	11,582	6,898
Erosion control expenditures	(600)	(91,216)
	<u>\$ 728,027</u>	<u>\$ 687,045</u>
To fund liability	\$ 85,316	\$ 64,446
To fund reserve	642,711	622,599
	<u>\$ 728,027</u>	<u>\$ 687,045</u>

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

4. SHORT-TERM INVESTMENTS

	2018	2017
Guaranteed investment certificates	\$ 3,559,500	\$ 3,500,000

Guaranteed investment certificates bear interest at 2.05-2.80% (2017 - 1.70%) per annum and mature from April to November 2019 (2017 - April to November 2018).

5. SOLID WASTE CLOSURE AND POST-CLOSURE LIABILITIES

The Association operates a Class II landfill which can accept most types of waste after testing. The landfill is expected to provide capacity to 2048. Closure activities occur on a stage by stage basis as the landfill reaches capacity. Post-closure activities will involve cover maintenance, groundwater and surface water monitoring and landfill gas monitoring. The monitoring and analysis costs remain consistent throughout the life of the waste management facility regardless of the number of active versus inactive stages as the same number of wells are monitored. Closure and post-closure costs are based on actual costs to complete those activities for the entire landfill for the 2016 year. Closure costs estimated below consist of the cost of closing the current stage (Stage 2). Post-closure costs estimated below consist of maintenance and monitoring costs described above for the entire landfill site. The landfill has an estimated remaining capacity of 587,335 cubic metres [49.44%] (2017 – 695,821 cubic meters [58.57%]). It is estimated that the post-closure care will be required for a period of 25 years from closure. A portion of the total annual requisition to the members of the Association is allocated to closure and post-closure care costs. These amounts are held in the Association's bank account and are internally restricted (Note 3).

	2018	2017
Estimated closure costs	\$ 275,000	\$ 275,000
Estimated post-closure costs	325,000	325,000
Total estimated costs	600,000	600,000
Liability accrued	(85,316)	(64,446)
Balance of estimated costs to accrue	\$ 514,684	\$ 535,554

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Association's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

6. TANGIBLE CAPITAL ASSETS

Cost	2017 Balance	Additions	Disposals	2018 Balance
Transfer stations	\$ 3,327,973	\$ 208,869	\$ 68,400	\$ 3,468,442
Buildings	1,579,942	-	-	1,579,942
Machinery and equipment	899,251	35,566	11,799	923,018
Land improvements	6,995,627	19,895	-	7,015,522
	\$ 12,802,793	\$ 264,330	\$ 80,199	\$ 12,986,924

Accumulated Amortization	2017 Balance	Amortization	Accumulated Amortization on Disposals	2018 Balance
Transfer stations	\$ 2,424,778	\$ 106,344	\$ 68,400	\$ 2,462,722
Buildings	280,579	32,653	-	313,232
Machinery and equipment	562,215	67,981	10,918	619,278
Land improvements	1,316,798	131,870	-	1,448,668
	\$ 4,584,370	\$ 338,848	\$ 79,318	\$ 4,843,900

Net book value	2018	2017
Transfer stations	\$ 1,005,720	\$ 903,195
Buildings	1,266,710	1,299,363
Machinery and equipment	303,740	337,036
Land improvements	5,566,854	5,678,829
	\$ 8,143,024	\$ 8,218,423

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

7. ACCUMULATED SURPLUS

The Association segregates its accumulated surplus into the following categories:

	2018	2017
Equity in tangible capital assets	\$ 8,143,024	\$ 8,218,423
Unrestricted surplus	933,258	924,190
	9,076,282	9,142,613
Restricted surplus		
Capital reserve	114,801	109,333
Closure reserve	728,027	687,045
Equipment reserve	91,854	122,580
Landfill contingency reserve	31,208	30,701
Landfill detention pond reserve	40,921	25,380
Landfill expansion reserve	1,880,541	1,789,096
Recycle capital reserve	104,589	116,097
Recycle hauling reserve	40,293	35,819
Recycle contingency reserve	140,509	138,227
Recycle trailer reserve	41,550	40,875
Transtor reserve	170,721	325,108
	3,385,014	3,420,261
	\$ 12,461,296	\$ 12,562,874

The equity in tangible capital assets represents amounts already spent and invested in infrastructure. The restricted surplus represents funds set aside by the Board of Directors for specific purposes.

8. RELATED PARTY TRANSACTIONS

Members of the Association consist of several municipalities within Drumheller and district and as such, are identified as related parties. Members are requisitioned on a per capita basis of \$39.04/capita (2017 - \$38.48/capita) for administration, hauling, use of the landfill, capital contributions and use of the recycling facility. Some members provide their own hauling or recycling services and are not charged that portion of the requisition. Requisitions are allocated to both the landfill and recycling functions. Total requisitions for 2018 were \$962,083 (2017 - \$939,844). The Association is economically dependent on the requisitions received from its member municipalities.

There was \$2,560 (2017 - \$nil) of outstanding receivables and \$3,888 (2017 - \$38,978) of outstanding payables between the Association and its members at year end.

During the year, the Association received \$12,000 (2017 - \$12,000) from the Town of Drumheller to fund its operations.

All related party transactions are in the normal course of operations and measured at the exchange amount which is the amount agreed to between the related parties.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

9. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from the credit quality of the entities to which it provides services. As the Association provides services to Government supported entities, its credit risk is minimized.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and its solid waste closure and post-closure liabilities.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its investments. The investments consist of guaranteed investment certificates with a financial institution.

10. BUDGET

The budget was adopted by the Board on December 21, 2017 and was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards requires a full accrual basis. The budget figures anticipated a budget surplus after budgeted transfers to reserves. Amortization was not contemplated on the development of the budget; however, has been included in the budget presented in the financial statements. As a result, the budget figures presented in the statements of operations represent the budget adopted by the Board on December 21, 2017, with adjustments as follows:

	2018
Revenues per approved budget	\$ 1,634,605
Interest	60,000
	<u>1,694,605</u>
Expenses per approved budget	1,634,605
Reserves	(102,730)
Amortization	338,848
	<u>1,870,723</u>
Budget deficit per statement of operations	\$ (176,118)

**DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT
ASSOCIATION**

Notes to Financial Statements

Year Ended December 31, 2018

11. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors and management have approved these financial statements.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Landfill Revenues and Expenses
Year Ended December 31, 2018

(Schedule 1)

	Budget 2018 (Note 10)	2018	2017
REVENUES			
Municipal requisitions	\$ 621,024	\$ 621,324	\$ 598,801
Disposal fees	489,690	498,118	530,836
Other	77,232	18,243	29,747
	1,187,946	1,137,685	1,159,384
EXPENSES			
Administration	42,647	44,952	42,523
Advertising and promotion	9,240	9,083	9,692
Amortization	258,128	258,128	256,033
Bobcat	4,800	5,255	4,413
Changes in closure and post-closure liabilities	-	20,870	4,202
Detention pond	6,000	3,244	22,589
Environment week	4,000	1,821	4,306
Equipment repairs	2,000	2,302	1,278
Evaporation pit	2,500	8,481	2,597
Gas monitoring	1,200	240	209
Grounds keeping/landscaping	500	115	19
Groundwater monitoring	9,000	4,224	8,936
Hauling	325,255	322,033	320,670
Internet/phone service	4,225	4,221	4,221
Laboratory testing	500	950	1,404
Leachate lift station	2,000	2,998	626
Memberships, fees and dues	9,343	8,751	9,399
Metal removal	1,800	-	575
Miscellaneous	-	266	-
Odour and pest control	100	9	-
Professional engineering services	15,895	19,565	14,980
Recycling programs	12,000	12,951	12,190
Road access	10,000	11,646	9,930
Safety supplies	1,000	596	1,122
Scale House operations	16,600	16,060	15,087
Scale House wages and benefits	183,933	164,974	210,278
Security	700	652	479
Site development and survey	2,500	4,257	2,390
Site leases and taxes	1,000	300	3,750
Site preparation	3,000	86	575
Staff appreciation	1,000	578	700
Surface water monitoring	-	229	-
Tools and supplies	1,500	399	363
Toxic waste roundup	9,500	7,596	9,713
Trailer	-	220	-
Transtor repairs	50,000	985	-
Truck	3,000	3,037	5,805
Utilities	5,800	6,075	5,918

(continues)

See notes to financial statements

**DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT
ASSOCIATION**

Landfill Revenues and Expenses *(continued)*

(Schedule 1)

Year Ended December 31, 2018

	Budget 2018 <i>(Note 10)</i>	2018	2017
Waste service contract	291,845	306,550	283,392
Waste services contract fuel recovery	47,833	53,151	38,412
Winter cover	3,000	-	-
Wood chipper	-	276	-
	1,343,344	1,308,126	1,308,776
LANDFILL REVENUES UNDER EXPENSES	\$ (155,398)	\$ (170,441)	\$ (149,392)

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Recycling Revenues and Expenses
Year Ended December 31, 2018

(Schedule 2)

	Budget 2018 (Note 10)	2018	2017
REVENUES			
Municipal requisitions	\$ 340,759	\$ 340,759	\$ 341,043
Donated services	-	134,585	152,257
Program revenues - paper and electronics	90,500	105,137	177,382
Grants	-	12,783	-
Town of Drumheller, contributions to operations	12,000	12,000	12,000
Metal recycling revenue	1,800	3,687	-
Miscellaneous	1,600	944	3,063
Plastics recycling revenue	-	-	3,091
	446,659	609,895	688,836
EXPENSES			
Advertising	1,000	615	916
Amortization	80,720	80,720	85,516
Bin repairs	2,000	1,152	441
Bobcat	4,500	5,255	8,223
Building - rental	12,000	12,000	12,000
Building - repairs and maintenance	4,200	10,899	5,826
Donated rental/hauling	-	134,585	152,257
Equipment rental and maintenance	7,000	3,665	4,126
Fencing drop offs	500	-	-
Freight	1,000	-	118
Hauling recycling contract	101,034	93,532	97,744
Insurance	6,576	6,431	6,968
Legal and accounting	1,520	1,520	1,000
Memberships, fees and dues	205	80	205
Miscellaneous	1,000	-	-
Office supplies	1,700	1,356	375
Pest and odour control	50	12	-
Propane	1,500	1,876	1,442
Recycling programs	250	65	65
Safety supplies	1,200	1,135	899
Security	600	381	759
Staff training	1,000	-	-
Supplies	3,600	3,323	2,489
Trailer	2,440	191	451
Travel, education and training	2,500	-	-
Truck	6,000	10,932	5,700
Utilities	20,347	18,458	20,660
Wages and benefits	262,937	242,495	233,557
	527,379	630,678	641,737
RECYCLING REVENUES (UNDER) OVER EXPENSES	\$ (80,720)	\$ (20,783)	\$ 47,099

See notes to financial statements

