

**DRUMHELLER & DISTRICT SOLID WASTE
MANAGEMENT ASSOCIATION**

Financial Statements
Year Ended December 31, 2020

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

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Year Ended December 31, 2020

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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.

Chairman

Secretary/Treasurer

Drumheller, AB
October 12, 2021

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, 2020, and the statements of operations and changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes and schedules 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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 13 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

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.

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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
October 12, 2021

RSM Alberta LLP
Chartered Professional Accountants

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Statement of Financial Position

December 31, 2020

	2020	2019 (Restated - Note 13)
FINANCIAL ASSETS		
Cash (Note 4)	\$ 890,962	\$ 869,429
Accounts receivable	87,920	103,720
Interest receivable	43,761	48,157
Participating municipality loan receivable (Note 3)	152,113	-
Goods and services tax receivable	92,297	26,667
Investments (Notes 4, 5)	3,727,724	3,642,597
	4,994,777	4,690,570
LIABILITIES		
Accounts payable and accrued liabilities	185,169	30,790
Solid waste closure and post-closure liabilities (Notes 6, 13)	3,757,593	3,753,767
	3,942,762	3,784,557
NET FINANCIAL ASSETS	1,052,015	906,013
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	8,133,207	7,869,441
Prepaid expenses	-	41,473
	8,133,207	7,910,914
ACCUMULATED SURPLUS (Note 8)	\$ 9,185,222	\$ 8,816,927

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Statement of Operations and Changes in Accumulated Surplus
Year Ended December 31, 2020

	Budget 2020 (Note 10)	2020	2019 (Restated - Note 13)
REVENUES			
Municipal requisitions	\$ 1,011,808	\$ 1,011,809	\$ 993,345
Disposal fees	527,000	680,648	628,080
Government transfers for capital	-	631,810	-
Donation revenue	-	129,960	136,860
Recycling sales	43,100	85,856	64,277
Other revenue	19,500	16,282	18,799
Government transfers	12,000	12,000	12,000
	1,613,408	2,568,365	1,853,361
EXPENSES			
Recycling	426,955	604,565	612,779
Landfill (Note 13)	646,464	563,504	800,701
Administration	48,106	522,422	262,804
Transportation	458,900	358,859	334,623
Scale house	225,296	249,937	202,170
	1,805,721	2,299,287	2,213,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER	(192,313)	269,078	(359,716)
OTHER REVENUES			
Interest	112,800	99,217	117,020
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(79,513)	368,295	(242,696)
ACCUMULATED SURPLUS - BEGINNING OF YEAR (Note 13)	8,816,927	8,816,927	9,059,623
ACCUMULATED SURPLUS - END OF YEAR	\$ 8,737,414	\$ 9,185,222	\$ 8,816,927

See notes to financial statements

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Statement of Changes in Net Financial Assets

Year Ended December 31, 2020

	Budget		2019 (Restated - Note 13)
	2020	2020	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (79,513)	\$ 368,295	\$ (242,696)
Acquisition of tangible capital assets	-	(806,431)	(36,180)
Amortization of tangible capital assets	-	542,665	309,763
Adjustment on solid waste closure and post-closure liabilities (Note 13)	-	-	(3,401,673)
Change in prepaid expenses	-	(263,766)	(3,128,090)
	-	41,473	(22,874)
	-	(222,293)	(3,150,964)
NET CHANGE IN NET FINANCIAL ASSETS	(79,513)	146,002	(3,393,660)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	906,013	906,013	4,299,673
NET FINANCIAL ASSETS - END OF YEAR	\$ 826,500	\$ 1,052,015	\$ 906,013

See notes to financial statements

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019 (Restated - Note 13)
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 368,295	\$ (242,696)
Item not affecting cash:		
Amortization of tangible capital assets	542,665	309,763
	910,960	67,067
Changes in non-cash working capital:		
Accounts receivable	15,800	(33,726)
Accrued investment income	4,396	(7,099)
Goods and Services Tax receivable	(65,630)	32,609
Prepaid expenses and inventories of supplies	41,473	(22,874)
Accounts payable and accrued liabilities	154,379	(10,749)
Participating municipality loan receivable	(152,113)	-
Solid waste closure and post-closure liabilities (Note 13)	3,826	266,778
	2,131	224,939
	913,091	292,006
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(806,431)	(36,180)
	(806,431)	(36,180)
INVESTING ACTIVITIES		
Proceeds from sale of investments	-	3,559,500
Purchase of investments	(85,127)	(3,642,597)
	(85,127)	(83,097)
INCREASE IN CASH	21,533	172,729
Cash - beginning of year	869,429	696,700
CASH - END OF YEAR	\$ 890,962	\$ 869,429

See notes to financial statements

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND PURPOSE

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, together with the excess of revenue over expenses, provides the change in net financial assets for the year.

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DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

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

Revenue recognition

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.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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 the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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.

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DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

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

Future accounting pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In the coming year, the Association will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS 1201), Financial Instruments (PS 3450), Foreign Currency Transactions (PS 2601) and Portfolio Investments (PS 3041) must be implemented at the same time.

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. The standard is effective for fiscal years beginning on or after April 1, 2021.

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. The standard is effective for fiscal years beginning on or after April 1, 2021.

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. The standard is effective for fiscal years beginning on or after April 1, 2021.

PS 2601 - Foreign Currency Translation: This section established 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 remeasurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2021.

PS 3280 - Asset Retirement Obligations: This section establishes the recognition, measurement, and disclosure requirements for asset retirement obligations. This section requires management to prepare a best estimate of the obligation when there is a legal obligation to incur retirement costs, the transaction giving rise to the liability has occurred and future costs will be incurred. The liability must be reassessed at each financial statement date. The standard is effective for fiscal years beginning on or after April 1, 2021.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

3. PARTICIPATING MUNICIPALITY LOAN RECEIVABLE AND GOVERNMENT TRANSFERS

The Association and participating municipalities entered into a transfer replacement loan agreement on August 18, 2020. All parties agreed on the immediate replacement of six transfer containers located within the corporate boundaries of the participating municipalities and refurbishment and relocation of a transfer container located within the corporate boundaries of the Village of Carbon. Participating municipalities had the option to repay the respective contributions to the Association in one lump sum or in annual installments over a ten-year term at an interest rate of 2.3% per annum. This balance represents the amounts owing from the participating municipalities which chose to pay over the ten year term.

The amounts received during the year from the participating municipalities are recognized as government transfers for capital in the statement of operations.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

4. CASH AND INVESTMENTS

	2020	2019 <i>(Restated - Note 13)</i>
Cash	\$ 890,962	\$ 869,429
Investments	3,727,724	3,642,597
	4,618,686	4,512,026
Cash to fund Capital reserve	(109,010)	(106,647)
Cash to fund Closure and post-closure liability and reserve	(820,045)	(772,622)
Cash to fund Landfill equipment reserve	(95,736)	(93,661)
Cash to fund Recycle equipment reserve	(14,801)	-
Cash to fund Landfill contingency reserve	(91,326)	(31,822)
Cash to fund Landfill detention pond reserve	(68,223)	(56,862)
Cash to fund Landfill expansion reserve	(1,999,289)	(1,965,834)
Cash to fund Recycle capital reserve	(82,671)	(80,879)
Cash to fund Recycle hauling reserve	(52,107)	(41,086)
Cash to fund Recycle contingency reserve	(154,355)	(143,274)
Cash to fund Recycle trailer reserve	(43,307)	(42,368)
Cash to fund Transtor reserve	(176,083)	(224,532)
	(3,706,953)	(3,559,587)
Accounts receivable	87,920	103,720
Accrued investment income	43,761	48,157
Goods and services tax receivable	92,297	26,667
Prepaid expenses and inventories of supplies	-	41,473
Accounts payable and accrued liabilities	(185,169)	(30,790)
Closure and post closure liabilities	(3,757,593)	(3,753,767)
Unrestricted deficit	\$ (2,807,051)	\$ (2,612,101)

The following table shows a continuity of amounts included in cash and short-term investments that are internally restricted to fund the closure and post-closure liability and closure and post-closure reserve.

Opening balance	\$ 772,622	\$ 728,027
Transfers to reserves	30,000	30,000
Interest earned	17,423	14,595
Closing balance	\$ 820,045	\$ 772,622

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

5. INVESTMENTS

	<u>2020</u>	<u>2019</u>
Guaranteed investment certificates	<u>\$ 3,727,724</u>	<u>\$ 3,642,597</u>

Guaranteed investment certificates bear interest at 0.55-2.45% (2019 - 2.15-2.45%) per annum and mature from April 2021 to November 2021 (2019 - April 2020 to April 2021).

6. SOLID WASTE CLOSURE AND POST-CLOSURE LIABILITIES

Alberta environment law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 2.00% and assuming annual inflation of 2.50%.

The estimated liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. During the year, the Association obtained an annual report airspace calculation in order to have more accurate and reliable data to complete an estimate regarding remaining useful airspace as well as an estimate of future closure and post-closure activities. The estimated remaining capacity of the landfill site is 566,579 (2019 – 554,401) cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2085.

	<u>2020</u>	<u>2019</u>
		<i>Restated (Note 13)</i>
Estimated closure costs	<u>\$ 2,800,728</u>	<u>\$ 2,800,728</u>
Estimated post-closure costs	<u>2,393,452</u>	<u>2,393,452</u>
Estimated total liability	<u>5,194,180</u>	<u>5,194,180</u>
Liability accrued	<u>(3,757,593)</u>	<u>(3,753,767)</u>
Balance of estimated costs to accrue by 2085	<u>\$ 1,436,587</u>	<u>\$ 1,440,413</u>

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

7. TANGIBLE CAPITAL ASSETS

Cost	2019 Balance	Additions	Disposals	2020 Balance
Transfer stations	\$ 3,468,442	\$ 753,146	\$ -	\$ 4,221,588
Buildings	1,579,942	-	-	1,579,942
Machinery and equipment	959,198	-	-	959,198
Land improvements	7,015,522	53,285	-	7,068,807
	\$ 13,023,104	\$ 806,431	\$ -	\$ 13,829,535

Accumulated Amortization	2019 Balance	Amortization	Accumulated Amortization on Disposals	2020 Balance
Transfer stations	\$ 2,537,185	\$ 332,466	\$ -	\$ 2,869,651
Buildings	345,886	32,415	-	378,301
Machinery and equipment	689,404	45,265	-	734,669
Land improvements	1,581,188	132,519	-	1,713,707
	\$ 5,153,663	\$ 542,665	\$ -	\$ 5,696,328

Net book value	2020	2019
Transfer stations	\$ 1,351,937	\$ 931,257
Buildings	1,201,641	1,234,056
Machinery and equipment	224,529	269,794
Land improvements	5,355,100	5,434,334
	\$ 8,133,207	\$ 7,869,441

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

8. ACCUMULATED SURPLUS

The Association segregates its accumulated surplus into the following categories:

	<u>2020</u>	<u>2019</u>
Equity in tangible capital assets	\$ 8,133,207	\$ 7,869,441
Landfill closure reserve	(3,757,593)	(3,753,340)
Accumulated surplus	<u>1,102,655</u>	<u>1,141,239</u>
	<u>5,478,269</u>	<u>5,257,340</u>
Restricted surplus		
Capital reserve	109,010	106,647
Closure reserve	820,045	772,622
Equipment reserve	110,537	93,661
Landfill contingency reserve	91,326	31,822
Landfill detention pond reserve	68,223	56,862
Landfill expansion reserve	1,999,289	1,965,834
Recycle capital reserve	82,671	80,879
Recycle hauling reserve	52,107	41,086
Recycle contingency reserve	154,355	143,274
Recycle trailer reserve	43,307	42,368
Transtor reserve	<u>176,083</u>	<u>224,532</u>
	<u>3,706,953</u>	<u>3,559,587</u>
	<u>\$ 9,185,222</u>	<u>\$ 8,816,927</u>

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.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

9. 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 \$41.38/capita (2019 – \$39.80/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 2020 were \$1,011,808.88 (2019 - \$993,345). The Association is economically dependent on the requisitions received from its member municipalities.

There was \$24,037 (2019 - \$11,012) of outstanding receivables and \$48,951 (2019 - \$69) of outstanding payables between the Association and its members at year end.

During the year, the Association received \$12,000 (2019 - \$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.

10. 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, 2020.

(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.

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

11. BUDGET

The budget adopted by the Board 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, with adjustments as follows:

	2020
Revenues per approved budget	\$ 1,726,208
	1,726,208
Expenses per approved budget	1,805,721
Reserves	(79,545)
Amortization	-
	1,726,176
Budget deficit per statement of operations	\$ 32

12. APPROVAL OF FINANCIAL STATEMENTS

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

13. PRIOR PERIOD RESTATEMENT

During 2021, it was determined that the Association was basing its estimated solid waste closure and post-closure liabilities on out-dated information. As a result, the solid waste closure and post-closure liabilities were understated by \$3,680,613 at December 31, 2019.

The effects of the restatement on the statement of financial position as at December 31, 2019 and statement of operations and changes in accumulated surplus and statement of cash flows for the year ended December 31, 2019 is as follows:

	Previously Reported	Adjustment	Restated
<u>Statement of financial position</u>			
Solid waste closure and post-closure liabilities	\$ 73,154	\$ 3,680,613	\$ 3,753,767
Net financial assets	4,586,626	(3,680,613)	906,013
<u>Statement of operations and changes in accumulated surplus</u>			
Landfill expenses	\$ 521,761	\$ 278,940	\$ 800,701
Excess (deficiency) of revenues over expenses	36,244	(278,940)	(242,696)
Accumulated surplus, beginning of year	12,461,296	(3,401,672)	9,059,624
Accumulated surplus, end of year	12,497,540	(3,680,613)	8,816,927

(continues)

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Notes to Financial Statements
Year Ended December 31, 2020

13. PRIOR PERIOD RESTATEMENT *(continued)*

	Previously Reported	Adjustment	Restated
<u>Statement of cash flows</u>			
Excess (deficiency) of revenues over expenses	\$ 36,244	\$ (278,940)	\$ (242,696)
Change in solid waste closure and post-closure liabilities	(12,162)	278,940	266,778

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Landfill Revenues and Expenses
Year Ended December 31, 2020

(Schedule 1)

	Budget 2020 (Note 11)	2020	2019 (Restated - Note 13)
REVENUES			
Disposal fees	\$ 527,000	\$ 680,648	\$ 628,080
Municipal requisitions	662,130	662,131	643,666
Government transfers for capital	-	631,810	-
Other	132,300	13,443	16,434
	1,321,430	1,988,032	1,288,180
EXPENSES			
Amortization	-	479,834	226,860
Waste service contract	368,340	369,313	356,229
Hauling	-	358,859	328,734
Scale House wages and benefits	-	226,410	185,215
Administration	-	42,588	35,944
Waste services contract fuel recovery	44,800	41,188	40,684
Scale House operations	-	23,527	16,955
Professional engineering services	21,600	21,266	32,096
Recycling programs	13,000	19,875	14,298
Advertising and promotion	8,240	14,654	10,653
Groundwater monitoring	5,000	13,047	5,740
Memberships, fees and dues	11,930	12,109	11,232
Site development and survey	6,000	11,295	6,009
Road access	10,000	11,045	7,329
Evaporation pit	8,000	8,390	10,193
Bobcat	5,750	7,132	5,639
Toxic waste roundup	9,500	6,957	9,983
Utilities	5,900	5,445	5,623
Changes in closure and post-closure liabilities	-	3,826	266,779
Detention pond	5,000	3,522	4,740
Truck	2,500	2,269	2,035
Laboratory testing	2,000	1,903	1,439
Environment week	-	1,808	1,655
Internet/phone service	1,200	1,800	600
Miscellaneous	2,050	1,257	225
Leachate lift station	2,000	1,064	1,083
Site preparation	3,000	853	-
Equipment repairs	2,000	803	300
Safety supplies	1,000	679	1,148
Wood chipper	-	468	-
Gas monitoring	500	280	160
Security	500	245	445
Tools and supplies	1,000	230	105
Site leases and taxes	500	200	275
Metal removal	1,000	194	-
Grounds keeping/landscaping	500	125	121
Surface water monitoring	500	98	-

(continues)

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Landfill Revenues and Expenses *(continued)*
 Year Ended December 31, 2020

(Schedule 1)

	Budget 2020 <i>(Note 11)</i>	2020	2019 (Restated - Note 13)
Staff appreciation	1,200	85	900
Odour and pest control	50	78	40
Trailer	500	2	962
Winter cover	3,000	-	1,980
Transtor repairs	-	-	5,888
	548,060	1,694,723	1,600,296
LANDFILL REVENUES UNDER EXPENSES	\$ 773,370	\$ 293,309	\$ (312,116)

DRUMHELLER & DISTRICT SOLID WASTE MANAGEMENT ASSOCIATION

Recycling Revenues and Expenses
Year Ended December 31, 2020

(Schedule 2)

	Budget 2020 (Note 11)	2020	2019
REVENUES			
Municipal requisitions	\$ 349,678	\$ 349,678	\$ 349,679
Donated services	-	129,960	136,860
Program services - paper and electronics	36,700	78,656	61,393
Town of Drumheller - contributions to operations	12,000	12,000	12,000
Miscellaneous	4,300	5,870	2,465
Metal recycling revenue	1,100	2,140	-
Plastics recycling	1,000	2,029	2,784
	404,778	580,333	565,181
EXPENSES			
Wages and benefits	245,149	226,154	217,872
Donated rental/hauling	-	129,960	136,860
Hauling recycling contract	101,164	96,658	93,759
Amortization	-	63,189	82,904
Utilities	16,300	18,777	18,416
Building - rental	12,000	12,000	12,000
Equipment rental and maintenance	5,000	10,580	9,153
Building - repairs and maintenance	4,200	8,469	8,027
Insurance	7,607	7,607	6,897
Bobcat	5,750	7,132	5,639
Truck	10,000	6,617	9,477
Fencing drop off's	-	6,593	-
Supplies	4,000	3,980	4,103
Trailer	3,500	1,998	296
Legal and accounting	1,500	1,500	-
Safety supplies	1,000	1,359	959
Security	600	840	262
Staff training	1,000	410	525
Office supplies	300	323	372
Bin repairs	2,000	183	1,276
Advertising	1,000	128	255
Memberships, fees and dues	85	90	85
Travel, education and training	2,500	13	1,681
Pest and odour control	50	4	-
Miscellaneous	2,050	-	17
Recycling programs	200	-	65
Propane	-	-	1,879
	426,955	604,564	612,779
RECYCLING REVENUES (UNDER) OVER EXPENSES	\$ (22,177)	\$ (24,231)	\$ (47,598)

See notes to financial statements