

**LEDUC AND DISTRICT REGIONAL
WASTE MANAGEMENT COMMISSION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

INDEPENDENT AUDITORS' REPORT

To the Members of the Leduc and District Regional Waste Management Commission

Opinion

We have audited the financial statements of the Leduc and District Regional Waste Management Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated surplus, changes in 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 Commission as at December 31, 2022, and the results of its operations and accumulated surplus and the changes in its net financial assets and 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies 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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Commission 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta

March 29, 2023

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 5,613,990	\$ 11,604,970
Accounts receivable	2,012,505	1,663,454
Goods and Service Tax receivable	149,261	128,618
Investments (Note 3)	<u>9,329,569</u>	<u>2,282,832</u>
	<u>17,105,325</u>	<u>15,679,874</u>
 LIABILITIES		
Accounts payable and accrued liabilities	460,396	971,852
Landfill closure and post-closure costs (Note 4)	<u>4,569,432</u>	<u>3,909,241</u>
	<u>5,029,828</u>	<u>4,881,093</u>
 NET FINANCIAL ASSETS	<u>12,075,497</u>	<u>10,798,781</u>
 NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule 1)	15,292,355	16,260,327
Prepaid expenses	<u>15,168</u>	<u>30,327</u>
	<u>15,307,523</u>	<u>16,290,654</u>
 ACCUMULATED SURPLUS (Note 6)	<u>\$ 27,383,020</u>	<u>\$ 27,089,435</u>

ON BEHALF OF THE COMMISSION:

 _____ Chair

 _____ Vice Chair

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u> (Budget) (Note 12)	<u>2022</u> (Actual)	<u>2021</u> (Actual)
Revenue			
Commercial and construction waste fees	\$ 2,582,751	\$ 2,122,645	\$ 2,001,429
Beneficial and impacted soil fees	655,921	1,982,895	1,401,101
Residential waste fees	1,825,265	1,720,125	1,966,798
Other waste fees	58,693	918,890	71,958
Less rebates	<u>(271,891)</u>	<u>(223,068)</u>	<u>(243,456)</u>
 Total operating revenue	 4,850,739	 6,521,487	 5,197,830
 Interest and investment income	 64,370	 239,240	 78,536
Other revenue	<u>-</u>	<u>1,636</u>	<u>1,841</u>
 Total Revenue	 <u>4,915,109</u>	 <u>6,762,363</u>	 <u>5,278,207</u>
 Expenses			
Contracted operator fees	2,524,366	3,679,046	2,619,846
Landfill closure and post-closure provision (Note 4)	274,345	665,004	424,772
Water monitoring and leachate disposal	439,128	398,432	443,882
Contracted administration fees	242,760	225,000	238,000
Contracted professional fees	176,722	160,310	144,365
Bird management	137,480	111,784	58,436
Other	114,918	94,456	71,676
Conferences, training and meetings	56,416	47,765	4,745
Repairs and maintenance	75,000	32,956	42,022
Bank charges and interest	25,500	25,338	9,737
Insurance	30,600	21,404	24,671
Advertising and public awareness	25,000	11,626	12,576
Bad debts (recovery)	40,800	(22,522)	(868)
Amortization of tangible capital assets	<u>-</u>	<u>1,018,179</u>	<u>1,016,026</u>
 Total Expenses	 <u>4,163,035</u>	 <u>6,468,778</u>	 <u>5,109,886</u>
 Excess of Revenue over Expenses	 752,074	 293,585	 168,321
 Accumulated Surplus, Beginning of Year	 <u>27,089,435</u>	 <u>27,089,435</u>	 <u>26,921,114</u>
 Accumulated Surplus, End of Year	 <u><u>27,841,509</u></u>	 <u><u>\$ 27,383,020</u></u>	 <u><u>\$ 27,089,435</u></u>

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Excess of Revenue Over Expenses	\$ 293,585	\$ 168,321
Acquisition of tangible capital assets	(50,207)	(471,316)
Amortization of tangible capital assets	<u>1,018,179</u>	<u>1,016,026</u>
	1,261,557	713,031
Net use (acquisition) of prepaid expenses	<u>15,159</u>	<u>27,833</u>
Increase in Net Financial Assets	1,276,716	740,864
Net Financial Assets, Beginning of Year	<u>10,798,781</u>	<u>10,057,917</u>
Net Financial Assets, End of Year	<u>\$ 12,075,497</u>	<u>\$ 10,798,781</u>

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Operating Activities		
Cash from operations		
Excess of revenue over expenditures	\$ 293,585	\$ 168,321
Amortization of tangible capital assets	1,018,179	1,016,026
Landfill closure and post-closure provision	665,005	424,772
 Change in non-cash working capital balances related to operations:		
Accounts receivable	(349,051)	(397,991)
Goods and Services Tax receivable	(20,643)	82,882
Prepaid expenses	15,159	27,833
Accounts payable and accrued liabilities	(511,456)	(220,412)
Landfill closure and post-closure costs	<u>(4,814)</u>	<u>(65,696)</u>
	<u>1,105,964</u>	<u>1,035,735</u>
 Investing Activities		
Purchase of investments	<u>(7,046,737)</u>	<u>(30,602)</u>
 Capital Activities		
Acquisition of tangible capital assets	<u>(50,207)</u>	<u>(471,316)</u>
 Change in Cash During the Year	(5,990,980)	533,817
 Cash, Beginning of Year	<u>11,604,970</u>	<u>11,071,153</u>
 Cash, End of Year	\$ <u>5,613,990</u>	\$ <u>11,604,970</u>

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

SCHEDULE 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Engineered Structures</u>	<u>2022</u>	<u>2021</u>
COST:						
Balance, Beginning of Year	\$ 823,333	\$ 3,009,554	\$ 2,928,123	\$18,686,834	\$25,447,844	\$24,976,528
Acquisition of tangible capital assets	-	7,793	40,752	1,662	50,207	471,316
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, End of Year	<u>823,333</u>	<u>3,017,347</u>	<u>2,968,875</u>	<u>18,688,496</u>	<u>25,498,051</u>	<u>25,447,844</u>
ACCUMULATED AMORTIZATION:						
Balance, Beginning of Year	-	875,665	1,371,279	6,940,573	9,187,517	8,171,491
Annual amortization	<u>-</u>	<u>61,848</u>	<u>236,493</u>	<u>719,838</u>	<u>1,018,179</u>	<u>1,016,026</u>
Balance, End of Year	<u>-</u>	<u>937,513</u>	<u>1,607,772</u>	<u>7,660,411</u>	<u>10,205,696</u>	<u>9,187,517</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 823,333</u>	<u>\$ 2,079,834</u>	<u>\$ 1,361,103</u>	<u>\$ 11,028,085</u>	<u>\$ 15,292,355</u>	<u>\$ 16,260,327</u>

Cost includes construction in progress of \$3,782,856 (2021 - \$3,781,194). These amounts are not amortized until the asset is complete and in use.

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. NATURE OF OPERATIONS

The Leduc and District Regional Waste Management Commission (the "Commission") was established on June 27, 1978 with the objective to provide solid waste disposal facilities and services in an efficient, environmentally responsible and socially acceptable manner, for the benefit of member municipalities. Its members are: City of Leduc, Leduc County, City of Beaumont, Town of Calmar and Town of Devon.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for local governments established by the Canadian Public Sector Accounting Board.

(b) Cash

Cash includes a chequing account that is readily converted into known amounts of cash and subject to an insignificant change in value.

(c) Investments

Investments are recorded at cost. Investment premiums and discounts are amortized proportionately 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.

(d) Revenue Recognition

User fees are recognized as revenue when waste material is received at the landfill site.

Government transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Investment income is recognized as revenue when earned.

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Engineering structures	9 - 35 years
Equipment	10 years
Buildings	50 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection Act*, the Commission is required to fund the closure of the landfill and provide for post-closure care of the facility. Closure and post-closure costs include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. This requirement is being provided for over the estimated remaining life of the landfill site based on usage. The annual provision is reported as an operating expenditure, and the accumulated provision is reported as a liability on the statement of financial position.

(g) Measurement Uncertainty

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates regarding significant items such as allowances for uncollectible receivables, amounts relating to impairment assessments and amortization of tangible capital assets, and provisions for closure and post-closure costs that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

3. INVESTMENTS

	<u>2022</u>	<u>2021</u>
Bonds - at cost	<u>\$ 9,329,569</u>	<u>\$ 2,282,832</u>

The investments consist of a mix of bonds with rates of return between 0.58% and 4.38%, maturing between 2023 and 2026. The income from these investments is being reinvested as received.

The market value of the investments at December 31, 2022 was \$9,287,181 (2021 - \$2,314,783).

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

4. PROVISION FOR LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Alberta Environmental Protection and Enhancement Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites.

The liability recorded at December 31, 2022 is \$ 4,569,432 and represents the Commission's estimate of the present value of closure and post-closure costs. Closure will involve covering the site with topsoil and vegetation, and installing groundwater monitoring wells. Post-closure care activities are expected to occur for 25 years and will involve surface and ground water monitoring and landfill cover maintenance.

The municipal solid waste portion of the landfill is expected to reach capacity in 2024. The west cell is expected to reach capacity in 2040.

The funds to discharge this obligation are currently being held in the cash and investment accounts of the Commission.

The detail of the activities in this account are as follows:

	<u>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 3,909,241	\$ 3,550,165
Additions to the liability	665,005	424,772
Expenditures	<u>(4,814)</u>	<u>(65,696)</u>
Balance - end of year	<u>\$ 4,569,432</u>	<u>\$ 3,909,241</u>

The current rate charged to fund this liability is \$2.939 per tonne.

5. DEBT LIMITS

Section 3 of the Alberta Regulation No. 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

	<u>2022</u>	<u>2021</u>
Total debt limit	\$ <u>13,524,726</u>	\$ <u>10,556,414</u>
Total debt	<u>-</u>	<u>-</u>
Unused debt limit	\$ <u>13,524,726</u>	\$ <u>10,556,414</u>
Service on debt limit	\$ <u>2,366,827</u>	\$ <u>1,847,372</u>
Service on debt	<u>-</u>	<u>-</u>
Unused service on debt limit	\$ <u>2,366,827</u>	\$ <u>1,847,372</u>

The debt limit is calculated at 2 times revenue of the Commission (as defined in the Alberta Regulation 76/2000) and the debt service limit is calculated as 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify Commissions that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Commission. Rather, the financial statements must be interpreted as a whole.

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

6. ACCUMULATED SURPLUS

Accumulated surplus consists of unrestricted surplus, internally restricted surplus and equity in tangible capital assets as follows:

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ 456,975	\$ 131,118
Restricted surplus (Note 8)	11,633,690	10,697,990
Equity in tangible capital assets (Note 7)	<u>15,292,355</u>	<u>16,260,327</u>
	<u>\$ 27,383,020</u>	<u>\$ 27,089,435</u>

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Cost of tangible capital assets (Schedule 1)	\$ 25,498,051	\$ 25,447,844
Accumulated amortization of tangible capital assets (Schedule 1)	<u>(10,205,696)</u>	<u>(9,187,517)</u>
	<u>\$ 15,292,355</u>	<u>\$ 16,260,327</u>

8. RESTRICTED SURPLUS

Reserves are established at the discretion of the Board of Directors to set aside funds for future operating and capital purposes. Transfers to and from reserves are reflected as adjustments to the respective fund. Changes in reserve balances during the year were as follows:

	<u>2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>2022</u>
General Reserve	\$10,032,685	\$ 1,230,018	\$ (867,174)	\$10,395,529
Rate Stabilization Reserve	500,000	-	-	500,000
Capital Reserve	<u>165,305</u>	<u>627,035</u>	<u>(54,179)</u>	<u>738,161</u>
	<u>\$10,697,990</u>	<u>\$ 1,857,053</u>	<u>\$ (921,353)</u>	<u>\$11,633,690</u>

The description and purpose of each reserve is as follows:

General Reserve

The General Reserve was established to undertake projects.

Rate Stabilization Reserve

The Rate Stabilization Reserve was established for the purpose of stabilizing land fill usage fees so that they remain fairly consistent on a year by year basis. The reserve will help to fund future anticipated, as well as unexpected cost increases, rather than implementing annual land fill use rate increases. The maximum balance for this reserve has been set at \$500,000.

Capital Reserve

The Capital Reserve was established to fund major capital projects.

LEDUC AND DISTRICT REGIONAL WASTE MANAGEMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

9. RELATED PARTY TRANSACTIONS

The municipalities that are members of the Commission are considered to be related parties.

Accounts receivable includes a total of \$252,352 (2021 - \$166,961) receivable from Commission members.

Accounts payable and accrued liabilities includes a total of \$163,313 (2021 - \$169,753) payable to Commission members.

Administration expense includes \$225,000 (2021 - \$238,000) paid to the City of Leduc for management and administrative services.

These transactions are in the normal course of operations and are measured at the exchange amounts as established and agreed to by the related parties.

10. COMMITMENTS

The City of Leduc provides management services to the Commission under the terms of an agreement to the end of 2024, with annual compensation of \$229,500 for 2023 and \$234,000 for 2024.

GFL Environmental Inc. provides operational services to the Commission under the terms of an agreement to the end of 2023. The agreement provides for monthly compensation payments based on volumes of waste processed.

11. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Commission is not exposed to significant interest rate, currency, credit, liquidity, market or other price risk arising from these financial instruments. The carrying values of these financial instruments approximates their fair value.

12. BUDGET

The budget figures presented in these financial statements are based on the 2022 final budget adopted by the Board on September 15, 2021.