

BAR WASTE AUTHORITY CO-OP INC.

Financial Statements

Year Ended December 31, 2019

BAR WASTE AUTHORITY CO-OP INC.

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Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of BAR Waste Authority Co-op Inc.

Opinion

We have audited the financial statements of BAR Waste Authority Co-op Inc. (the Co-op), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flow 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 Co-op as at December 31, 2019, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-op'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 Co-op or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-op's financial reporting process.

(continues)

Independent Auditors' Report to the Members of BAR Waste Authority Co-op Inc. *(continued)*

Auditors' 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 auditors' 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 Co-op'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 Co-op'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 Co-op 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.

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
August 4, 2020

BAR WASTE AUTHORITY CO-OP INC.

Statement of Financial Position

December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash (Note 4)	\$ 32,942	\$ -
Accounts receivable (Note 10)	25,508	42,231
Prepaid expenses	642	483
	<u>59,092</u>	42,714
CAPITAL ASSETS (Notes 2, 5)	<u>418,153</u>	432,153
	<u>\$ 477,245</u>	<u>\$ 474,867</u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 4)	\$ -	\$ 2,818
Accounts payable and accrued liabilities (Note 10)	43,867	26,754
Current portion of long term debt (Note 7)	14,502	13,812
	<u>58,369</u>	43,384
LONG TERM DEBT (Note 7)	111,728	126,344
DEFERRED CAPITAL CONTRIBUTIONS (Note 2)	83,785	88,439
LANDFILL CLOSURE AND POST CLOSURE COSTS (Note 8)	<u>42,138</u>	13,849
	<u>296,020</u>	272,016
NET ASSETS		
Co-op memberships (Note 11)	30	30
Unrestricted	181,195	202,821
	<u>181,225</u>	202,851
	<u>\$ 477,245</u>	<u>\$ 474,867</u>

ON BEHALF OF THE BOARD

Director

Director

See notes to financial statements

BAR WASTE AUTHORITY CO-OP INC.**Statement of Operations****Year Ended December 31, 2019**

	2019	2018
REVENUE		
Municipality of Bifrost-Riverton user fees <i>(Note 10)</i>	\$ 69,532	\$ 72,913
Waste Reduction and Recycling Support program <i>(Note 10)</i>	30,426	30,426
Town of Arborg user fees <i>(Note 10)</i>	22,709	28,702
Landfill compactor - shared payments <i>(Note 10)</i>	20,750	20,750
Waste Reduction and Recycling Levy	19,728	26,984
Tipping fees	11,599	12,938
Program revenue	6,296	3,554
EcoCentre	5,578	5,080
Scrap metal sales	4,909	6,018
Recognition of deferred contributions <i>(Note 2)</i>	4,655	4,655
Land rent <i>(Notes 9, 10)</i>	3,850	3,850
Wage programs	2,610	2,486
Used tire sales	292	774
	<u>202,934</u>	<u>219,130</u>
EXPENSES		
Administration <i>(Note 10)</i>	4,000	4,000
Advertising and promotion	554	247
Amortization	25,077	23,360
Bank charges and interest	175	175
EcoCentre	1,570	3,925
Equipment rentals <i>(Note 10)</i>	2,280	3,751
Insurance	2,418	1,908
Interest on long term debt	6,708	7,009
Landfill liability accretion expense <i>(Note 8)</i>	28,289	(6,057)
Office	629	1,493
Professional fees	3,800	3,400
Property taxes	1,128	1,082
Repairs and maintenance	28,446	13,935
Salaries and benefits	85,445	75,335
Telephone	977	977
Utilities	2,638	2,266
Waste Reduction and Recycling Support program	30,426	30,426
	<u>224,560</u>	<u>167,232</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (21,626)</u>	<u>\$ 51,898</u>

See notes to financial statements

BAR WASTE AUTHORITY CO-OP INC.
Statement of Changes in Net Assets
Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	\$ 202,821	\$ 150,923
DEFICIENCY OF REVENUE OVER EXPENSES	(21,626)	51,898
UNRESTRICTED NET ASSETS - END OF YEAR	\$ 181,195	\$ 202,821

See notes to financial statements

BAR WASTE AUTHORITY CO-OP INC.

Statement of Cash Flow

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 215,003	\$ 218,419
Cash paid to suppliers and employees	(147,358)	(220,901)
Interest paid	(6,708)	(7,009)
Bank charges and interest	(173)	(174)
	<hr/>	<hr/>
Cash flow from (used by) operating activities	60,764	(9,665)
INVESTING ACTIVITY		
Purchase of capital assets	(11,078)	(6,368)
FINANCING ACTIVITY		
Repayment of long term debt	(13,926)	(13,725)
INCREASE (DECREASE) IN CASH		
	35,760	(29,758)
CASH - BEGINNING OF YEAR	(2,818)	26,940
	<hr/>	<hr/>
CASH (DEFICIENCY) - END OF YEAR	\$ 32,942	\$ (2,818)

BAR WASTE AUTHORITY CO-OP INC.

Notes to Financial Statements

Year Ended December 31, 2019

1. DESCRIPTION OF OPERATIONS

The purpose of the Co-op is to fulfill on a co-operative basis the receipt, handling, and processing of waste so that by-products and other related services will be marketed. The end result will be a reduction in landfill use to be provided by owners and members. The Co-op is owned by two local governments: the Municipality of Bifrost-Riverton and the Town of Arborg. As a non-profit organization, the Co-op is exempt from income taxes on its earnings under section 149(1) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Revenue recognition

User fees are recorded as revenue when received. Used tire and Eco Centre sales are recorded when goods have been sold or services have been performed and collection is reasonably assured.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Landfill site - Roads office	40 years	straight-line method
Equipment	5-15 years	straight-line method
Landfill cells	7 years	straight-line method
Storage building	40 years	straight-line method

The Co-op regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Deferred capital contributions

Funds contributed to the Co-op for the purchase of capital assets are deferred and amortized into income using the same rate and method as the underlying asset.

BAR WASTE AUTHORITY CO-OP INC.

Notes to Financial Statements

Year Ended December 31, 2019

3. FINANCIAL INSTRUMENTS

The Co-op is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Co-op's risk exposure and concentration as of December 31, 2019.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Co-op is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Co-op has a significant number of customers which minimizes concentration of credit risk.

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 Co-op manages exposure through its normal operating and financing activities. The Co-op is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

4. LINE OF CREDIT

The Co-op has a \$10,000 revolving line of credit of which \$Nil (2018 - \$Nil) was used as at December 31, 2019. Bank advances on the credit line are payable on demand and bear interest at 4.95%.

5. CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 93,817	\$ -	\$ 93,817	\$ -
Landfill Site - roads, office	224,852	123,669	224,852	118,047
Equipment	246,176	77,502	246,176	60,786
Landfill cells	106,651	64,952	95,573	62,668
Storage building	18,253	5,473	18,253	5,017
	<u>\$ 689,749</u>	<u>\$ 271,596</u>	<u>\$ 678,671</u>	<u>\$ 246,518</u>
Net book value	<u>\$ 418,153</u>		<u>\$ 432,153</u>	

6. AMOUNTS OWING TO RELATED PARTIES

Amounts owing to related parties are non-interest bearing and have no set repayment terms. The Co-op is related as described in Note 10.

BAR WASTE AUTHORITY CO-OP INC.

Notes to Financial Statements

Year Ended December 31, 2019

7. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
Noentis Credit Union loan bearing interest at prime plus 1%, repayable in annual blended payments of \$20,750. The loan matures on November 1, 2026.	\$ 126,230	\$ 140,156
Current portion	<u>(14,502)</u>	<u>(13,812)</u>
	<u>\$ 111,728</u>	<u>\$ 126,344</u>

Principal repayment terms are approximately:

2020	\$ 14,502
2021	15,219
2022	15,973
2023	16,763
2024	17,593
Thereafter	<u>46,180</u>
	<u>\$ 126,230</u>

BAR WASTE AUTHORITY CO-OP INC.

Notes to Financial Statements

Year Ended December 31, 2019

8. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

Operating Landfill Site

BAR Waste Authority Co-op Inc. operates a Class 2 landfill site. Legislation requires closure and post-closure care of solid waste landfill sites.

Closure costs include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections, and annual reports.

As at December 31, 2019, there is one active cell and three closed cells. During 2016, the Co-op began the development phase for a landfill expansion, as there are no remaining cells to be used once the active cell is closed. During 2019, there was a change in the estimate for the cell closure, which has resulted in the expected closure date being moved forward to 2021. The estimated date of closure for the active cell is June 30, 2021.

Each cell was estimated to have a post closure cost of \$15,000 with an additional \$1,000 per year for 15 years related to gas management operations. During the year, it was determined that the Co-op's responsibility needed to be extended to 25 years. The cost to close a cell is anticipated to be the same regardless of how much the cell is being used.

The liability has been reduced by costs totaling \$37,086 incurred in 2018 to acquire soil and clay for future closure and maintenance of the cells. In 2019, \$12,238 was deemed to have been used, leaving \$24,848 available for future use.

For the year ended December 31, 2019, a discount rate of 2.200% (2018 - 2.000%) was applied to the future cash outflows related to the closure and post-closure costs.

9. LAND RENT

The Co-op has entered into an agreement to lease land to the Arborg-Bifrost Parks & Recreation Commission. The Commission is leasing 110 acres at \$35 per acre, expiring December 31, 2019.

BAR WASTE AUTHORITY CO-OP INC.

Notes to Financial Statements

Year Ended December 31, 2019

10. RELATED PARTY TRANSACTIONS

The following is a summary of the Co-op's related party transactions:

	<u>2019</u>	<u>2018</u>
Municipality of Bifrost-Riverton <i>(The Co-op is a reporting entity under the Municipality of Bifrost-Riverton)</i>		
User Fees	\$ 69,532	\$ 72,913
Waste Reduction and Recycling Support program	22,295	22,295
Landfill compactor - shared payments	14,732	13,508
Administration fee	(4,000)	(4,000)
Equipment rentals	(2,280)	-
	<hr/>	<hr/>
Town of Arborg <i>(The Co-op is a reporting entity under the Town of Arborg)</i>		
User Fees	\$ 22,709	\$ 28,702
Waste Reduction and Recycling Support Program	8,131	8,131
Landfill compactor - shared payments	6,018	7,242
	<hr/>	<hr/>
Arborg-Bifrost Parks and Recreation Commission <i>(Controlled entity of the member Municipalities)</i>		
Land rent	\$ 3,850	\$ 3,850
	<hr/>	<hr/>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is \$2,151 (2018 - \$10,653) owing from the Town of Arborg and \$17,547 (2018 - \$29,298) owing from the Municipality of Bifrost-Riverton from the transactions described above.

Included in accounts payable is \$Nil (2018 - \$1,413) owed to the Town of Arborg and \$42,823 (2018 - \$7,269) owed to the Municipality of Bifrost-Riverton from the transactions described above.

11. CO-OP MEMBERSHIPS

The Town of Arborg owns one third of the issued membership units, the Municipality of Bifrost-Riverton owns two thirds of the issued membership units.

12. ECONOMIC DEPENDENCE

The Co-op's user fees come primarily from two customers; the Municipality of Bifrost-Riverton and Town of Arborg. Should these customers substantially change their dealings with the Co-op, management is of the opinion that continued viable operations would be doubtful.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

BAR WASTE AUTHORITY CO-OP INC.

Notes to Financial Statements

Year Ended December 31, 2019

14. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Act that annual public disclosure be made of aggregate compensation paid to directors, and of individual compensation in an amount exceeding \$75,000 annually to any director, officer or employee of the Co-op. For the year ended December 31, 2019:

- a) Compensation paid to board members amounted to \$0.
 - b) There were no members of the board receiving compensation in excess of \$75,000 individually.
 - c) No employees received compensation in excess of \$75,000 individually.
-