

**Mountain View Regional Waste
Management Commission
Financial Statements**
December 31, 2016

MANAGEMENT'S REPORT


To the Members of Mountain View Regional Waste Management Commission:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The elected board is composed entirely of neither management nor employees of the Commission. The board has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The board is responsible for recommending the appointment of the Commission's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the board and management to discuss their audit findings. The accompanying financial statements are the responsibility of the management of Mountain View Regional Waste Management Commission.



Pat Sliworsky
Chief Administrative Officer

March 27, 2017

Box 2130
Didsbury, AB
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Independent Auditors' Report

To the Members of the Board of Directors of Mountain View Regional Waste Management Commission:

We have audited the accompanying financial statements of Mountain View Regional Waste Management Commission, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and accumulated surplus, changes in net debt, cash flows and Schedule 1 for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or misstatement.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mountain View Regional Waste Management Commission as at December 31, 2016 and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer, Alberta

March 27, 2017



Chartered Professional Accountants

**MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash (note 3) | 2,062,209 | 1,210,241 |
| Accounts receivable (note 4) | | |
| Federal Government | 27,375 | 14,849 |
| Local Government | 36,522 | 90,276 |
| Trade | 194,910 | 378,279 |
| | <u>2,321,016</u> | <u>1,693,645</u> |
| Total Assets | <u>2,321,016</u> | <u>1,693,645</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 177,696 | 230,430 |
| Obligation under capital leases (note 5) | 179,288 | 262,160 |
| Long term debt (note 6) | 2,374,126 | 1,171,392 |
| Landfill closure and post-closure liabilities (note 9) | 1,015,673 | 1,162,427 |
| | <u>3,746,783</u> | <u>2,826,409</u> |
| Total Liabilities | <u>3,746,783</u> | <u>2,826,409</u> |
| Contingencies and commitments (note 15) | - | - |
| Net Debt | <u>(1,425,767)</u> | <u>(1,132,764)</u> |
| Non-financial Assets | | |
| Tangible capital assets (schedule 1) | 5,070,170 | 4,556,258 |
| Inventory | 2,084 | 4,963 |
| Deposits and prepaid expense | 35,963 | 29,596 |
| | <u>5,108,217</u> | <u>4,590,817</u> |
| Total Non-financial Assets | <u>5,108,217</u> | <u>4,590,817</u> |
| Accumulated Surplus (note 11) | <u>3,682,450</u> | <u>3,458,053</u> |

The accompanying notes are an integral part of these financial statements.

**MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
STATEMENT OF OPERATIONS
AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Budget 2016 \$ | 2016 \$ | 2015 \$ |
|---|-------------------------------|-------------------------|-------------------------|
| Revenue | | | |
| Tipping fees | 2,389,300 | 2,258,765 | 3,569,362 |
| Requisitions | 501,573 | 501,584 | 1,195,683 |
| Recyclables | 168,570 | 151,207 | 300,016 |
| Commercial and residential pick up | - | - | 137,135 |
| Gain on disposal of tangible capital assets | - | 46,088 | - |
| Other income | 25,500 | 102,282 | 57,433 |
| Total Revenue | <u>3,084,943</u> | <u>3,059,926</u> | <u>5,259,629</u> |
| Expenses | | | |
| Salaries, wages and benefits | 762,450 | 837,473 | 1,497,507 |
| Contracted and general services | 1,268,488 | 1,326,090 | 1,324,682 |
| Materials, goods and utilities | 153,938 | 145,242 | 275,908 |
| Provision for allowances | 132,000 | (33,986) | 150,688 |
| Bank charges and short-term interest | 5,500 | 5,867 | 9,892 |
| Interest on capital lease and loans | 13,360 | 39,448 | 22,913 |
| Amortization of capital assets | 551,360 | 515,395 | 762,633 |
| Write down of tangible capital assets | - | - | 435,000 |
| Loss on disposal of tangible capital assets | - | - | 87,938 |
| Total Expenses | <u>2,887,096</u> | <u>2,835,529</u> | <u>4,567,161</u> |
| Excess (Deficiency) of Revenue Over Expenses | 197,847 | 224,397 | 692,468 |
| Accumulated Surplus, Beginning of Year | <u>3,458,053</u> | <u>3,458,053</u> | <u>2,765,585</u> |
| Accumulated Surplus, End of Year | <u><u>3,655,900</u></u> | <u><u>3,682,450</u></u> | <u><u>3,458,053</u></u> |

The accompanying notes are an integral part of these financial statements.

MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Budget | | |
|---|---------------------------|---------------------------|---------------------------|
| | 2016 | 2016 | 2015 |
| | \$ | \$ | \$ |
| Excess (deficiency) of revenues over expenses | 197,847 | 224,397 | 692,468 |
| Amortization of capital assets | 551,360 | 515,395 | 762,633 |
| Acquisition of tangible capital assets | (2,000,000) | (1,938,421) | (180,265) |
| Write down of tangible capital assets | - | - | 435,000 |
| Proceeds on disposal of tangible capital assets | - | 955,202 | 333,102 |
| (Gain) loss on disposal of capital assets | - | (46,088) | 87,938 |
| Change in inventory and deposits and prepaid expenses | - | (3,488) | 48,622 |
| | <u> </u> | <u> </u> | <u> </u> |
| Decrease (Increase) in Net Debt | (1,250,793) | (293,003) | 2,179,498 |
| Net Debt, Beginning of Year | <u>(1,132,764)</u> | <u>(1,132,764)</u> | <u>(3,312,262)</u> |
| Net Debt, End of Year | <u><u>(2,383,557)</u></u> | <u><u>(1,425,767)</u></u> | <u><u>(1,132,764)</u></u> |

The accompanying notes are an integral part of these financial statements.

**MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

| | 2016 | 2015 |
|---|------------------|------------------|
| | \$ | \$ |
| Operating | | |
| Excess of revenues over expenses | 224,397 | 692,468 |
| Non-cash charges to operations | | |
| Amortization of capital assets | 515,395 | 762,633 |
| Loss (gain) on disposal of capital assets | (46,088) | 87,938 |
| Write down of tangible capital assets | - | 435,000 |
| Increase (decrease) in landfill closure and post-closure activity | (146,754) | 150,651 |
| Changes in non-cash working capital | | |
| Decrease (increase) in receivable | 224,597 | (88,819) |
| Change in accounts receivable pertaining to tangible capital assets | (104,750) | 104,750 |
| Decrease (increase) in deposits and prepaid expense | (6,367) | 39,831 |
| Decrease (increase) in inventory | 2,879 | 8,791 |
| Increase (decrease) in accounts payable and accrued liabilities | (52,734) | (307,348) |
| Cash provided by operating transactions | 610,575 | 1,885,895 |
| Capital | | |
| Acquisition of tangible capital assets | (1,938,421) | (180,265) |
| Change in accounts receivable pertaining to tangible capital assets | 104,750 | (104,750) |
| Proceeds on disposal of tangible capital assets | 955,202 | 333,102 |
| Cash provided (used) by capital transactions | (878,469) | 48,087 |
| Investing and Financing | | |
| Repayment of obligation under capital lease | (82,872) | (150,250) |
| Repayment of long term debt | (715,079) | (696,802) |
| Loan proceeds | 1,917,813 | - |
| Cash provided (used) by investing and financing activities | 1,119,862 | (847,052) |
| Change in Cash | 851,968 | 1,086,930 |
| Cash, Beginning of Year | 1,210,241 | 123,311 |
| Cash, End of Year | 2,062,209 | 1,210,241 |

The accompanying notes are an integral part of these financial statements.

**MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF TANGIBLE CAPITAL ASSETS (Schedule 1)
FOR THE YEAR ENDED DECEMBER 31, 2016**

| Cost: | 2016 | | | | 2015 | | | |
|---------------------------------|------------------|-----------------------|----------------|----------------|-------------------|------------------|------------------|--|
| | Buildings | Machinery & Equipment | Land | Vehicles | Land Improvements | 2016 | 2015 | |
| Balance, beginning of year | 1,536,148 | 2,507,892 | 916,673 | 1,415,796 | 4,221,710 | 10,598,219 | 11,705,439 | |
| Acquisition | - | 697,390 | - | 58,716 | 1,182,315 | 1,938,421 | 180,265 | |
| Disposals | (17,646) | (1,135,428) | - | (1,266,325) | - | (2,419,399) | (1,287,485) | |
| Balance, end of year | 1,518,502 | 2,069,854 | 916,673 | 208,187 | 5,404,025 | 10,117,241 | 10,598,219 | |
| Accumulated Amortization | | | | | | | | |
| Balance, beginning of year | 507,752 | 1,112,240 | - | 888,013 | 3,533,956 | 6,041,961 | 5,710,773 | |
| Annual amortization | 45,876 | 199,543 | - | 95,341 | 174,635 | 515,395 | 762,633 | |
| Disposals | (16,759) | (570,243) | - | (923,283) | - | (1,510,285) | (866,445) | |
| Write downs | - | - | - | - | - | - | 435,000 | |
| Balance, end of year | 536,869 | 741,540 | - | 60,071 | 3,708,591 | 5,047,071 | 6,041,961 | |
| Net Book Value | 981,633 | 1,328,314 | 916,673 | 148,116 | 1,695,434 | 5,070,170 | 4,556,258 | |
| 2015 Net Book Value | 1,028,396 | 1,395,652 | 916,673 | 527,783 | 687,754 | 4,556,258 | | |

The accompanying notes are an integral part of these financial statements.

**MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1 Nature of Activities

The Mountain View Regional Waste Management Commission was established under the Municipal Government Act in 2001. The Commission is authorized to provide solid waste management services for six member municipalities. The member municipalities are: the Towns of Carstairs, Didsbury, Olds, and Sundre, the Village of Cremona, and Mountain View County.

2 Significant Accounting Policies

The financial statements of the Mountain View Regional Waste Management Commission are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Canadian Professional Accountants of Canada. Significant aspects of the accounting policies adopted by Mountain View Regional Waste Management Commission are as follows:

a) Budget Amounts

The budget amounts presented on the statement of operations are taken from the Commission's annual budget prepared September 2015. Certain budget amounts have been reclassified to conform with the current year's financial statement presentation.

b) Revenue Recognition

Service fees and sales of goods are recognized as revenue in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenue.

Government transfers or grants are the transfer of monetary or tangible capital assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not 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 are met, and reasonable estimates of the amounts can be determined.

c) Pension Expenditure

Contributions for current and past service pension benefits are recorded as expenditures in the year which they become due.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Actual results could differ from those estimates. The landfill closure and post-closure liability, accounts receivable, and valuation, residual values and useful lives of tangible capital assets represent significant estimates in the financial statements.

MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2 Significant Accounting Policies (Continued)

e) Non-Financial Assets

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

i. Tangible Capital Assets

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

| | Years |
|-----------------------|--------------|
| Land Improvements | 15-40 |
| Buildings | 15-40 |
| Machinery & Equipment | 5-10 |
| Vehicles | 5-8 |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Included in land improvements are landfill cell development costs which are amortized based on the volume of landfill capacity used.

ii. Contribution of Tangible Capital Assets

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

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventory

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

f) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Commission 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, as well as 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.

3 Cash

The Commission has a policy to restrict cash sufficient to fund the Landfill closure and post-closure liability. As at December 31, 2016 the landfill closure and post-closure liability is \$1,015,673 (2015 - \$1,162,427) as described in Note 9. The Commission plans to have sufficient cash on hand to fund the liability at the time the sites are closed, however in the interim there may be times when cash on hand is less than the accrued closure and post-closure liability. The Board has restricted additional cash to cover future landfill closure and post closure and capital and recycling reserves (Note 11). The total of restricted cash is \$1,910,616.

The Commission has access to an undrawn operating line of credit to a maximum of \$400,000 bearing interest at prime plus 0.25%.

Included in cash is a total of \$502,934 (\$0 in 2015) relating to RBC Dominion Securities Inc. GIC investments maturing in 2021 with interest rates varying between 1.86% and 1.91%, with an option to convert to cash with monetary penalty.

**MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | | |
|--|----------------|----------------|
| 4 Accounts Receivable | 2016 | 2015 |
| | \$ | \$ |
| Accounts Receivable consists of the following: | | |
| Federal | 27,375 | 14,849 |
| Commission members | 36,522 | 90,276 |
| Trade | 215,410 | 398,779 |
| Bad debt allowance | (20,500) | (20,500) |
| | 258,807 | 483,404 |

| | | |
|--|-------------------|-------------------|
| 5 Obligations Under Capital Lease | 2016 | 2015 |
| | \$ | \$ |
| Leases payable by and issued in the name of the Commission include the following amounts: | | |
| Obligations under leases, repayable \$7,992 monthly, expiring between April 2017 and June 2019, secured by the specific leased assets with a net book value of \$401,388 (2015 - \$464,109). The interest rates range from 4.45% to 6.5% per year. | | |
| Operating Portion of Leases | - | - |
| Capital Portion of Leases | 179,288 | 262,160 |
| | \$ 179,288 | \$ 262,160 |

| | <u>Principal</u> \$ | <u>Interest</u> \$ | <u>Total</u> \$ |
|------|------------------------|-----------------------|--------------------|
| 2017 | 80,643 | 7,615 | 88,258 |
| 2018 | 83,778 | 3,343 | 87,121 |
| 2019 | 14,867 | 242 | 15,109 |
| | 179,288 | 11,200 | 190,488 |

| | | |
|-----------------------------------|---------------------|---------------------|
| 6 Long Term Debt | 2016 | 2015 |
| | \$ | \$ |
| Debentures | | |
| | <u>Rate</u> | <u>Maturing</u> |
| Alberta Capital Finance Authority | 1.428% | December 2016 |
| Alberta Capital Finance Authority | 4.311% | March 2017 |
| Alberta Capital Finance Authority | 1.661% | September 2017 |
| Alberta Capital Finance Authority | 1.797% | December 2018 |
| Alberta Capital Finance Authority | 1.797% | December 2018 |
| Alberta Capital Finance Authority | 1.797% | December 2018 |
| Alberta Capital Finance Authority | 1.719% | September 2019 |
| Alberta Capital Finance Authority | 1.637% | December 2019 |
| Alberta Capital Finance Authority | 2.081% | March 2026 |
| Alberta Capital Finance Authority | 1.238% | June 2021 |
| | | |
| | \$ 2,374,126 | \$ 1,171,392 |

**MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

6 Long Term Debt (continued)

Debenture debt is issued on the credit and security of the Commission at large.

Estimated principal and interest payments on long term debt for the next 5 years are as follows:

| | <u>Principal</u> \$ | <u>Interest</u> \$ | <u>Total</u> \$ |
|------------|------------------------|-----------------------|--------------------|
| 2017 | 638,970 | 35,549 | 674,519 |
| 2018 | 474,256 | 26,092 | 500,348 |
| 2019 | 412,770 | 19,127 | 431,897 |
| 2020 | 315,492 | 13,410 | 328,902 |
| 2021 | 195,038 | 8,902 | 203,940 |
| Thereafter | 337,600 | 17,806 | 355,406 |
| | <u>2,374,126</u> | <u>120,886</u> | <u>2,495,012</u> |

7 Local Authorities Pension Plan

Employees of the Commission participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act is financed by employer and employee contributions and investment earnings.

The Commission is required to make current service contributions to LAPP of 11.39% (2015 - 11.39%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% (2015 - 15.84%) for the excess.

Total current service contributions by the Commission to the Local Authorities Pension Plan in 2016 were \$50,603 (2015 - \$83,395). Total current service contributions by the employees of the Commission to the Local Authorities Pension Plan in 2016 were \$46,440 (2015 - \$76,384).

At December 31, 2015, the Plan disclosed an actuarial deficit of \$0.9 Billion (2014 - \$2.45 Billion).

8 Debt Limits

2016 **2015**
\$ \$

Section 3 of Alberta regulation 76/2000 requires that debt and debt limits for the Mountain View Regional Waste Management Services Commission be disclosed as follows:

| | | |
|--------------------------------|------------------|------------------|
| Total debt limit | 6,119,852 | 10,519,258 |
| Total debt | 2,553,414 | 1,433,552 |
| Amount of debt limit unused | <u>3,566,438</u> | <u>9,085,706</u> |
| Debt service limit | 1,070,974 | 1,840,870 |
| Total debt costs | 762,777 | 771,646 |
| Amount of debt servicing limit | <u>308,197</u> | <u>1,069,224</u> |

The debt limit is calculated at 2 times revenue of the municipality (as defined in Alberta Regulation 76/2000) and the debt service limit is calculated at 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 municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

9 Landfill Closure and Post-Closure Liability

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance. A minimum of 25 years of post closure monitoring is required.

The Commission operates both a Class II and Class III landfill at its site.

| | 2016 \$ | 2015 \$ |
|-----------------|------------------|------------------|
| Balance Forward | 1,162,427 | 1,011,776 |
| Class II | 9,748 | 148,906 |
| Class III | (156,502) | 1,745 |
| Total | <u>1,015,673</u> | <u>1,162,427</u> |

Class II

After 3 years of active operations of the landfill, in 2007, the Commission re-evaluated its closure and post-closure costs for its Class II landfill. Based on this re-evaluation the estimates and assumptions used to determine the closure and post-closure liability were adjusted in 2007. During the current year the Commission re-evaluated the timing of payments anticipated for closure costs. Using these updated estimates and assumptions, an increase of \$178,850 was recorded to the liability in 2016 net of a decrease to the liability for a change in estimate provision of \$169,102 (2015 - an increase of \$148,906).

The Commission's liability has three components. The post closure costs which represent the costs of monitoring the landfill site for 40 years after closure, the site remediation costs which represent the costs of removing roads and buildings, and the closure costs which represent the costs of closing the active landfill area. The estimated total liability is based on the sum of discounted future cash flows for closure, site remediation and post-closure activities using a discount rate of 4% and assuming annual inflation of 3%. The estimated total liability remaining is \$2,456,104.

The remaining capacity of the site is estimated to be 604,580 cubic metres or 57%. The existing landfill site is expected to reach capacity in approximately the year 2035. The Commission's current operating plan is to have an active landfill of approximately 1 hectare and then to reclaim 1 hectare every three years. The current cost of reclaiming 1 hectare is estimated to be \$150,000. Approximately 1 hectare was capped in 2009 as part of the reclamation process.

The accrued liability portion for the post-closure and site remediation costs are based on the cumulative estimated capacity used at year end compared to the estimated total landfill capacity. The accrued liability portion in 2016 is calculated to be \$1,015,673 (2015 - \$1,005,925). The remaining unaccrued portion of the liability, which will be recognized over the remaining active life of the landfill is \$1,440,431.

Class III

In 2010, the Commission re-evaluated its closure and post-closure costs for its Class III landfill. Since the post-closure monitoring and site remediation costs are included with the Class II liability the closure costs represent only the costs of closing the active landfill area. Based on this re-evaluation the estimates and assumptions used to determine the closure liability was adjusted in 2010.

The estimated total liability was based on the sum of discounted future cash flows for closure activities using a discount rate of 4% and assuming annual inflation of 3%. The estimated total liability in 2015 was \$169,823.

The Class III site was closed in 2016. With the closure of the Class III site, the liability for such closure has been removed. Therefore the existing accrued liability for the site closure is nil (2016 - \$156,502). The cost of closing this section of the landfill was \$84,507. As a result of the change in estimate a recovery of \$71,995 was recorded.

At December 31, 2016, the Commission is holding \$1,015,673 for the purpose of settling closure and post-closure liabilities as described in note 3.

MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

| 10 Equity In Tangible Capital Assets | 2016 | 2015 |
|---|------------------|------------------|
| | \$ | \$ |
| Tangible Capital Assets (Schedule 1) | 10,117,241 | 10,598,219 |
| Accumulated Amortization (Schedule 1) | (5,047,071) | (6,041,961) |
| Long-term debt | | |
| Leases (Note 5) | (179,288) | (262,160) |
| Loans (Note 6) | (2,374,126) | (1,171,392) |
| | <u>2,516,756</u> | <u>3,122,706</u> |

11 Accumulated Surplus

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

| | 2016 | 2015 |
|---|------------------|------------------|
| | \$ | \$ |
| Unrestricted surplus (deficit) | (744,922) | (530,872) |
| Restricted surplus | | |
| Capital reserve | 509,929 | 34,707 |
| Landfill closure and post closure reserve | 1,296,873 | 749,554 |
| Recycling reserve | 103,814 | 81,958 |
| Equity in tangible capital assets (note 10) | 2,516,756 | 3,122,706 |
| | <u>3,682,450</u> | <u>3,458,053</u> |

The Commission has established the Restricted Surplus for the future acquisition of capital asset and settlement of closure and post closure obligations.

12 Financial Instruments

The Commission's financial instruments consist of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities, obligations under capital lease, and long term debt. It is management's opinion that the Commission is not exposed to significant interest, currency, credit, liquidity or market risks arising from these financial instruments.

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

The Commission is exposed to interest rate price risk as its obligations under capital leases and long-term debt bear interest at fixed rates.

The Commission is subject to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that entities to which the Commission provides services may not fulfill their obligations. This risk is minimized by the large proportion of accounts receivable from other government entities.

MOUNTAIN VIEW REGIONAL WASTE MANAGEMENT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

13 Related Parties

Unless specifically indicated all transactions with related parties are at fair market value.

Olds, Didsbury, Carstairs, Cremona, Sundre and Mountain View County

The Commission is operated jointly by the six municipalities listed above. In 2016, \$902,709 (2015 - \$2,636,538) of the Commission's operating revenue came from the six municipalities either from requisitions or for services provided by the Commission. At year end there were \$36,522 (2015 - \$90,276) in outstanding accounts receivable from the member municipalities.

The Commission is economically dependent on the member municipalities, Alberta Environment and its users for funding.

14 Board Compensation

Salary and benefits disclosure

Disclosure of salaries and benefits for board members is as follows:

| | | | 2016 | 2015 |
|----------------------|--------|----------|--------|--------|
| | Salary | Benefits | Total | Total |
| | \$ | \$ | \$ | \$ |
| Councillor Aalbers | 717 | 1 | 718 | 360 |
| Councillor Adams | | | - | 5,958 |
| Councillor Gil | 5,409 | - | 5,409 | 8,880 |
| Councillor Hagen | 4,537 | 63 | 4,600 | 8,152 |
| Councillor Hollinger | 1,364 | 24 | 1,388 | 1,111 |
| Councillor Isaac | | | - | 744 |
| Councillor McFadden | 7,457 | 175 | 7,632 | 8,998 |
| Councillor McKean | 9,029 | 219 | 9,248 | 10,376 |
| Councillor Overwater | 11,768 | 368 | 12,136 | 12,927 |
| Councillor Shulz | 4,202 | 89 | 4,291 | 787 |
| Councillor Temple | 696 | 15 | 711 | - |
| | 45,179 | 954 | 46,133 | 58,293 |

Salary includes regular base pay, bonuses, overtime, lump sums, gross honoraria, and any direct cash remuneration.

15 Contingencies and commitments

Mountain View Regional Waste Management Commission, in the conduct of its normal activities can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amounts would be expensed as they become known to the Commission. Currently, there are no determinable amounts.

The Commission has a contract for waste pickup at fixed rates based on volume, expiring September 2018. The Commission also has a shingle grinding contract for \$245,000 which it signed subsequent to year end.

16 Budget

The disclosed budget information is the budget approved by the Board September 28, 2016 with the following adjustments required to make it on the same basis of presentation as the statement of operations:

| | |
|---|-----------|
| | \$ |
| Budgeted surplus | 13,787 |
| Reduce revenue for transfers from capital reserve | (200,000) |
| Reduce expenses for transfers to reserves | 100,000 |
| Reduce expenses for capital payments | 284,060 |
| Revised budget | 197,847 |

17 Comparative figures

Certain financial statement line items were reclassified to conform to current year presentation.

18 Approval of Financial Statements

These financial statements were approved by the Board and Management.