

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

AND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



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CHARTERED ACCOUNTANTS



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INDEPENDENT AUDITOR'S REPORT

To the Members of **Beaver Regional Waste Management Services Commission**:

We have audited the accompanying financial statements of **Beaver Regional Waste Management Services Commission** which consist of the statement of financial position at December 31, 2013, and the statements of changes in net assets, operations, and cash flows for the year then ended, and 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 that the audit evidence we have obtained 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 **Beaver Regional Waste Management Services Commission** as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta
April 24, 2014

Yaremchuk & Annicchiarico LLP
Chartered Accountants

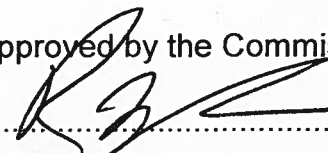
BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

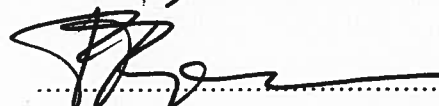
	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 420,872	\$ 319,991
Marketable securities.....	4,883,437	10,750,938
Accounts receivable	2,649,430	1,714,673
Inventory (Note 3).....	614,670	573,816
Prepaid expenses.....	<u>47,869</u>	<u>39,036</u>
Total current assets.....	8,616,278	13,398,454
DEPOSIT ON PROPERTY (Note 4).....	66,450	66,450
PROPERTY AND EQUIPMENT (Note 5).....	<u>12,310,783</u>	<u>7,404,873</u>
TOTAL.....	<u>\$20,993,511</u>	<u>\$20,869,777</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities.....	\$ 1,218,519	\$ 908,825
Deferred revenue.....	379,299	-
Bank loan (Note 7).....	<u>1,881,535</u>	<u>6,148,548</u>
Total current liabilities.....	<u>3,479,353</u>	<u>7,057,373</u>
LANDFILL CLOSURE AND POST CLOSURE OBLIGATION (Note 8).....	<u>5,243,082</u>	<u>5,078,244</u>
NET ASSETS:		
Invested in property and equipment	10,495,698	1,322,775
Internally restricted (Note 9)	456,200	156,200
Unrestricted	<u>1,319,178</u>	<u>7,255,185</u>
Total net assets.....	<u>12,271,076</u>	<u>8,734,160</u>
TOTAL.....	<u>\$20,993,511</u>	<u>\$20,869,777</u>

Approved by the Commission:


..... Chairman


..... Chief Administrative Officer

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Invested In Property and Equipment</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Balance at the beginning of the year.....	\$ 1,322,775	\$156,200	\$ 7,255,185	\$ 8,734,160	\$3,064,440
Excess of revenue (expenses) for the year.....	(1,703,140)	-	5,240,056	3,536,916	5,669,720
Purchase of property and equipment.....	6,861,050	-	(6,861,050)	-	-
Proceeds on sale of equipment.....	(252,000)	-	252,000	-	-
Bank loan repayments.....	4,267,013	-	(4,267,013)	-	-
Transfer	<u>-</u>	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>
Balance at end of the year.....	<u>\$10,495,698</u>	<u>\$456,200</u>	<u>\$ 1,319,178</u>	<u>\$12,271,076</u>	<u>\$8,734,160</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
REVENUE:		
Disposal fees and other.....	\$12,166,860	\$13,987,239
Collection system fees.....	480,855	476,123
Interest and rental.....	<u>114,480</u>	<u>174,278</u>
Total revenue.....	<u>12,762,195</u>	<u>14,637,640</u>
EXPENSES:		
Collection system (Schedule 1).....	883,254	641,645
Hauling (Schedule 2).....	1,564,210	1,383,289
Landfill (Schedule 3).....	2,191,355	1,812,878
General and administrative (Schedule 4).....	1,959,973	1,565,443
Biosolids project - (Schedule 5).....	395,380	18,441
Interest - bank loan.....	103,035	196,426
Grants.....	180,110	-
Amortization.....	1,485,974	1,665,376
Landfill closure and post closure.....	<u>244,822</u>	<u>1,684,578</u>
Total expenses.....	<u>9,008,113</u>	<u>8,968,076</u>
EXCESS OF REVENUE BEFORE THE UNDERNOTED..	<u>3,754,082</u>	<u>5,669,564</u>
OTHER (EXPENSE) INCOME:		
Recovery of expenses.....	-	156
Loss on sale of equipment.....	<u>(217,166)</u>	<u>-</u>
Total other (expense) income.....	<u>(217,166)</u>	<u>156</u>
EXCESS OF REVENUE FOR THE YEAR.....	<u>\$ 3,536,916</u>	<u>\$ 5,669,720</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES:		
Cash from operations:		
Excess of revenue for the year.....	\$ 3,536,916	\$ 5,669,720
Items not involving cash from operations:		
Loss on sale of equipment.....	217,166	-
Amortization.....	1,485,974	1,665,376
Landfill closure and post closure	164,838	1,628,244
Marketable securities market value adjustment.....	<u>92,720</u>	<u>(22,969)</u>
	5,497,614	8,940,371
Net changes in non-cash working capital balances related to operations:		
Accounts receivable	(934,757)	(489,769)
Inventory.....	(40,854)	(504,567)
Prepaid expenses.....	(8,833)	(8,821)
Accounts payable and accrued liabilities.....	309,694	529,036
Deferred revenue.....	<u>379,299</u>	<u>-</u>
Net cash from operating activities	<u>5,202,163</u>	<u>8,466,250</u>
FINANCING ACTIVITIES:		
Bank loan proceeds.....	-	6,741,325
Repayment of bank loans.....	<u>(4,267,013)</u>	<u>(8,465,717)</u>
Net cash used in financing activities.....	<u>(4,267,013)</u>	<u>(1,724,392)</u>
INVESTING ACTIVITIES:		
Purchase of marketable securities	(10,542,472)	(18,281,239)
Proceeds on sale of marketable securities.....	16,317,253	8,363,585
Purchase of property and equipment	(6,861,050)	(503,007)
Proceeds on sale of equipment.....	<u>252,000</u>	<u>-</u>
Net cash used in investing activities.....	<u>(834,269)</u>	<u>(10,420,661)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR..	100,881	(3,678,803)
CASH AT BEGINNING OF THE YEAR.....	<u>319,991</u>	<u>3,998,794</u>
CASH AT END OF THE YEAR.....	<u>\$ 420,872</u>	<u>\$ 319,991</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. NATURE OF OPERATIONS:

Beaver Regional Waste Management Services Commission is constituted under the Municipal Government Act and was approved by the Minister of Municipal Affairs on February 20, 1992 to provide waste management services to the members of the Commission and others on a cost recovery basis. The members of the Commission include Beaver County, Village of Holden, Village of Ryley, Town of Tofield and Town of Viking.

The Commission is exempt from income tax under Section 149 of the Income Tax Act.

2. ACCOUNTING POLICIES:

The financial statements of Beaver Regional Waste Management Services Commission are the representation of management and are prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are as follows:

a) Revenue recognition:

Disposal and collection system fees are recognized as revenue in the period in which the service is provided or in which the transactions or events occurred that gave rise to the revenue.

Rental revenue is recognized according to the lease. Interest revenue is recognized as it is earned.

The company recognizes revenue from the Biosolids Project on the percentage of completion basis. The percentage of completion is determined by relating the actual cost of work performed to date, to the current estimated total cost of the respective contract.

b) Marketable securities:

Marketable securities consist of government bonds and bank bonds. Marketable securities are recorded at fair value.

c) Inventory:

Inventory is stated at the lower of cost and net realizable value.

d) Property and equipment:

Property and equipment are stated at cost. Amortization is provided at the following annual rates:

Landfill site work	percentage of consumption
Facility buildings	3.3% straight line
Transfer station buildings and site work	3.3% straight line
Landfill and office equipment	20% - 33.3% straight line

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. ACCOUNTING POLICIES (continued):

e) Landfill closure and post closure obligation:

As outlined in Note 8, the Commission is required to fund the closure and provide for post closure care of the facility. The requirement is being provided for over the estimated remaining life of the landfill based on usage.

f) Pension expenditures:

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

g) Invested in property and equipment:

Invested in property and equipment represents the Commission's net investment in property and equipment, after deducting the portion financed by third parties through debt or other long-term capital borrowings.

h) Financial instruments:

The Commission initially measures its financial assets and liabilities at fair value.

The Commission's financial instruments measured at amortized cost consists of cash, accounts receivable, accounts payable and accrued liabilities and bank loan.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount of impairment recognized previously. The amount of the reversal is recognized in net income.

i) Cash and cash equivalents:

Cash and cash equivalents consist of balances with banks and short-term investments that can be converted readily to cash.

j) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. ACCOUNTING POLICIES (continued):

j) Use of estimates (continued):

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Commission's best information and judgment. The liability for landfill closure and post closure obligation is such an item and the recognized liability depend on estimates of the magnitude and probability of future costs.

3. INVENTORY:

The major categories of inventory are as follows:

	<u>2013</u>	<u>2012</u>
Inventory for consumption.....	\$102,341	\$ 61,487
Inventory for future closure costs.....	<u>512,329</u>	<u>512,329</u>
	<u>\$614,670</u>	<u>\$573,816</u>

4. DEPOSIT ON PROPERTY:

Deposit on property consists of a non-refundable deposit relating to a purchase and sale agreement dated August, 2003 for closing January, 2016 or such earlier date which is six months after vendors give written notice. The total purchase price is \$443,000.

5. PROPERTY AND EQUIPMENT:

The major categories of property and equipment and related accumulated amortization are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2013</u>	<u>2012</u>
Landfill site work.....	\$11,508,980	\$ 6,798,267	\$4,710,713	\$ 448,594
Facility buildings.....	4,313,779	650,771	3,663,008	3,786,960
Transfer station buildings and site work.....	650,614	574,833	75,781	97,468
Landfill and office equipment.....	<u>8,400,757</u>	<u>5,713,084</u>	<u>2,687,673</u>	<u>1,898,243</u>
	24,874,130	13,736,955	11,137,175	6,231,265
Land.....	<u>1,173,608</u>	<u>-</u>	<u>1,173,608</u>	<u>1,173,608</u>
	<u>\$26,047,738</u>	<u>\$13,736,955</u>	<u>\$12,310,783</u>	<u>\$7,404,873</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

6. BANK INDEBTEDNESS:

The Commission has negotiated a bank line of credit in the amount of \$600,000 which bears interest at the bank prime rate. The balance outstanding on the line of credit is NIL (2012 - NIL). The line of credit is secured by a promissory note and a municipal borrowing bylaw.

7. BANK LOAN:

Bank loan bears interest at a rate of 2.85% per annum and is payable monthly. The bank has agreed to accept monthly payments of \$135,000 principal and interest combined to December 31, 2014.

Bank loan is secured by promissory notes.

8. LANDFILL CLOSURE AND POST CLOSURE OBLIGATION:

Alberta environmental law requires closure and post closure care of landfill sites. 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 includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance. The obligation is being provided for over the estimated remaining life of the landfill site based on usage.

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 3.6% (2012 - 3%) and assuming annual inflation of 2% (2012 - 2%).

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. It is estimated that closure of the landfill will occur in 2039 and post closure care and maintenance would continue until 2064. The Commission received \$3,450,000 for post closure obligations from the private waste disposal company that operated the landfill site to December 31, 2005. Using independent engineering reports management has estimated the closure and post closure obligation of the landfill site at December 31, 2013 to be \$5,243,082.

9. NET ASSETS - INTERNALLY RESTRICTED:

By resolution of the Commission, funds have been internally restricted as follows:

	<u>2013</u>	<u>2012</u>
Capital expenditure reserve.....	\$156,200	\$156,200
Surplus distribution	<u>300,000</u>	<u>-</u>
	<u>\$456,200</u>	<u>\$156,200</u>

The funds can only be expended upon approval of the Commission.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

10. DEBT LIMITS:

Section 602.29 of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 76/100 for the Beaver Regional Waste Services Management Commission be disclosed as follows:

	<u>2013</u>	<u>2012</u>
Total debt limit	\$25,524,390	\$29,275,280
Total debt	<u>1,881,535</u>	<u>6,148,548</u>
Amount total debt limit remaining	<u>\$23,642,855</u>	<u>\$23,126,732</u>
Debt servicing limit	\$ 4,466,768	\$ 5,123,174
Debt servicing	<u>1,620,000</u>	<u>776,000</u>
Amount total debt servicing remaining	<u>\$ 2,846,768</u>	<u>\$ 4,347,174</u>

The debt limit represents 2 times the eligible revenue of the Commission, and the debt servicing limit represents 0.35 times the eligible revenue.

11. LOCAL AUTHORITIES PENSION PLAN:

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

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

The Commission is required to make current service contributions to the plan of 10.43% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.47% for the excess.

At December 31, 2012 the Local Authorities Pension Plan disclosed an actuarial deficit of approximately \$4.98 billion. No liability has been recorded in these financial statements at December 31, 2013 related to this actuarial deficit.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. FINANCIAL INSTRUMENTS:

The Commission is exposed to risk on certain financial instruments as follows:

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk on accounts receivable. In order to reduce its credit risk, the Commission has adopted credit policies which include the analysis of the financial position of debtors and the regular review of their credit limits. The Commission also provides for doubtful accounts based on the estimated realizable value of the accounts receivable.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Commission is mainly exposed to interest rate risk.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Commission is exposed to interest rate risk on bank loan and bank line of credit. The fixed-rate instruments subject the Commission to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

13. APPROVAL OF FINANCIAL STATEMENTS:

These financial statements were approved by the Commission and Management.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF COLLECTION SYSTEM EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Equipment rental	\$ -	\$ 445
Fuel	145,516	117,514
Repairs and maintenance.....	175,761	111,596
Shop supplies	67,486	31,215
Travel.....	5,870	-
Utilities	29,052	32,130
Wages and benefits.....	<u>459,569</u>	<u>348,745</u>
 Total collection system expenses.....	 <u>\$883,254</u>	 <u>\$641,645</u>

Schedule 2

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF HAULING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Equipment rental	\$ 123,224	\$ 1,049
Fuel	430,328	474,170
Repairs and maintenance.....	116,449	114,851
Shop supplies	51,313	77,178
Travel.....	137	-
Utilities	24,241	15,824
Wages and benefits.....	<u>818,518</u>	<u>700,217</u>
 Total hauling expenses.....	 <u>\$1,564,210</u>	 <u>\$1,383,289</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF LANDFILL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Consulting and engineering.....	\$ 103,613	\$ 157,792
Fuel	390,538	265,774
Repairs and maintenance.....	202,641	92,080
Subcontracts and equipment rental.....	105,342	367,585
Supplies.....	136,440	71,836
Travel.....	5,748	-
Utilities	32,794	36,388
Wages and benefits.....	<u>1,214,239</u>	<u>821,423</u>
 Total landfill expenses	 <u>\$2,191,355</u>	 <u>\$1,812,878</u>

Schedule 4

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Accounting.....	\$ 90,659	\$ 59,996
Advertising and donations	30,489	14,294
Bad debts	3,524	439
Computer.....	84,853	86,707
Consulting.....	277,404	105,264
Dues and fees	27,579	8,172
Equipment rental	22,847	28,527
Fuel	9,197	-
Insurance.....	57,612	46,671
Interest and bank charges	27,012	27,208
Meetings.....	53,858	46,587
Professional fees.....	100,633	73,879
Repairs and maintenance.....	34,084	12,190
Salaries and benefits	889,931	856,925
Supplies, postage and other.....	105,178	68,813
Travel and promotion.....	110,748	108,199
Utilities	<u>34,365</u>	<u>21,572</u>
 Total general and administrative expenses	 <u>\$1,959,973</u>	 <u>\$1,565,443</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF BIOSOLIDS PROJECT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Consulting and engineering	\$204,547	\$18,441
Equipment rental	138,517	-
Fuel	23,077	-
Rent	5,788	-
Repairs and maintenance.....	4,384	-
Shop supplies	4,185	-
Travel.....	162	-
Wages and benefits.....	<u>14,720</u>	<u>-</u>
 Total biosolids project expenses	 <u>\$395,380</u>	 <u>\$18,441</u>