

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

AND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



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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, 2016, 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, 2016, 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
February 23, 2017

Yaremchuk & Annicchiarico LLP
Chartered Accountants


BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

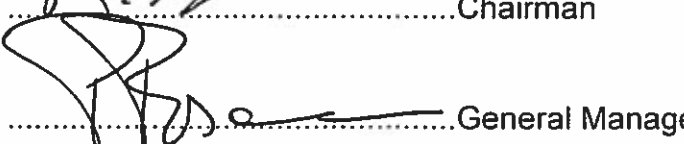
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 6,472,188	\$ 8,284,824
Marketable securities	15,332,600	9,772,592
Accounts receivable	1,660,344	2,504,476
Inventory (Note 3)	753,526	776,929
Prepaid expenses	<u>99,699</u>	<u>107,069</u>
Total current assets	24,318,357	21,445,890
DEPOSIT ON PROPERTY (Note 4)	66,450	66,450
PROPERTY AND EQUIPMENT (Note 5)	<u>15,686,326</u>	<u>12,467,879</u>
TOTAL	<u>\$40,071,133</u>	<u>\$33,980,219</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITY - accounts payable and accrued liabilities	\$ <u>591,885</u>	\$ <u>748,869</u>
LANDFILL CLOSURE AND POST CLOSURE OBLIGATION (Note 7)	<u>4,699,063</u>	<u>4,120,129</u>
NET ASSETS:		
Invested in property and equipment	15,752,776	12,534,329
Internally restricted (Note 8)	4,953,330	5,559,817
Unrestricted	<u>14,074,079</u>	<u>11,017,075</u>
Total net assets	<u>34,780,185</u>	<u>29,111,221</u>
TOTAL	<u>\$40,071,133</u>	<u>\$33,980,219</u>

Approved by the Commission:


..... Chairman


..... General Manager

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Invested In Property and Equipment	Internally Restricted	Unrestricted	2016 Total	2015 Total
Balance at the beginning of the year.....	\$12,534,329	\$5,559,817	\$11,017,075	\$29,111,221	\$24,905,319
Excess of revenue (expenses) for the year.....	(3,757,438)	-	11,426,402	7,668,964	7,505,902
Purchase of property and equipment.....	6,975,885	-	(6,975,885)	-	-
Transfer from internally restricted.....	-	(606,487)	606,487	-	-
Distribution to members.....	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(3,300,000)</u>
Balance at end of the year.....	<u>\$15,752,776</u>	<u>\$4,953,330</u>	<u>\$14,074,079</u>	<u>\$34,780,185</u>	<u>\$29,111,221</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE:		
Disposal fees, hauling and other	\$21,050,886	\$19,691,183
Collection system fees.....	526,871	493,259
Interest and rental.....	<u>238,301</u>	<u>264,720</u>
Total revenue.....	<u>21,816,058</u>	<u>20,449,162</u>
EXPENSES:		
Collection system (Schedule 1)	832,179	892,559
Hauling (Schedule 2)	1,654,536	1,520,182
Landfill (Schedule 3).....	3,392,981	3,285,869
General and administrative (Schedule 4)	3,437,895	2,919,733
Biosolids project - (Schedule 5).....	78,985	83,222
Grants.....	227,188	213,183
Amortization.....	3,584,572	3,704,004
Landfill closure and post closure	<u>762,741</u>	<u>463,492</u>
Total expenses	<u>13,971,077</u>	<u>13,082,244</u>
EXCESS OF REVENUE BEFORE THE UNDERNOTED..	<u>7,844,981</u>	<u>7,366,918</u>
OTHER (EXPENSE) INCOME:		
Foreign exchange loss	(3,151)	(49,116)
(Loss) gain on disposal of property and equipment.....	<u>(172,866)</u>	<u>188,100</u>
Net other (expense) income	<u>(176,017)</u>	<u>138,984</u>
EXCESS OF REVENUE FOR THE YEAR	<u>\$ 7,668,964</u>	<u>\$ 7,505,902</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Cash from operations:		
Excess of revenue for the year	\$ 7,668,964	\$ 7,505,902
Items not involving cash from operations:		
Loss (gain) on sale of property and equipment	172,866	(188,100)
Amortization.....	3,584,572	3,704,004
Landfill closure and post closure	578,934	(197,488)
Marketable securities market value adjustment.....	<u>59,299</u>	<u>14,443</u>
	12,064,635	10,838,761
Net changes in non-cash working capital balances related to operations:		
Accounts receivable	844,132	2,100,390
Inventory.....	23,403	(101,923)
Prepaid expenses.....	7,370	(41,307)
Deposit on equipment.....	-	775,000
Accounts payable and accrued liabilities.....	<u>(156,984)</u>	<u>(209,090)</u>
Net cash from operating activities	<u>12,782,556</u>	<u>13,361,831</u>
FINANCING ACTIVITY - distribution to members	<u>(2,000,000)</u>	<u>(3,300,000)</u>
INVESTING ACTIVITIES:		
Purchase of marketable securities	(28,581,807)	(26,854,900)
Proceeds on sale of marketable securities.....	22,962,500	29,923,875
Purchase of property and equipment	(6,975,885)	(5,861,289)
Proceeds on sale of property and equipment.....	<u>-</u>	<u>619,400</u>
Net cash used in investing activities	<u>(12,595,192)</u>	<u>(2,172,914)</u>
(DECREASE) INCREASE IN CASH DURING THE YEAR..	(1,812,636)	7,888,917
CASH AT BEGINNING OF THE YEAR.....	<u>8,284,824</u>	<u>395,907</u>
CASH AT END OF THE YEAR.....	<u>\$ 6,472,188</u>	<u>\$ 8,284,824</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, collection system and waste water treatment 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.

b) Marketable securities:

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

Property and equipment under development represents capital projects under construction and are therefore not being amortized.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. ACCOUNTING POLICIES (continued):

e) Landfill closure and post closure obligation:

As outlined in Note 7, 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 and accounts payable and accrued liabilities.

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, 2016

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>2016</u>	<u>2015</u>
Inventory for consumption.....	\$241,197	\$264,600
Inventory for future closure costs	<u>512,329</u>	<u>512,329</u>
	<u>\$753,526</u>	<u>\$776,929</u>

4. DEPOSIT ON PROPERTY:

Deposit on property consists of a deposit relating to a purchase and sale agreement dated August, 2003. The purchase and sale agreement was terminated effective October, 2014 and the deposit is to be repaid on the earlier of October, 2019 or the sale of land by the vendor. The deposit is non-interest bearing and secured by a first charge over land.

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>2016</u>	<u>2015</u>
Landfill site work.....	\$15,040,740	\$12,779,149	\$ 2,261,591	\$ 804,131
Facility buildings	5,856,358	1,152,447	4,703,911	4,896,837
Transfer station buildings and site work	654,807	438,458	216,349	57,099
Landfill and office equipment.....	14,802,050	7,143,716	7,658,334	5,608,956
Property and equipment under development	<u>103,833</u>	<u>-</u>	<u>103,833</u>	<u>358,548</u>
	36,457,788	21,513,770	14,944,018	11,725,571
Land	<u>742,308</u>	<u>-</u>	<u>742,308</u>	<u>742,308</u>
	<u>\$37,200,096</u>	<u>\$21,513,770</u>	<u>\$15,686,326</u>	<u>\$12,467,879</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 (2015 - NIL). The line of credit is secured by a promissory note and a municipal borrowing bylaw.

7. 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 3.4% (2015 - 3.1%) and assuming annual inflation of 2% (2015 - 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 2033 and post closure care and maintenance would continue until 2058. 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, 2016 to be \$4,699,063 (2015 - \$4,120,129).

8. NET ASSETS - INTERNALLY RESTRICTED:

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

	<u>2016</u>	<u>2015</u>
Capital expenditure reserve.....	\$ 254,267	\$1,242,200
Landfill closure and post closure reserve	<u>4,699,063</u>	<u>4,317,617</u>
	<u>\$4,953,330</u>	<u>\$5,559,817</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, 2016

9. 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 Management Services Commission be disclosed as follows:

	<u>2016</u>	<u>2015</u>
Total debt limit	\$43,632,116	\$41,274,524
Total debt	<u>-</u>	<u>-</u>
Amount total debt limit remaining	<u>\$43,632,116</u>	<u>\$41,274,524</u>
Debt servicing limit	\$ 7,635,620	\$ 7,223,042
Debt servicing	<u>-</u>	<u>-</u>
Amount total debt servicing remaining	<u>\$ 7,635,620</u>	<u>\$ 7,223,042</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.

10. 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 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess.

At December 31, 2015, the Local Authorities Pension Plan disclosed an actuarial deficit of approximately \$0.92 billion. No liability has been recorded in these financial statements at December 31, 2016 related to this actuarial deficit.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

11. 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. Approximately 64% of the Commission's sales were to one customer in 2016 and \$773,807 from this customer is included in accounts receivable at December 31, 2016. 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 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.

12. 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, 2016

	<u>2016</u>	<u>2015</u>
Consulting and engineering	\$ -	\$ 400
Dues and fees	747	1,002
Fuel	65,382	78,411
Repairs and maintenance.....	118,814	152,744
Shop supplies	62,524	66,601
Subcontracts and equipment rental.....	14,342	47,311
Travel.....	1,607	4,399
Utilities	15,009	15,730
Wages and benefits.....	<u>553,754</u>	<u>525,961</u>
 Total collection system expenses.....	 <u>\$832,179</u>	 <u>\$892,559</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF HAULING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Dues and fees	\$ 1,132	\$ 1,210
Fuel	371,370	337,901
Repairs and maintenance.....	178,535	109,335
Shop supplies	74,473	60,934
Subcontract and equipment rental.....	2,210	15,038
Travel.....	1,614	879
Utilities	3,963	4,971
Wages and benefits.....	<u>1,021,239</u>	<u>989,914</u>
 Total hauling expenses.....	 <u>\$1,654,536</u>	 <u>\$1,520,182</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF LANDFILL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Consulting and engineering	\$ 138,191	\$ 199,319
Dues and fees	2,067	2,042
Fuel	381,873	508,264
Repairs and maintenance.....	496,066	356,636
Subcontracts and equipment rental.....	351,110	301,655
Supplies.....	222,782	235,806
Travel.....	-	9,290
Utilities	38,565	43,926
Wages and benefits.....	<u>1,762,327</u>	<u>1,628,931</u>
 Total landfill expenses	 <u>\$3,392,981</u>	 <u>\$3,285,869</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Advertising and donations	\$ 109,157	\$ 46,006
Bad debts (recovered)	1,155	(948)
Computer.....	87,610	71,320
Consulting.....	227,060	212,671
Dues and fees	52,929	67,835
Fuel	20,856	24,001
Insurance.....	74,493	73,266
Interest and bank charges	46,721	45,577
Meetings	61,198	42,306
Professional fees.....	87,174	67,897
Repairs and maintenance.....	95,611	97,137
Salaries and benefits	2,136,026	1,748,581
Subcontract and equipment rental.....	30,925	27,580
Supplies, postage and other.....	138,606	121,569
Travel and promotion.....	186,732	210,762
Utilities	<u>81,642</u>	<u>64,173</u>
 Total general and administrative expenses	 <u>\$3,437,895</u>	 <u>\$2,919,733</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF BIOSOLIDS PROJECT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Consulting and engineering	<u>\$72,595</u>	\$75,532
Rent.....	<u>6,390</u>	<u>7,690</u>
Total biosolids project expenses	<u>\$78,985</u>	<u>\$83,222</u>