

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**AND**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**

## 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, 2017, 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, 2017, 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 22, 2018

*Yaremchuk & Annicchiarico* LLP  
Chartered Professional Accountants

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**

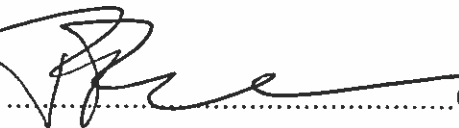
	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash .....	\$ 6,700,357	\$ 6,472,188
Marketable securities .....	15,967,724	15,332,600
Accounts receivable .....	1,476,274	1,660,344
Inventory (Note 3) .....	864,310	753,526
Prepaid expenses .....	<u>187,499</u>	<u>99,699</u>
Total current assets .....	25,196,164	24,318,357
DEPOSIT ON PROPERTY (Note 4) .....	66,450	66,450
PROPERTY AND EQUIPMENT (Note 5) .....	<u>18,377,431</u>	<u>15,686,326</u>
TOTAL .....	<u>\$43,640,045</u>	<u>\$40,071,133</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITY - accounts payable and accrued liabilities .....	\$ <u>323,552</u>	\$ <u>591,885</u>
LANDFILL CLOSURE AND POST CLOSURE OBLIGATION (Note 7) .....	<u>5,523,485</u>	<u>4,699,063</u>
NET ASSETS:		
Invested in property and equipment .....	18,443,881	15,752,776
Internally restricted (Note 8) .....	13,202,612	4,953,330
Unrestricted .....	<u>6,146,515</u>	<u>14,074,079</u>
Total net assets .....	<u>37,793,008</u>	<u>34,780,185</u>
TOTAL .....	<u>\$43,640,045</u>	<u>\$40,071,133</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, 2017**

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	Invested In Property and Equipment	Internally Restricted	Unrestricted	<b>2017 Total</b>	<b>2016 Total</b>
Balance at the beginning of the year.....	\$15,752,776	\$ 4,953,330	\$14,074,079	<b>\$34,780,185</b>	<b>\$29,111,221</b>
Excess of revenue (expenses) for the year.....	(3,825,934)	-	8,838,757	<b>5,012,823</b>	<b>7,668,964</b>
Purchase of property and equipment.....	6,547,145	-	(6,547,145)	-	-
Proceeds on sale of property and equipment....	(30,106)	-	30,106	-	-
Transfer from internally restricted.....	-	8,249,282	(8,249,282)	-	-
Distribution to members.....	-	-	(2,000,000)	<b>(2,000,000)</b>	<b>(2,000,000)</b>
Balance at end of the year.....	<b><u>\$18,443,881</u></b>	<b><u>\$13,202,612</u></b>	<b><u>\$ 6,146,515</u></b>	<b><u>\$37,793,008</u></b>	<b><u>\$34,780,185</u></b>

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<u>2017</u>	<u>2016</u>
<b>REVENUE:</b>		
Disposal fees, hauling and other .....	\$18,500,172	\$21,050,886
Collection system fees.....	506,826	526,871
Interest and rental.....	<u>256,750</u>	<u>238,301</u>
Total revenue.....	<u>19,263,748</u>	<u>21,816,058</u>
<b>EXPENSES:</b>		
Collection system (Schedule 1) .....	821,272	832,179
Hauling (Schedule 2) .....	1,575,754	1,654,536
Landfill (Schedule 3).....	3,266,439	3,392,981
General and administrative (Schedule 4) .....	3,690,455	3,437,895
Biosolids project - (Schedule 5).....	7,890	78,985
Grants.....	238,397	227,188
Amortization.....	3,845,966	3,584,572
Landfill closure and post closure .....	<u>824,422</u>	<u>762,741</u>
Total expenses .....	<u>14,270,595</u>	<u>13,971,077</u>
<b>EXCESS OF REVENUE BEFORE THE UNDERNOTED..</b>	<u><b>4,993,153</b></u>	<u><b>7,844,981</b></u>
<b>OTHER INCOME (EXPENSE):</b>		
Foreign exchange loss .....	(362)	(3,151)
Gain (loss) on disposal of property and equipment .....	<u>20,032</u>	<u>(172,866)</u>
Net other income (expense) .....	<u>19,670</u>	<u>(176,017)</u>
<b>EXCESS OF REVENUE FOR THE YEAR .....</b>	<u><b>\$ 5,012,823</b></u>	<u><b>\$ 7,668,964</b></u>

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES:</b>		
Cash from operations:		
Excess of revenue for the year.....	\$ 5,012,823	\$ 7,668,964
Items not involving cash from operations:		
(Gain) loss on sale of property and equipment.....	(20,032)	172,866
Amortization.....	3,845,966	3,584,572
Landfill closure and post closure .....	824,422	578,934
Marketable securities market value adjustment.....	<u>74,002</u>	<u>59,299</u>
	<b>9,737,181</b>	<b>12,064,635</b>
Net changes in non-cash working capital balances related to operations:		
Accounts receivable .....	184,070	844,132
Inventory.....	(110,784)	23,403
Prepaid expenses.....	(87,800)	7,370
Accounts payable and accrued liabilities .....	<u>(268,333)</u>	<u>(156,984)</u>
Net cash from operating activities .....	<u>9,454,334</u>	<u>12,782,556</u>
FINANCING ACTIVITY - distribution to members .....	<u>(2,000,000)</u>	<u>(2,000,000)</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of marketable securities .....	(25,179,975)	(28,581,807)
Proceeds on sale of marketable securities.....	24,470,849	22,962,500
Purchase of property and equipment .....	(6,547,145)	(6,975,885)
Proceeds on sale of property and equipment.....	<u>30,106</u>	<u>-</u>
Net cash used in investing activities .....	<u>(7,226,165)</u>	<u>(12,595,192)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR..	228,169	(1,812,636)
CASH AT BEGINNING OF THE YEAR .....	<u>6,472,188</u>	<u>8,284,824</u>
CASH AT END OF THE YEAR.....	<u>\$ 6,700,357</u>	<u>\$ 6,472,188</u>

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**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.....	10% - 33.3% straight line or percentage of useful life

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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2. ACCOUNTING POLICIES (continued):

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.

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>2017</u>	<u>2016</u>
Inventory for consumption.....	\$351,981	\$241,197
Inventory for future closure costs .....	<u>512,329</u>	<u>512,329</u>
	<u>\$864,310</u>	<u>\$753,526</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.



**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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>2017</u>	<u>2016</u>
Landfill site work .....	\$19,501,242	\$14,219,433	\$ 5,281,809	\$ 2,261,591
Facility buildings .....	5,866,704	1,340,596	4,526,108	4,703,911
Transfer station buildings and site work .....	654,807	452,952	201,855	216,349
Landfill and office equipment.....	16,561,671	9,313,811	7,247,860	7,658,334
Property and equipment under development .....	<u>377,491</u>	<u>-</u>	<u>377,491</u>	<u>103,833</u>
	42,961,915	25,326,792	17,635,123	14,944,018
Land .....	<u>742,308</u>	<u>-</u>	<u>742,308</u>	<u>742,308</u>
	<u>\$43,704,223</u>	<u>\$25,326,792</u>	<u>\$18,377,431</u>	<u>\$15,686,326</u>

**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 (2016 - 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 3.1% (2016 - 3.4%) and assuming annual inflation of 2% (2016 - 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, 2017 to be \$5,523,485 (2016 - \$4,699,063).

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**8. NET ASSETS - INTERNALLY RESTRICTED:**

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

	<u>2017</u>	<u>2016</u>
Capital expenditure reserve.....	\$ 7,679,127	\$ 254,267
Landfill closure and post closure reserve .....	<u>5,523,485</u>	<u>4,699,063</u>
	<u>\$13,202,612</u>	<u>\$4,953,330</u>

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

**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>2017</u>	<u>2016</u>
Total debt limit .....	\$38,567,560	\$43,632,116
Total debt .....	<u>-</u>	<u>-</u>
Amount total debt limit remaining .....	<u>\$38,567,560</u>	<u>\$43,632,116</u>
Debt servicing limit .....	\$ 6,749,323	\$ 7,635,620
Debt servicing .....	<u>-</u>	<u>-</u>
Amount total debt servicing remaining .....	<u>\$ 6,749,323</u>	<u>\$ 7,635,620</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, 2016, the Local Authorities Pension Plan disclosed an actuarial deficit of approximately \$0.64 billion. No liability has been recorded in these financial statements at December 31, 2017 related to this actuarial deficit.

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**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 60% of the Commission's sales were to one customer in 2017 and \$633,596 from this customer is included in accounts receivable at December 31, 2017. 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, 2017**

	<u>2017</u>	<u>2016</u>
Consulting and engineering .....	\$ 623	\$ -
Dues and fees .....	1,128	747
Fuel .....	102,317	65,382
Repairs and maintenance.....	72,983	118,814
Shop supplies .....	46,747	62,524
Subcontracts and equipment rental.....	2,205	14,342
Travel.....	7,354	1,607
Utilities .....	13,259	15,009
Wages and benefits.....	<u>574,656</u>	<u>553,754</u>
 Total collection system expenses.....	 <u>\$821,272</u>	 <u>\$832,179</u>

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**SCHEDULE OF HAULING EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Consulting and engineering .....	\$ 943	\$ -
Dues and fees .....	1,270	1,132
Fuel .....	415,450	371,370
Repairs and maintenance.....	73,620	178,535
Shop supplies .....	66,279	74,473
Subcontract and equipment rental.....	5,880	2,210
Travel.....	5,566	1,614
Utilities .....	4,275	3,963
Wages and benefits.....	<u>1,002,471</u>	<u>1,021,239</u>
 Total hauling expenses.....	 <u>\$1,575,754</u>	 <u>\$1,654,536</u>

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**SCHEDULE OF LANDFILL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Consulting and engineering .....	\$ 174,068	\$ 138,191
Dues and fees .....	3,688	2,067
Fuel .....	508,316	381,873
Repairs and maintenance.....	398,132	496,066
Subcontracts and equipment rental.....	49,989	351,110
Supplies.....	171,188	222,782
Travel.....	10,013	-
Utilities .....	40,752	38,565
Wages and benefits.....	<u>1,910,293</u>	<u>1,762,327</u>
 Total landfill expenses .....	 <u>\$3,266,439</u>	 <u>\$3,392,981</u>

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Advertising and donations .....	\$ 112,921	\$ 109,157
Bad debts (recovered) .....	(57)	1,155
Computer .....	113,202	87,610
Consulting.....	183,676	227,060
Dues and fees .....	69,863	52,929
Fuel .....	20,248	20,856
Insurance.....	85,486	74,493
Interest and bank charges .....	81,688	46,721
Meetings .....	53,395	61,198
Professional fees .....	144,107	87,174
Repairs and maintenance.....	81,005	95,611
Salaries and benefits .....	2,364,272	2,136,026
Subcontract and equipment rental.....	11,541	30,925
Supplies, postage and other.....	119,374	138,606
Travel and promotion.....	181,151	186,732
Utilities .....	<u>68,583</u>	<u>81,642</u>
 Total general and administrative expenses .....	 <u>\$3,690,455</u>	 <u>\$3,437,895</u>

**BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION**  
**SCHEDULE OF BIOSOLIDS PROJECT EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<u>2017</u>	<u>2016</u>
Consulting and engineering .....	\$1,500	\$72,595
Rent.....	<u>6,390</u>	<u>6,390</u>
Total biosolids project expenses .....	<u>\$7,890</u>	<u>\$78,985</u>