

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012, 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, 2012, 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 29, 2013

Yaremchuk & Annicchiarico LLP
Chartered Accountants

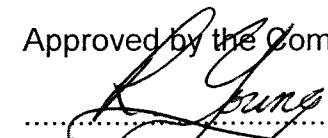
BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

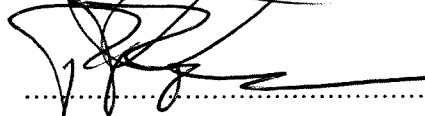
	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 319,991	\$ 3,998,794
Marketable securities.....	10,750,938	810,315
Accounts receivable	1,714,673	1,224,904
Inventory (Note 3).....	573,816	69,249
Prepaid expenses.....	<u>39,036</u>	<u>30,215</u>
Total current assets	13,398,454	6,133,477
DEPOSIT ON PROPERTY (Note 4).....	66,450	66,450
PROPERTY AND EQUIPMENT (Note 5).....	<u>7,404,873</u>	<u>8,567,242</u>
TOTAL.....	<u>\$20,869,777</u>	<u>\$14,767,169</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 908,825	\$ 379,789
Bank loans (Note 7).....	<u>6,148,548</u>	<u>7,872,940</u>
Total current liabilities	<u>7,057,373</u>	<u>8,252,729</u>
LANDFILL CLOSURE AND POST CLOSURE OBLIGATION (Note 8).....	<u>5,078,244</u>	<u>3,450,000</u>
NET ASSETS:		
Invested in property and equipment	1,322,775	760,752
Internally restricted	156,200	156,200
Unrestricted	<u>7,255,185</u>	<u>2,147,488</u>
Total net assets	<u>8,734,160</u>	<u>3,064,440</u>
TOTAL.....	<u>\$20,869,777</u>	<u>\$14,767,169</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, 2012

	<u>Invested In Property and Equipment</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Balance at the beginning of the year.....	\$ 760,752	\$156,200	\$ 2,147,488	\$3,064,440	\$ (991,546)
Excess of revenue (expenses) for the year.....	(1,665,376)	-	7,335,096	5,669,720	4,055,986
Purchase of property and equipment.....	503,007	-	(503,007)	-	-
Bank loan repayments.....	<u>1,724,392</u>	<u>-</u>	<u>(1,724,392)</u>	<u>-</u>	<u>-</u>
Balance at end of the year.....	<u>\$ 1,322,775</u>	<u>\$156,200</u>	<u>\$ 7,255,185</u>	<u>\$8,734,160</u>	<u>\$3,064,440</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
REVENUE:		
Disposal fees and other.....	\$13,987,239	\$ 9,819,060
Collection system fees.....	476,123	499,471
Interest and rental.....	<u>174,278</u>	<u>53,283</u>
Total revenue.....	<u>14,637,640</u>	<u>10,371,814</u>
EXPENSES:		
Collection system (Schedule 1).....	683,984	652,199
Hauling (Schedule 2).....	1,425,628	1,333,967
Landfill (Schedule 3).....	2,003,146	1,444,873
General and administrative (Schedule 4).....	1,290,497	1,114,135
Biosolids - consulting and engineering.....	18,441	-
Interest - bank loans.....	196,426	156,741
Amortization.....	1,665,376	1,662,865
Landfill closure and post closure.....	<u>1,684,578</u>	<u>-</u>
Total expenses.....	<u>8,968,076</u>	<u>6,364,780</u>
EXCESS OF REVENUE BEFORE THE UNDERNOTED..	<u>5,669,564</u>	<u>4,007,034</u>
OTHER INCOME (EXPENSE):		
Recovery of expenses.....	156	50,628
Loss on sale of equipment.....	<u>-</u>	<u>(1,676)</u>
Net other income.....	<u>156</u>	<u>48,952</u>
EXCESS OF REVENUE FOR THE YEAR.....	<u>\$ 5,669,720</u>	<u>\$ 4,055,986</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES:		
Cash from operations:		
Excess of revenue for the year	\$ 5,669,720	\$ 4,055,986
Items not involving cash from operations:		
Loss on sale of equipment	-	1,676
Amortization	1,665,376	1,662,865
Landfill closure and post closure	1,628,244	-
Marketable securities fair market value adjustment	<u>(22,969)</u>	<u>-</u>
	8,940,371	5,720,527
Net changes in non-cash working capital balances related to operations:		
Accounts receivable	(489,769)	338,213
Inventory	(504,567)	(19,694)
Prepaid expenses	(8,821)	(2,244)
Accounts payable and accrued liabilities	<u>529,036</u>	<u>(222,336)</u>
Net cash from operating activities	<u>8,466,250</u>	<u>5,814,466</u>
FINANCING ACTIVITIES:		
Bank loans proceeds	6,741,325	4,743,315
Repayment of bank loans	<u>(8,465,717)</u>	<u>(1,210,127)</u>
Net cash (used in) from financing activities	<u>(1,724,392)</u>	<u>3,533,188</u>
INVESTING ACTIVITIES:		
Purchase of marketable securities	(18,281,239)	(77,864)
Proceeds on sale of marketable securities	8,363,585	53,176
Purchase of property and equipment	(503,007)	(5,564,841)
Proceeds on sale of equipment	<u>-</u>	<u>380</u>
Net cash used in investing activities	<u>(10,420,661)</u>	<u>(5,589,149)</u>
(DECREASE) INCREASE IN CASH DURING THE YEAR..	(3,678,803)	3,758,505
CASH AT BEGINNING OF THE YEAR	<u>3,998,794</u>	<u>240,289</u>
CASH AT END OF THE YEAR	<u>\$ 319,991</u>	<u>\$ 3,998,794</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 and requisitions 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 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, 2012

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) Internally restricted net assets:

Net assets are internally restricted at the discretion of the Commission to set aside funds for future capital expenditures on equipment, buildings and fencing replacements.

g) Pension expenditures:

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

h) 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.

i) 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, bank loans.

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.

j) Cash and cash equivalents:

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

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. ACCOUNTING POLICIES (continued):

k) 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>2012</u>	<u>2011</u>
Inventory for consumption.....	\$ 61,487	\$69,249
Inventory for future closure costs	<u>512,329</u>	<u>-</u>
	<u>\$573,816</u>	<u>\$69,249</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.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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>2012</u>	<u>2011</u>
Landfill site work.....	\$ 6,592,413	\$ 6,143,819	\$ 448,594	\$1,371,755
Facility buildings	4,293,936	506,976	3,786,960	3,894,006
Transfer station buildings and site work	650,614	553,146	97,468	119,155
Landfill and office equipment.....	<u>7,262,451</u>	<u>5,364,208</u>	<u>1,898,243</u>	<u>2,008,718</u>
	18,799,414	12,568,149	6,231,265	7,393,634
Land	<u>1,173,608</u>	<u>-</u>	<u>1,173,608</u>	<u>1,173,608</u>
	<u>\$19,973,022</u>	<u>\$12,568,149</u>	<u>\$7,404,873</u>	<u>\$8,567,242</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 (2011 - NIL). The line of credit is secured by a promissory note and a municipal borrowing bylaw.

7. BANK LOANS:

The commission has negotiated the following demand bank loans for the purchase of equipment:

	<u>2012</u>	<u>2011</u>
Bank loan bearing interest at the bank prime rate less 0.15% per annum and is payable monthly. The bank has agreed to accept monthly payments of \$64,629 principal and interest combined to December 31, 2013.....	\$6,148,548	\$ -
Bank loan bearing interest at the bank prime rate per annum and is payable in annual principal payments of \$548,000	<u>-</u>	<u>2,740,000</u>
Subtotal.....	<u>6,148,548</u>	<u>2,740,000</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. BANK LOANS (continued):

	<u>2012</u>	<u>2011</u>
Balance forward	\$6,148,548	\$2,740,000
Bank loan bearing interest at the bank prime rate plus 0.10% per annum and is payable in monthly payments of \$10,700 principal and interest combined.....	-	331,615
Bank loan bearing interest at the bank prime rate plus 0.10% per annum and is payable in annual principal payments of \$31,500 plus interest.....	-	252,000
Bank loan bearing interest at the bank prime rate per annum and is payable in monthly payments of \$34,200 principal and interest combined	-	1,757,735
Bank loan bearing interest at the bank prime rate per annum and is payable in annual principal payments of \$17,500 plus interest	<u>-</u>	<u>2,791,590</u>
	<u>\$6,148,548</u>	<u>\$7,872,940</u>

The bank loans are secured by promissory notes.

Subsequent to year end the Commission made a payment of \$1,375,000 towards its bank loan.

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% and assuming annual inflation of 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 2038 and post closure care and maintenance would continue until 2063. 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, 2012 to be \$5,134,578.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 Services Management Commission be disclosed as follows:

	<u>2012</u>	<u>2011</u>
Total debt limit	\$29,275,280	\$20,740,276
Total debt	<u>6,148,548</u>	<u>7,872,940</u>
Amount total debt limit remaining	<u>\$23,126,732</u>	<u>\$12,867,336</u>
Debt servicing limit	\$ 5,123,174	\$ 3,629,548
Debt servicing	<u>776,000</u>	<u>940,000</u>
Amount total debt servicing remaining	<u>\$ 4,347,174</u>	<u>\$ 2,689,548</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 9.91% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.74% for the excess.

At December 31, 2011 the Local Authorities Pension Plan disclosed an actuarial deficit of approximately \$4.64 billion. No liability has been recorded in these financial statements at December 31, 2012 related to this actuarial deficit.

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. 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.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

11. FINANCIAL INSTRUMENTS (continued):

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 loans 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.

12. SUBSEQUENT EVENT:

Subsequent to the year end, the Commission purchased equipment for consideration of \$711,200.

13. COMPARATIVE FIGURES:

Certain of the prior year's figures, provided for the purpose of comparison, have been reclassified in accordance with the current year's presentation.

14. APPROVAL OF FINANCIAL STATEMENTS:

These financial statements were approved by the Commission and Management.

15. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS:

The Association has adopted the Canadian accounting standards for not-for-profit organizations effective January 1, 2011. The adoption of these standards does not result in any changes to the prior years' figures.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF COLLECTION SYSTEM EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Cost of bins sold	\$ -	\$ 14,050
Equipment rental	445	-
Fuel	117,514	151,865
Rent	-	3,825
Repairs and maintenance.....	111,596	76,200
Shop supplies	31,215	38,531
Utilities	32,130	20,881
Wages and benefits.....	<u>391,084</u>	<u>346,847</u>
 Total collection system expenses.....	 <u>\$683,984</u>	 <u>\$652,199</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF HAULING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Equipment rental	\$ 1,049	\$ -
Fuel	474,170	475,986
Rent	-	4,125
Repairs and maintenance.....	114,851	79,219
Shop supplies	77,178	46,854
Utilities	15,824	10,268
Wages and benefits.....	<u>742,556</u>	<u>717,515</u>
 Total hauling expenses.....	 <u>\$1,425,628</u>	 <u>\$1,333,967</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF LANDFILL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Consulting and engineering	\$ 157,792	\$ 145,165
Fuel	265,774	194,326
Repairs and maintenance.....	92,080	129,361
Subcontracts and equipment rental.....	367,585	180,415
Supplies.....	71,836	76,112
Utilities	36,388	28,132
Wages and benefits.....	<u>1,011,691</u>	<u>691,362</u>
 Total landfill expenses	 <u>\$2,003,146</u>	 <u>\$1,444,873</u>

Schedule 4

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Accounting.....	\$ 59,996	\$ -
Advertising and donations	14,294	2,866
Bad debts	439	-
Computer.....	86,707	50,358
Consulting.....	105,264	184,220
Dues and fees	8,172	11,143
Equipment rental	28,527	8,424
Insurance.....	46,671	36,926
Interest and bank charges	27,208	3,991
Meetings.....	46,587	33,715
Professional fees.....	73,879	66,229
Rent.....	-	13,248
Repairs and maintenance.....	12,190	6,000
Salaries and benefits	581,979	531,420
Supplies, postage and other.....	68,813	61,739
Travel and promotion.....	108,199	83,159
Utilities	<u>21,572</u>	<u>20,697</u>
 Total general and administrative expenses	 <u>\$1,290,497</u>	 <u>\$1,114,135</u>