

Reserves Policy:

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Lead Role:	CFO	Replaces:	N/A
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Policy Statement

The adoption of a Reserve Policy is prudent business practice that will enhance Beaver Municipal Solutions (BMS/BRWMSC) financial strength and reinforce its commitment to environmental responsibility.

The purpose of this policy is to establish consistent standards and guidelines for the management of existing reserves and the establishment of new reserves.

A Reserve Policy is required to establish, maintain and manage reserve funds that:

- i. Maintain and improve BMS/BRWMSC's working capital requirements;
- ii. Provide for future operating and capital requirements;
- iii. Address the overall current and future initiatives of BMS/BRWMSC; and
- iv. Provide for offsetting unanticipated fluctuations in operating and capital activities.

Definitions and Guidelines

Definitions

1. Operating Reserves:

Operating reserves are those reserves that are generally established to fund one-time expenditures of an operating nature.

2. Capital Reserves:

Capital reserves are those reserves that are generally established to fund expenditures of a capital nature.

3. Carry-over Projects:

Carry-over projects are projects approved in the current year's operating or capital budgets but have not been expended due to various circumstances.

4. Closure and Post Closure Reserves

Closure and post closure care of landfill site as required by Alberta environmental regulations.

Guidelines

1. All reserve transactions, re-designations, revisions and new reserve requests must be ratified by the Board. These approvals will be comprehensively reviewed by the external auditor at the close of the fiscal year.
2. All reserves must be fully described and must include a purpose, application, and approval. Unless otherwise stated, all funds are considered committed for the specific purpose as outlined by the reserve.
3. All reserve accounts must be presented in BMS' audited financial statements as Internally Restricted, except for reserves with funding set aside separately.. Funding specifically designated for reserves will be presented as Restricted Cash or Restricted Marketable Securities in the audited financial statements.
4. All reserves must be reviewed twice a year in October and January by the GM and the Board to determine if the reserves are still required or need to be modified. When the original intent of the reserve has been met or changed, any remaining amounts in the reserve shall, through an appropriate review and approval process by the GM and the Board, be either returned to surplus or re-designated.
5. Reserves can be funded from either internal or external sources:

Examples of internal sources of funds:
 - a. Approved budget contributions;
 - b. Carry-over of current year's budget funds which were approved for a specific purpose but were not expended during the year; and
 - c. Operating results
Examples of external sources of funds;
 - a. Government grants; and
 - b. Donations.
6. Interest may be paid to those reserves where funding has come from external sources, unless otherwise recommended by the GM and approved by the Board. Interest may also be paid to those reserves where the future cost (future expenditure of funds) to undertake an initiative or project might be subject to inflation. Interest will be based on the reserve balance at the beginning of the month and calculated at a rate equal to one half percent less than the previous month's average rate of return on investments.
7. All expenditures from reserves must have prior approval. Approval will be obtained:
 - a. From annual operating or capital budget approval; or
 - b. From approved carry-over project; or
 - c. By Board resolution.

FIN-006 Beaver Municipal Solutions (BMS/BRWMSC) Commission Policy

8. If approval to expend funds from a reserve has not been obtained through any of the above, approval prior to the expenditure must be obtained from:
 - a. The GM for any projects requiring reserve funding totalling \$100,000 or less;
 - b. The Board for any projects requiring reserve funding totalling more than \$100,000.
9. Approval to re-designate reserve funds or approval for inter-reserve transfers must be obtained prior to the transaction occurring from:
 - a. The GM for re-designations / inter-reserve transfers of \$50,000 or less;
 - b. The Board for re-designations / inter-reserve transfers of more than \$50,000.
10. Expenditures from reserves must not exceed the reserve balance.
11. All BMS/BRWMSC reserves shall be administered by the CFO or designate and in accordance with current policies and generally accepted accounting principles.
12. Reserve transactions will not be processed until actual expenditures are incurred.
13. A separate investment bank account must be maintained to cover closure and post closure reserves. Such account should have a balance equivalent to 100% of the calculated closure and post closure liability as per latest audited financial statements. Actual cash transfer must be made within six months after the end of the fiscal year for which the audited financial statements pertain. Management of this account will be in accordance with applicable rules and policy (FIN-008 Investments).

Related policies:

FIN-005 Debt Management
FIN-008 Investments