

Environment Fund

Financial Statements

March 31, 2014

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Management Responsibility Statement

Management is responsible for the reliability, integrity and objectivity of the data in the accompanying financial statement, which has been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations. Where appropriate, the financial statements include estimates and judgments based on careful consideration of the information available to management.

In discharging its responsibility for financial reporting, management maintains and relies on internal control systems and practices, which are designated to provide reasonable assurance that the transactions are authorized, the assets are safeguarded and proper records are maintained. These control systems and practices ensure the orderly conduct of business, the accuracy of the accounting records, reliability of financial information and compliance to legislation governing the Environment Fund.

The auditor provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. The auditor also considers whether the transactions that come to their notice during the course of the audit are, in all significant respects, in accordance with specified legislation.



Ernie Campbell, Deputy Minister,
Department of Environment and Natural Resources



Susan Craig, Director Finance and Administration,
Department of Environment and Natural Resources

June 3, 2014

Independent Auditors' Report

To the Minister of ENR

We have audited the accompanying financial statements of the Environment Fund, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and changes in net assets 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 these financial statements in accordance with Canadian public sector 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Fund'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 Fund'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 qualified audit opinion.

Independent Auditors' Report (continued)

Basis for Qualified Opinion

The Environment Fund relies on reports prepared by distributors, processing centres and depots for the recording of beverage container program revenues, depot handling fees, processing fees and refundable deposits. The reports provided by distributors, processing centres and depots are not audited, and consequently, our review of these accounts was limited to the amounts reported on the filed claims. As a result we are unable to determine, if adjustments would be required to revenues, expenditures, accounts receivable, accounts payable or net assets.

Wages and benefits paid to all employees of the Environment Fund are administered by the Government of the Northwest Territories. Our audit scope was limited as we did not audit the components of wages and benefits expenditures. Accordingly, we are not able to determine whether any adjustments might be necessary to wages and benefits expenditures, liabilities and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Environment Fund as at March 31, 2014 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Yellowknife, Canada
June 3, 2014



Chartered Accountants

Environment Fund

Statement of Operations

For the year ended March 31,	2014	2013
	\$	\$
Revenues		
Beverage container program	5,086,435	5,165,214
Recoveries	3,747	-
Single-use retail bag program	615,203	494,038
	5,705,385	5,659,252
Expenditures		
Advertising and promotion	1,740	17,617
Contract service - miscellaneous	30,640	22,987
Contract service - satellite depots	69,284	54,624
Depot handling fee	662,879	756,428
E-waste fee	12,000	-
Equipment, supplies and maintenance	78,581	17,187
Freight	323,925	322,190
Grants and contributions	139,103	103,071
Insurance	8,000	8,000
Memberships	9,071	7,656
Office	10,254	9,561
Processing centre handling fee	585,720	611,919
Professional fees	37,471	26,971
Refundable deposit fee	2,929,342	3,059,676
Storage	56,724	44,374
Travel and training	32,453	22,238
Wages and benefits	518,175	483,602
	5,505,362	5,568,101
Excess of revenues over expenditures before other item	200,023	91,151
Other income		
Interest	28,420	27,837
Excess of revenues over expenditures	228,443	118,988

Environment Fund

Statement of Changes in Net Assets

For the year ended March 31, 2014

	Unrestricted	Equipment replacement reserve	Total 2014	Total 2013
Balance, beginning of year	\$ 1,361,904	\$ 380,752	\$ 1,742,656	\$ 1,623,668
Excess of revenues over expenditures	228,443	-	228,443	118,988
Transfers (Note 2b)	(53,679)	53,679	-	-
Balance, end of year	1,536,668	434,431	1,971,099	1,742,656

Environment Fund

Statement of Financial Position

March 31,	2014	2013
	\$	\$
Financial Assets		
Accounts receivable	797,449	632,101
Due from treasury (note 4)	2,539,834	2,336,833
Loans receivable (note 5)	472	5,972
	<u>3,337,755</u>	<u>2,974,906</u>
Liabilities		
Accounts payable and accrued liabilities	593,468	459,638
Unredeemed container liability (note 7)	773,188	772,612
	<u>1,366,656</u>	<u>1,232,250</u>
Net financial assets	<u>1,971,099</u>	<u>1,742,656</u>
Fund balances		
Unrestricted	1,536,668	1,361,904
Equipment replacement reserve	434,431	380,752
	<u>1,971,099</u>	<u>1,742,656</u>

Approved:



Deputy Minister



Director

Environment Fund

Notes to the Financial Statements

March 31, 2014

1. Nature of operations

The Environment Fund ("the Fund") contains all fees and surcharges collected from programs established under the authority of the *Waste Reduction and Recovery Act* ("the Act") of the Northwest Territories. The Act was enacted in October 2003 during the 6th session of the 16th Legislative Assembly. The Act came into force in July 2005 with the establishment of the Environment Fund.

The assets of the Fund may be used to pay for:

- the establishment, operation and evaluation of programs in respect of the reduction or recovery of waste
- education programs related to the reduction or recovery of waste
- research and development activities related to the reduction or recovery of waste
- the appropriate disposal of a designated or prohibited material as waste
- expenses associated with the work of the advisory committee established by the Minister to provide advice and assistance relating to the establishment of programs and operation of programs in respect of the reduction and recovery of waste
- other costs associated with programs, initiatives, or activities in respect of the reduction or recovery of waste

Environment Fund Programs

The Beverage Container Program, which came into effect November 1, 2005, is one of two established programs operating within the Environment Fund. Administration of this program rests with the Chief Environmental Protection Officer appointed under the *Environmental Protection Act*.

The Single Use Retail Bag Program, which came into effect January 15, 2010, is currently the second of two established programs operating within the Environment Fund. Administration of this program rests with the Chief Environmental Protection Officer appointed under the *Environmental Protection Act*.

The Department of Environment and Natural Resources advised it will be examining other waste reduction and recovery programs that could, in the future, to become part of the Fund.

Environment Fund

Notes to the Financial Statements

March 31, 2014

2. Significant accounting policies

These financial statements have been prepared in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations (PSA-NPO) as issued by the Public Sector Accounting Board (PSAB). The financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Revenue recognition

Beverage container revenue and single use retail bag program revenue is recognized when beverage containers and single use retail bags are sold by retailers. Recoveries are recognized when received.

(b) Capital assets

The equipment managed by the fund is not included in these financial statements as they are not the capital assets of the Fund, they are held by the Department of Environment and Natural Resources.

(c) Reserve funds

Restrictions have been placed on surplus to reserve funds for future operations:

Equipment replacement reserve - an amount equal to 1/10 of the cost of capital equipment, including capital equipment purchased with start-up funds, has been reserved annually for future replacements of capital equipment. The 2014 transfer is \$53,679 (2013 - \$47,594). This reserve was approved by the Government of the Northwest Territories to be set up for future capital equipment purchases/replacement.

(d) Contributed services

The Department of Environment and Natural Resources maintains the accounts of the Environment Fund. The costs associated with administering and maintaining the accounts are not reflected in these financial statements as they are reported on in the consolidated financial statements of the Government of the Northwest Territories.

(e) Start-up funding

The Department of Environment and Natural Resources received \$1,143,000 in start-up funding from the Government of the Northwest Territories to cover the costs of implementing the Beverage Container Program. The start-up costs, which were incurred before the Beverage Container Program came into force on November 1, 2005, are not reflected in the financial statements as they are reported on in the consolidated financial statements of the Government of the Northwest Territories.

(f) Cash flow statement

As the Fund does not maintain a bank account, but rather receives working capital advances and finances accounts receivable and operating expenses from the Government's Consolidated Revenue Fund (the "CRF"); a statement of cash flows has not been presented.

Environment Fund

Notes to the Financial Statements

March 31, 2014

2. Significant accounting policies (continued)

(g) Financial instruments

Initial measurement

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly related to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

Subsequent measurement

Financial assets measured at amortized cost include accounts receivable, loans receivable and due from treasury.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and unredeemed container liability.

The Fund has no financial instruments measured at fair value.

Impairment

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in net income.

Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal is recognized in operations.

(h) Measurement uncertainty

The preparation of financial statements in conformity with PSA-NPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are unredeemed container liability and refundable deposit fees expense. It is not possible to estimate the uncertainty as it is not possible to determine the number of unredeemed containers in the Northwest Territories.

Environment Fund

Notes to the Financial Statements

March 31, 2014

3. Future changes to significant accounting policies

Liability for Contaminated Sites, Section PS 3260

The Public Sector Accounting Board released Section PS 3260 – Liability for Contaminated Sites, in March 2010. This new section requires a government or government organization to recognize a liability for a contaminated site when an environmental standard exists, the contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility for remediation of the contaminated site, and a reasonable estimate of the amount can be made.

This Section is effective for fiscal periods beginning on or after April 1, 2014. Earlier adoption is encouraged. The impact of the transition to these accounting standards has not yet been determined.

4. Due from treasury

The Fund is a special purpose fund as defined in subsection 1(1) of the *Financial Administration Act* that forms part of the Government of the Northwest Territories Consolidated Revenue Fund.

In April 2006, the Fund joined the Government of the Northwest Territories investment pool, which consolidates and invests the cash balances for all participants in money market securities. The monies for these investments flow out of the Consolidated Revenue Fund and do not affect the cash balances of the participants. The investment pool revenues are prorated and allocated to the participants.

5. Loan receivable

The Fund loaned two bottle depot operators funds to be used to pay persons returning empty beverage containers to the depots and to secure additional space for depot operations. One of the loans was fully repaid during the current year. The outstanding loan is a non-interest bearing loan with an amount currently outstanding of \$472 and is repayable in monthly installments of \$139, the loan was due on February 1, 2010 and is currently in arrears. As a result the Fund will recover the amount in arrears via equal monthly holdbacks against the grant owed in the 2015 fiscal year.

As the full amount of the loans receivable is due within one year, it has been classified as current as at March 31, 2014.

6. Expenses by program

Of the Fund's two major programs, beverage container program and single-use retail bag, only the beverage container program has direct costs associated with it in terms of depot handling fees, processing and refundable deposits. Out of the total expenses, the costs for the beverage container program total \$4,206,972.

Environment Fund

Notes to the Financial Statements

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7. Unredeemed container liability

The unredeemed container liability is an amount that is equal to 15% of the beverage container surcharges of the current year. It has been recognized to cover the future redemption of containers that are currently in circulation. It was derived per the policy that the Government of the Northwest Territories specified.

8. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

9. Related party transactions

The Fund receives human resource management, legal services and risk management from the Government of the Northwest Territories without charge.

The Fund also receives management services from the Department of Environment and Natural Resources, as outlined in Note 2(d).

10. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The financial instruments of the Fund and the nature of the risks to which it may be subject are as follows:

(a) Credit risk

The Fund does have credit risk in accounts receivable of \$797,449 (2013 - \$632,101). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. In the opinion of management the credit risk exposure to the Fund is low and is not material.