

Environment Fund

Financial Statements

March 31, 2015

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	Page
Management Responsibility Statement	3
Independent Auditors' Report	4 - 5
Statement of Operations	6
Statement of Changes in Net Assets	7
Statement of Financial Position	8
Notes to the Financial Statements	9 - 15

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 25, 2015

Independent Auditors' Report

To the Minister of the Environment Fund

We have audited the accompanying financial statements of the Environment Fund, which comprise the statement of financial position as at March 31, 2015, 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.

Salaries and benefits paid to employees of the Authority are administered by the Government of the Northwest Territories and are audited as part of the Government of the Northwest Territories' audit. Our audit scope was limited as we did not audit the components of salaries and benefits expenditures and related balances. Accordingly, we were 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 matters 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, 2015 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 25, 2015

Crowe MacKay LLP

Chartered Accountants

Environment Fund

Statement of Operations

<u>For the year ended March 31,</u>	<u>2015</u>	<u>2014</u>
	\$	\$
Revenues		
Beverage container program	4,994,935	5,086,435
Recoveries	35,017	3,747
Salvage	345,175	-
Single-use retail bag program	561,857	615,203
	5,936,984	5,705,385
Expenditures		
Advertising and promotion	21,154	1,740
Contract service - miscellaneous	94,838	30,640
Contract service - satellite depots	81,292	69,284
Depot handling fee	641,143	662,879
E-waste fee	21,000	12,000
Equipment, supplies and maintenance	193,378	78,581
Freight	337,863	323,925
Grants and contributions	259,271	139,103
Insurance	4,125	8,000
Memberships	8,091	9,071
Office	17,127	10,254
Processing centre handling fee	566,160	585,720
Professional fees	60,311	37,471
Refundable deposit fee	2,805,887	2,929,342
Storage	81,894	56,724
Travel and training	31,554	32,453
Wages and benefits (note 4)	198,388	518,175
	5,423,476	5,505,362
Excess of revenues over expenditures before other item	513,508	200,023
Other income		
Interest	41,849	28,420
Excess of revenues over expenditures	\$ 555,357	\$ 228,443

Environment Fund**Statement of Changes in Net Assets**

For the year ended March 31, 2015

	Unrestricted	Equipment replacement reserve	Total 2015	Total 2014
Balance, beginning of year	\$ 1,536,668	\$ 434,431	\$ 1,971,099	\$ 1,742,656
Excess of revenues over expenditures	555,357	-	555,357	228,443
Transfers (Note 2c)	(59,511)	59,511	-	-
Balance, end of year	2,032,514	493,942	2,526,456	1,971,099

Environment Fund

Statement of Financial Position

<u>March 31,</u>	<u>2015</u>	<u>2014</u>
	\$	\$
Financial Assets		
Accounts receivable	747,323	797,449
Due from treasury (note 5)	3,110,971	2,539,834
Loans receivable (note 6)	472	472
	<u>3,858,766</u>	<u>3,337,755</u>
Liabilities		
Accounts payable and accrued liabilities	559,122	593,468
Unredeemed container liability (note 8)	773,188	773,188
	<u>1,332,310</u>	<u>1,366,656</u>
Net financial assets	\$ 2,526,456	\$ 1,971,099
Fund balances		
Unrestricted	2,032,514	1,536,668
Equipment replacement reserve	493,942	434,431
	<u>2,526,456</u>	<u>1,971,099</u>

Approved on behalf of the fund:



Deputy Minister



Director, Finance and Administration

Environment Fund

Notes to the Financial Statements

March 31, 2015

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, 2015

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 Chartered Professional Accountants Canada. 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 Program revenue and Single-use Retail Bag Program revenue is recognized when beverage containers and single use retail bags are sold by distributors to retailers. Recoveries and salvage revenue from recycled materials are recognized when received.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(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 2015 transfer is \$59,511 (2014 - \$53,679). 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.

Environment Fund

Notes to the Financial Statements

March 31, 2015

2. Significant accounting policies (continued)

(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.

(g) Financial instruments

The Fund classifies its financial instruments at cost or amortized cost. The Fund's accounting policy for this financial instrument category is as follows:

This category includes accounts receivable, loans receivable, due from treasury, accounts payable and accrued liabilities, and unredeemed container liability. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instruments.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

Environment Fund

Notes to the Financial Statements

March 31, 2015

2. Significant accounting policies (continued)

(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.

3. Future changes to significant accounting policies

Related party disclosures, Section PS 2200

In December of 2014, PSAB approved Section PS 2200, Related Party Disclosures. The new section defines related parties and establishes disclosures required for related party transactions. It is expected that reasonable efforts would be made to identify related party transactions. This may involve adopting policies and procedures designed to ensure that these transactions are appropriately identified, measured and disclosed in the financial statements. Not all related party relationships or transactions occurring between related parties are required to be disclosed. Disclosure is generally required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated. However, not all of these transactions are reportable under this Section. Only those transactions that have or could have a material financial effect on the financial statements are disclosed.

The effective date for Section PS 2200 is April 1, 2017. Earlier adoption is permitted. The impact of the transition to these accounting standards has not yet been determined.

Inter-entity Transactions, Section PS 3420

In December of 2014, PSAB approved Section PS 3420, Inter-entity Transactions. This Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This section may be applied in conjunction with Related Party Disclosures, Section 2200.

The effective date for Section PS 3420 is April 1, 2017. Earlier adoption is permitted. The impact of the transition to these accounting standards has been reviewed by management

Environment Fund

Notes to the Financial Statements

March 31, 2015

4. Wages and benefits

During the year the Department of Environment and Natural Resources allocated funds to directly pay a significant portion of the payroll for the Fund. This is expected to be a one time reduction of wages and benefits. The details of the transaction are noted below.

	2015	2014
	\$	\$
Wages and benefits	660,339	518,175
Reduction of wages and benefits by the Department of Environment and Natural Resources	(461,951)	-
	198,388	518,175

5. 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.

6. 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 prior 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 2016 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, 2015.

7. 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

March 31, 2015

8. 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.

9. Comparative figures

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

10. 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).

Environment Fund

Notes to the Financial Statements

March 31, 2015

11. 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

Credit risk is the risk of financial loss to the Fund if a debtor fails to make payments of interest and principal when due. The Fund is exposed to this risk relating to its accounts receivable, loans receivable, due from treasury.

Accounts receivable are government agencies. Credit risk related to accounts receivable is mitigated by internal controls as well policies and oversight over arrears for ultimate collection. Management has determined that no accounts receivable required impairment.

The Fund's maximum exposure to credit risk is represented by the financial assets for a total of \$747,323 (2014 - \$797,449). All financial assets are considered current.

Concentration of credit risk

Concentration of credit risk is the risk that a customer(s) has a significant portion (more than ten percent) of the total accounts receivable balance and thus there is a higher risk to the Fund in the event of a default. The Fund does have concentration risk. At March 31, 2015, receivables from three customers comprised 45% of the total outstanding accounts receivables (2014 - 57%). The Fund reduces this risk by monitoring overdue balances.