

**Environment Fund**

**Financial Statements**

**March 31, 2011**

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**Environment Fund****Financial Statements**

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**March 31, 2011**

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## **Management Responsibility Statement**

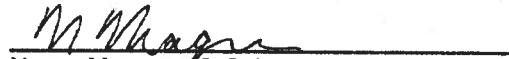
Management is responsible for the reliability, integrity and objectivity of the data in the accompanying financial statement, which has been prepared in accordance with Canadian generally accepted accounting principles. Where appropriate, the financial statements include estimates and judgments based 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.



Gary Bohnet, Deputy Minister,  
Department of Environment and Natural Resources



Nancy Magrum, C.G.A., Director Shared Services,  
Department of Environment and Natural Resources  
September 6, 2011

## **Independent Auditors' Report**

### **To the Minister of Environment and Natural Resources of the Government of the Northwest Territories**

We have audited the accompanying financial statements of Environment Fund, which comprise the statement of financial position as at March 31, 2011, 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 generally accepted accounting principles, 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 auditor's judgement, 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 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.

#### *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.

## Independent Auditors' Report (continued)

### *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 Fund as at March 31, 2011 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

### *Report on Other Legal and Regulatory Requirements*

We further report in accordance with the *Financial Administration Act* of the Northwest Territories, in our opinion, that proper books and records of account have been kept by the Environment Fund, the financial statements are in agreement therewith and the transactions that have come under our examination have, in all material respects, been within the statutory powers of the Fund.

Yellowknife, Canada  
September 6, 2011

*MacKay LLP*  
Chartered Accountants

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**Environment Fund****Statement of Operations**

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**For the year ended March 31,**

	<b>2011</b>	<b>2010</b>
<b>Revenues</b>		
Beverage container program	\$ 5,246,025	\$ 4,728,579
Single-use retail bag program	403,665	49,250
Recoveries	43,392	-
	<b>5,693,082</b>	<b>4,777,829</b>
<b>Expenditures</b>		
Advertising and promotion	20,209	3,046
Contract services - satellite depots	44,269	62,397
Depot handling fee	651,685	657,421
Equipment, supplies and maintenance	157,991	19,581
Freight	282,743	224,936
Grants and contributions	122,814	140,508
Insurance	12,000	14,000
Office	9,184	536
Processing centre handling fee	547,497	588,444
Professional fees	53,810	18,769
Refundable deposit fee	2,849,152	2,932,286
Storage	47,391	58,085
Travel and training	55,166	39,723
Wages and benefits	396,634	288,986
	<b>5,250,545</b>	<b>5,048,718</b>
<b>Excess (deficiency) of revenues over expenditures before other item</b>	<b>442,537</b>	<b>(270,889)</b>
<b>Interest income</b>	<b>22,902</b>	<b>9,254</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 465,439</b>	<b>\$ (261,635)</b>

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

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**For the year ended March 31, 2011**

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	Unrestricted	Equipment replacement reserve	Total 2011	Total 2010
<b>Balance, beginning of year</b>	\$ 477,379	\$ 237,970	\$ 715,349	\$ 976,984
Excess (deficiency) of revenues over expenditures	465,439	-	465,439	(261,635)
<b>Transfers (Note 2c(i))</b>	(47,594)	47,594	-	-
<b>Balance, end of year</b>	<b>\$ 895,224</b>	<b>\$ 285,564</b>	<b>\$ 1,180,788</b>	<b>\$ 715,349</b>

## Environment Fund

### Statement of Financial Position

March 31,	2011	2010
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#### Assets

##### Current

Accounts receivable	\$ 763,295	\$ 495,514
Due from treasury (note 4)	1,574,546	1,451,910
Current portion of loans receivable (note 5)	1,805	7,317
	<b>2,339,646</b>	1,954,741
<b>Loans receivable (note 5)</b>	<b>-</b>	<b>1,100</b>
	<b>\$ 2,339,646</b>	<b>\$ 1,955,841</b>

#### Liabilities

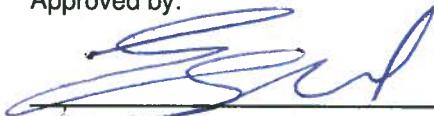
##### Current

Accounts payable and accrued liabilities	\$ 374,293	\$ 524,491
Unredeemed container liability (note 6)	784,565	716,001
	<b>1,158,858</b>	1,240,492

#### Fund balances

<b>Net Assets</b>	<b>1,180,788</b>	715,349
	<b>\$ 2,339,646</b>	<b>\$ 1,955,841</b>

Approved by:

  
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Deputy Minister  
Director

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## Environment Fund

### **Notes to the Financial Statements**

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**March 31, 2011**

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#### **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, become part of the Fund.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

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## **Environment Fund**

### **Notes to the Financial Statements**

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**March 31, 2011**

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#### **2. Significant accounting policies**

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

##### **(a) Revenue and expense recognition**

Revenue is recognized when distributors invoice the retailers for the beverage containers that will be circulated in the Northwest Territories.

Refundable deposits, handling and processing fee expenses are recognized when consumers return those beverage containers to a depot for refund.

##### **(b) Capital assets**

Capital equipment, consisting of mobile equipment and machinery, exceeding \$50,000 are recorded at cost and amortized on a straight-line basis over the estimated useful life of the equipment. Capital equipment items less than \$50,000 are recorded as expenditures when purchased. All capital assets owned by the Fund have been fully depreciated.

##### **(c) Reserve funds**

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

(i) 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 2011 transfer is \$47,594 (2010 - \$47,594).

##### **(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 (\$43,685 in 2011, \$34,175 in 2010).

##### **(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.

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## Environment Fund

### **Notes to the Financial Statements**

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**March 31, 2011**

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**2. Significant accounting policies (continued)**

**(g) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

**3. Future accounting standards**

**Public Sector Accounting Standards**

*Government NFPO's*

In October 2010, the Public Sector Accounting Board ("PSAB") decided that, effective for fiscal years beginning on or after January 1, 2012, government not-for-profit organizations ("GNPO's") that have been preparing their financial statements in accordance with accounting standards for not-for-profit organizations contained in Section 4400 of the CICA Handbook, must report in accordance with the CICA's Public Sector Accounting Handbook into which Section 4400 will be incorporated. Alternatively, such GNPO's may adopt International Financial Reporting Standards ("IFRS"), for fiscal years beginning on or after January 1, 2012. Early adoption of either framework is permitted.

The Fund, as a publicly accountable GNPO receiving the majority of its funding from the GNWT will adopt Public Sector Accounting Standards effective April 1, 2012. The full extent of the impact on the Fund has not yet been determined.

*Liability for Contaminated Sites - Section PS 3260*

In June 2010 PSAB released a Section PS 3260 – Liability for Contaminated Sites. This new Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. The main features of the new Section are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for, the damage.
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination.
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

This Section is effective for fiscal periods beginning on or after April 1, 2014.

The Fund does not believe the transition to this new accounting standard will have a material effect on their operations as they do not hold ownership interests in the properties on which they operate.

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## Environment Fund

### **Notes to the Financial Statements**

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**March 31, 2011**

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**3. Future accounting standards (continued)**

*Government Transfers – Section PS 3410*

In March 2011, PSAB revised and replaced Section PS 3410 – Government Transfers. The following changes have been made to the Section:

- A transferring government recognizes an expense when the transfer is authorized and recipients have met the eligibility criteria.
- Authorization by the transferring government can occur either by the date of the financial statements or during the period between the date of the financial statements and the issuance of those statements provided that the exercise of that authority occurred at the financial statement date.
- If a transferring government provides the transfer prior to the recipient meeting eligibility criteria, the transferring government cannot recognize a prepaid asset.
- A recipient government recognizes the transfer as revenue when the transfer was authorized by the transferring government, unless a liability is created for the recipient.
- For a recipient, the transferring government's authorization must be in place by the financial statement date.
- A liability related to the transfer for the recipient may result from:
  - receiving a transfer prior to the recipient meeting eligibility criteria;
  - specific stipulations contained in the transfer agreement; and
  - stipulations that are unclear but the recipient creates a liability through its own actions and communications that are related to the terms of the transfer by the financial statement date.
- Revenue is recognized as the liability is settled.
- A liability may also result from the recipient's own actions and communications that are unrelated to the terms of the transfer by the financial statement date. In this case, an asset and revenue and a liability and expense would be recognized.

The Section applies to fiscal years beginning on or after April 1, 2012 and may be applied retroactively or prospectively.

The impact of the transition to these accounting standards has not yet been determined.

*Financial Instruments - Section PS 3450 and related amendments to Financial Statement Presentation - Section PS 1200*

In March 2011 PSAB approved a new Section PS 3450 - Financial Instruments, and related amendments to existing Section PS 1200, Financial Statement Presentation. The effective date for Section PS 3450 is April 1, 2012 for government organizations and April 1, 2015 for governments. Earlier adoption is permitted. Governments and government organizations adopt Section PS 3450 in the same fiscal year Section PS 2601, Foreign Currency Translation, is adopted.

The impact of the transition to these accounting standards has not yet been determined.

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## Environment Fund

### Notes to the Financial Statements

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March 31, 2011

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#### 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. Loans receivable

The Fund loaned four bottle depot operators funds to be used to pay persons returning empty beverage containers to the depots. Two of the loans were fully repaid during the current year. The other loan is a non-interest bearing loan with an amount currently outstanding of \$833 and is repayable in monthly installments of \$278, the loan was due on March 1, 2011. The balance of this loan was collected subsequent to the year end. The final loan is a non-interest bearing loan with an amount currently outstanding of \$972 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 2012 fiscal year.

	2011	2010
Loans receivable	\$ 1,805	\$ 8,417
<u>Less current portion</u>	<u>1,805</u>	<u>7,317</u>
	\$ -	\$ 1,100

#### 6. 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.

The liability has been reclassified in the prior year to conform with the current year presentation. There was no overall net affect on the financial statements as a result of this reclassification.

## Environment Fund

### Notes to the Financial Statements

March 31, 2011

#### 7. Related party transactions

	2011	2010
NWT Liquor Commission		
Accounts receivable	\$ 184,905	\$ 174,603
Revenue	<u>1,957,500</u>	<u>1,920,636</u>
	<u><b>\$ 2,142,405</b></u>	<u><b>\$ 2,095,239</b></u>
Department of Human Resources		
Accounts payable	\$ 8,636	\$ 7,347
Expenses	<u>387,645</u>	<u>282,539</u>
	<u><b>\$ 396,281</b></u>	<u><b>\$ 289,886</b></u>
Department of Finance - Expenses	<u><b>\$ 12,000</b></u>	<u><b>\$ 14,000</b></u>

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

#### 8. Comparative figures

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

#### 9. Capital disclosure

The Fund's objectives when managing capital are:

- To safeguard the Fund's ability to continue as a going concern, so that it can continue to meet the objectives of the Legislation.

The Fund manages the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Fund monitors capital on the basis of working capital. Which is calculated as current assets minus current liabilities as follows:

	2011	2010
Current assets	\$ 2,339,646	\$ 1,954,741
Current liabilities	<u>1,158,858</u>	<u>1,240,492</u>
	<u><b>\$ 1,180,788</b></u>	<u><b>\$ 714,249</b></u>