

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

AND

AUDITOR'S REPORT TO THE MEMBERS

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 500,289	\$ 293,370
Marketable securities	785,627	762,551
Accounts receivable	1,563,117	596,418
Inventory	49,555	56,959
Prepaid expenses	<u>27,971</u>	<u>29,999</u>
Total current assets	2,926,559	1,739,297
DEPOSIT ON PROPERTY (Note 3)	66,450	66,450
PROPERTY AND EQUIPMENT (Note 4)	<u>4,667,322</u>	4,652,261
TOTAL	<u>\$ 7,660,331</u>	<u>\$ 6,458,008</u>

LIABILITIES AND NET DEFICIT

CURRENT LIABILITIES:		
Bank indebtedness (Note 5)	\$ 260,000	\$ 260,000
Bank loans (Note 6)	4,339,752	5,006,077
Accounts payable and accrued liabilities	<u>602,125</u>	<u>129,717</u>
Total current liabilities	<u>5,201,877</u>	<u>5,395,794</u>
LANDFILL CLOSURE AND POST CLOSURE OBLIGATION (Note 7)	<u>3,450,000</u>	<u>3,450,000</u>
NET (DEFICIT) ASSETS:		
Invested in property and equipment	394,020	(287,366)
Internally restricted	156,200	156,200
Unrestricted	<u>(1,541,766)</u>	<u>(2,256,620)</u>
Total net deficit	<u>(991,546)</u>	<u>(2,387,786)</u>
TOTAL	<u>\$ 7,660,331</u>	<u>\$ 6,458,008</u>

Approved by the Commission:

.....Chairman

.....Commission Manager

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF CHANGES IN NET DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Invested In Property and Equipment	Internally Restricted	Unrestricted	2010 Total	2009 Total
Balance at the beginning of the year.....	\$ (287,366)	\$156,200	\$(2,256,620)	\$(2,387,786)	\$(2,024,310)
Excess of revenue (expenses) for the year.....	(1,316,612)	-	2,712,852	1,396,240	(363,476)
Purchase of property and equipment.....	1,727,293	-	(1,727,293)	-	-
Proceeds from sale of equipment.....	(395,620)	-	395,620	-	-
Bank loan repayments.....	<u>666,325</u>	<u>-</u>	<u>(666,325)</u>	<u>-</u>	<u>-</u>
Balance at end of the year.....	<u>\$ 394,020</u>	<u>\$156,200</u>	<u>\$(1,541,766)</u>	<u>\$ (991,546)</u>	<u>\$(2,387,786)</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUE:		
Disposal fees and other.....	\$5,793,536	\$3,094,726
Collection system fees.....	486,851	510,191
Municipal requisitions	10,292	10,292
Interest and rental.....	<u>60,158</u>	<u>56,170</u>
Total revenue.....	<u>6,350,837</u>	<u>3,671,379</u>
EXPENSES:		
Collection system (Schedule 1).....	561,722	686,683
Hauling (Schedule 2).....	960,310	208,678
Landfill (Schedule 3).....	806,509	573,408
General and administrative (Schedule 4)	1,319,340	1,013,269
Interest - bank loans.....	107,890	99,389
Amortization.....	<u>1,704,007</u>	<u>1,255,856</u>
Total expenses	<u>5,459,778</u>	<u>3,837,283</u>
EXCESS OF REVENUE (EXPENSES) BEFORE THE UNDERNOTED	<u>891,059</u>	<u>(165,904)</u>
OTHER INCOME (EXPENSE):		
Recovery of expenses	117,786	-
Gain (loss) on sale of equipment.....	<u>387,395</u>	<u>(197,572)</u>
Net other income (expense)	<u>505,181</u>	<u>(197,572)</u>
EXCESS OF REVENUE (EXPENSES) FOR THE YEAR.....	<u>\$1,396,240</u>	<u>\$ (363,476)</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES:		
Cash from operations:		
Excess of revenue (expenses) for the year	\$ 1,396,240	\$ (363,476)
Items not involving cash from operations:		
(Gain) loss on sale of equipment.....	(387,395)	197,572
Amortization.....	<u>1,704,007</u>	<u>1,255,856</u>
	2,712,852	1,089,952
Net changes in non-cash working capital balances related to operations:		
Accounts receivable	(966,699)	544,315
Inventory.....	7,404	(50,959)
Prepaid expenses.....	2,028	(10,171)
Accounts payable and accrued liabilities.....	<u>472,408</u>	<u>(78,662)</u>
Net cash from operating activities	<u>2,227,993</u>	<u>1,494,475</u>
FINANCING ACTIVITIES:		
Bank loans proceeds	-	915,000
Repayment of bank loans.....	<u>(666,325)</u>	<u>(1,108,923)</u>
Net cash used in financing activities.....	<u>(666,325)</u>	<u>(193,923)</u>
INVESTING ACTIVITIES:		
Purchase of marketable securities	(328,321)	(176,167)
Proceeds on sale of marketable securities.....	305,245	52,358
Purchase of property and equipment	(1,727,293)	(1,429,227)
Proceeds on sale of equipment.....	<u>395,620</u>	<u>129,770</u>
Net cash used in investing activities	<u>(1,354,749)</u>	<u>(1,423,266)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR..	206,919	(122,714)
CASH AT BEGINNING OF THE YEAR.....	<u>33,370</u>	<u>156,084</u>
CASH AT END OF THE YEAR.....	<u>\$ 240,289</u>	<u>\$ 33,370</u>
CASH REPRESENTED BY:		
Cash	\$ 500,289	\$ 293,370
Bank indebtedness.....	<u>(260,000)</u>	<u>(260,000)</u>
.....	<u>\$ 240,289</u>	<u>\$ 33,370</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 generally accepted accounting principles. 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 classified as held-to-maturity financial instruments and are valued at cost or amortized cost plus accrued interest and are adjusted to recognize impairment, other than a temporary impairment, in the underlying 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
Leasehold improvements	20% straight line

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

2. ACCOUNTING POLICIES (continued):

e) Landfill closure and post closure obligation:

As outlined in Note 7, 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) Cash and cash equivalents:

Cash and cash equivalents consist of balances with banks and short-term investments with maturities not exceeding 90 days.

j) 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 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.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

3. 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.

4. 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>2010</u>	<u>2009</u>
Landfill site work	\$ 4,643,644	\$4,048,752	\$ 594,892	\$1,571,046
Facility buildings	867,976	309,821	558,155	421,568
Transfer station buildings and site work	647,716	509,773	137,943	154,312
Landfill and office equipment..	6,649,751	4,447,027	2,202,724	1,331,727
Leasehold improvements	<u>68,883</u>	<u>68,883</u>	<u>-</u>	<u>-</u>
	12,877,970	9,384,256	3,493,714	3,478,653
Land	<u>1,173,608</u>	<u>-</u>	<u>1,173,608</u>	<u>1,173,608</u>
	<u>\$14,051,578</u>	<u>\$9,384,256</u>	<u>\$4,667,322</u>	<u>\$4,652,261</u>

5. 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 less 1/4% per annum. The balance outstanding on the line of credit is \$260,000 (2009 - \$260,000). The line of credit is secured by a promissory note and a municipal borrowing bylaw.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

6. BANK LOANS:

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

	<u>2010</u>	<u>2009</u>
Bank loan bearing interest at the bank prime rate less 0.25% per annum and is payable monthly. The bank has agreed to accept annual principal payments of \$520,000 and the balance is due on December 31, 2011.....	\$3,640,000	\$4,160,000
Bank loan bearing interest at the bank prime rate plus 0.10% per annum and is payable monthly. The bank has agreed to accept monthly payments of \$10,700 principal and interest combined to August 31, 2012.....	447,752	562,577
Bank loan bearing interest at the bank prime rate plus 0.10% per annum and is payable monthly. The bank has agreed to accept annual principal payments of \$31,500 and the balance is due December 31, 2012	<u>252,000</u>	<u>283,500</u>
	<u>\$4,339,752</u>	<u>\$5,006,077</u>

The bank loans are secured by promissory notes and a municipal borrowing bylaw.

7. 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 6% and assuming annual inflation of 2.5%.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

7. LANDFILL CLOSURE AND POST CLOSURE OBLIGATION (continued):

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. An independent consultant estimated the closure and post closure obligation of the landfill site at December 31, 2010 to be \$1.00 per tonne (December 31, 2009 \$.85 per tonne) and the total liability to be less than the \$3,450,000 received from the private waste disposal company. As a result, no additional liability was accrued at December 31, 2010 for landfill closure and post-closure obligation.

The Commission has not designated assets for settling closure and post closure liabilities.

8. 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>2010</u>	<u>2009</u>
Total debt limit	\$13,476,464	\$6,947,614
Total debt.....	<u>4,599,752</u>	<u>5,266,077</u>
Amount total debt limit remaining	\$ <u>8,876,712</u>	\$ <u>1,681,537</u>
Debt servicing limit.....	\$ 2,358,381	\$1,215,832
Debt servicing	<u>780,000</u>	<u>815,000</u>
Amount total debt servicing remaining.....	\$ <u>1,578,381</u>	\$ <u>400,832</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. On October 17, 2005 the Minister of Municipal Affairs authorized the Commission to borrow up to \$6,000,000 pursuant to Section 602.28 of the Municipal Government Act.

9. LOCAL AUTHORITIES PENSION PLAN:

Employees of the Commission participate in the Local Authorities Pension Plan (LAPP), which is covered by the 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.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

9. LOCAL AUTHORITIES PENSION PLAN (continued):

The Commission is required to make current service contributions to the plan of 9.06% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 12.53% for the excess.

At December 31, 2009 the Local Authorities Pension Plan disclosed an actuarial deficit of approximately \$3.99 billion. No liability has been recorded in these financial statements at December 31, 2010 related to this actuarial deficit.

10. FINANCIAL INSTRUMENTS:

The Commission's financial instruments consist of cash, marketable securities, accounts receivable, bank indebtedness, bank loans and accounts payable and accrued liabilities. It is management's opinion that the Commission is not exposed to significant currency risks arising from these financial instruments.

The Commission is exposed to interest rate risk on the bank indebtedness and bank loans due to the fluctuation of the interest rate with the lender's prime rate.

The Commission is subject to credit risk through trade receivables. Approximately 73% (2009 - 62%) of the accounts receivable are from three (2009 - three) customers. To reduce credit risk the Commission maintains a provision for potential credit losses.

The carrying values of the financial instruments approximate their fair values.

11. SUBSEQUENT EVENTS:

Subsequent to the year end, the commission entered into contracts to construct a new landfill cell for \$1,860,302 and shop for \$3,097,900.

12. 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.

13. APPROVAL OF FINANCIAL STATEMENTS:

These financial statements were approved by the Commission and Management.

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF COLLECTION SYSTEM EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Cost of bins sold	\$ 4,805	\$ 12,812
Fuel	107,269	103,722
Rent	14,650	22,671
Repairs and maintenance.....	150,262	147,592
Supplies.....	7,449	18,842
Utilities	7,982	8,417
Wages and benefits.....	<u>269,305</u>	<u>372,627</u>
 Total collection system expenses.....	 <u>\$561,722</u>	 <u>\$686,683</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF HAULING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Fuel	\$387,512	\$ 91,963
Rent.....	11,500	3,500
Repairs and maintenance.....	91,747	-
Shop supplies.....	2,545	500
Wages and benefits.....	<u>467,006</u>	<u>112,715</u>
 Total hauling expenses.....	 <u>\$960,310</u>	 <u>\$208,678</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF LANDFILL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Equipment rental	\$ 6,449	\$ -
Fuel	121,114	54,639
Ground water monitoring	65,096	44,099
Office	6,133	4,968
Repairs and maintenance.....	145,428	96,620
Soil test closure costs.....	9,963	21,250
Supplies.....	9,847	7,835
Utilities	25,331	21,682
Wages and benefits.....	<u>417,148</u>	<u>322,315</u>
 Total landfill expenses	 <u>\$806,509</u>	 <u>\$573,408</u>

BEAVER REGIONAL WASTE MANAGEMENT SERVICES COMMISSION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Advertising.....	\$ 2,062	\$ 2,945
Bad debts	1,967	4,090
Consulting.....	114,624	80,781
Dues and fees	10,484	13,654
Insurance.....	37,859	29,372
Interest and bank charges	4,302	5,597
Meetings	35,067	29,554
Professional fees.....	40,454	59,275
Rent.....	26,400	26,400
Repairs and maintenance.....	4,933	9,410
Salaries and benefits	848,089	605,362
Supplies, postage and other.....	33,040	36,182
Travel and promotion.....	121,770	79,410
Utilities	<u>38,289</u>	<u>31,237</u>
 Total general and administrative expenses	 <u>\$1,319,340</u>	 <u>\$1,013,269</u>