



WASTE REDUCTION AND RECOVERY PROGRAM 2011-2012 ANNUAL REPORT

December 2012

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APPENDICES

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Front cover: Bags of non-refillable glass prior to shipment to Airdrie, Alberta for processing into fibreglass insulation.

1.0 AUDITED FINANCIAL STATEMENT OF THE ENVIRONMENT FUND

The Environment Fund (Fund) is a special purpose fund as defined in subsection 1(1) of the *Financial Administration Act*. The Fund was set up under the authority of the *Waste Reduction and Recovery Act* (WRRRA). All surcharges from the Beverage Container Program and the Single-use Retail Bag Program are paid into the Environment Fund. In accordance with the WRRRA, the assets of the Fund may be used to pay for waste reduction and recovery programs and initiatives, including all program administration.

In 2011-2012, the Environment Fund's revenue was \$5,887,347 (excluding \$25,673 in interest income) while the expenditures were \$5,470,140, giving excess revenue of \$442,880. The balance in the Fund on March 31, 2012 was \$1,290,510. An audited financial statement of the Environment Fund is included in Appendix A.

2.0 BEVERAGE CONTAINER PROGRAM

2.1 Operational Update

2.1.1 Beverage Container Program Review

The Department of Environment and Natural Resources (ENR) initiated a comprehensive review of the Beverage Container Program (BCP) in 2011 as part of a long-term plan to improve existing Waste Reduction and Recovery Programs and Initiatives. ENR contracted a consultant team consisting of MGM Management, NorthWays Consulting and CM Consulting to conduct a review. The review looked at various aspects of the program including collection network, container processing, quality control and quality assurance processes, container reuse and recycling, revenue streams, expenditures, container categories, and operating policies.

The review offered recommendations to make the program more accountable, efficient, self-sustaining and economically viable for depots and processing centres in the long-term while being affordable for the public. The complete report and a summary of the report (including ENR's response to each of the consultant's recommendations) are available online at www.icarenwt.ca.

Some of the recommendations have been implemented, while others are currently in the process of being completed. It is anticipated that final changes to the program, including regulation amendments will take in place in 2013-2014.

2.1.2 Recycling in Parks

In an attempt to deal with the disposal of “away from home” beverage containers and litter, work began in February of 2012 on a pilot project to install bear proof recycling bins in NWT parks and campgrounds. Program staff, working with the Department of Industry, Tourism and Investment, installed 18 bins in wayside parks and campgrounds in the North Slave Region in the summer of 2012. The project will be evaluated in the winter of 2013 and if deemed successful, possibly expanded into other parks and campgrounds in 2013.



Bear proof recycling bins installed at the Yellowknife River day park.

2.1.3 Recycling of Non-refillable Glass into Fibreglass Insulation

One of the recommendations resulting from the BCP Review called for ENR to investigate the feasibility of recycling non-refillable glass (NRG) instead of using it as construction fill or taking it to the landfill. In response, a pilot project to evaluate the benefits and costs of recycling NRG was initiated by ENR in February 2012. After preliminary negotiations, an agreement was reached with Vitreous Glass of Airdrie, Alberta (who process NRG into fine granules, which are then spun into fibreglass insulation) to accept NRG from Yellowknife on a trial basis.

Of primary concern with recycling NRG in the NWT was finding an acceptable means of transporting the glass to Airdrie. Other jurisdictions who use Vitreous to recycle glass (including British Columbia, Saskatchewan and Alberta) use grain or end dump trailers, capable of hauling over 80,000 lbs of loose, broken glass in a single load. These trailers are not practical for use or readily available in the NWT. Therefore, program staff developed a specially designed, reinforced bag that could be filled with broken glass and loaded onto van trailers using a forklift, back-hauled to Airdrie, emptied by Vitreous Glass and returned to the NWT for reuse.



Typically, glass is hauled to Vitreous Glass in Airdrie using grain trailers such as this.



The Yellowknife processing centre breaks glass into specially designed bags.



Bags of NWT glass loaded onto a van trailer, each full bag weighs approximately one ton.

The first load of twenty tons of glass was shipped from Yellowknife to Vitreous Glass in April 2012. After some design changes to the bags to improve loading and unloading of the glass, Vitreous Glass agreed to accept NWT glass on a regular basis. In the near future, once transportation costs have been established and funds allocated, it will become standard practice to recycle NRG in this way, with all three NWT regional processing centres participating.

It is estimated that NWT residents produce an equivalent of 617 tonnes of NRG from beverage containers annually. If all the NWT NRG from beverage containers is recycled instead of landfilled, it will mean a savings of 99 tonnes of carbon dioxide equivalent annually, as estimated by the United States Environmental Protection Agency (USEPA) Waste Reduction Model (WARM), even with the long transportation distances. This is equivalent to taking 19 vehicles off NWT roads. Work continues on assessing the environmental impact of recycling NWT NRG, as it does with other materials used in the manufacture of non-refillable beverage containers.

**Table 1: Carbon Dioxide Savings for Recycling
Non-refillable Glass**

Scenario	Tonnes of NRG	MTCO ₂ E
Landfilled	617	25
Recycled	617	-74
Total Change in Emissions		-99

Based on USEPA WARM:

http://www.epa.gov/climatechange/waste/calculators/Warm_Form.html

Inuvik = 91 tonnes; Hay River = 91 tonnes; and Yellowknife = 435 tonnes

MTCO₂E – metric tonnes of carbon dioxide equivalent

Assumptions:

- No landfill gas recovery at landfills.
- Distance traveled from Inuvik to Airdrie is 3480 km, Hay River to Airdrie is 1355 km, and Yellowknife to Airdrie is 1759 km.
- Distance from Hay River to Hay River landfill is 8 km, Inuvik to Inuvik landfill is 3 km, and Yellowknife to Yellowknife landfill is 2 km.
- Calculation of # of cars off the road is 5.1 tonnes CO₂E = 1 vehicle off the road.



NWT glass after being processed in Airdrie. The “sand” will be spun into glass fibres and will eventually become fibreglass insulation.

2.2 Depots and Processing Centres

As of March 31, 2012, there were 24 locally operated beverage container depots, four temporary satellite depots, and three processing centres in the NWT. Three communities (Detah, Kakisa, and Tsiigehtchic) use nearby depots and one depot was temporarily closed due to lack of staff (Lutselk'e). The satellite depots are provided by the program in cooperation with a regional processing centre. See Figure 1 for a map of depots located in the NWT and Table 2 for a list of depots.

During the 2011-2012 fiscal year, one depot license was cancelled and two licences were issued.

Depots are operated by individuals, businesses, schools, non-profit groups and community development corporations. Depots receive financial assistance, in the form of monthly subsidies, to help offset costs related to operational expenses. Depots are also eligible to apply for interest-free loans to help cover start-up costs, and Depot Development Grants to assist in renovations or other improvements to depot facilities.

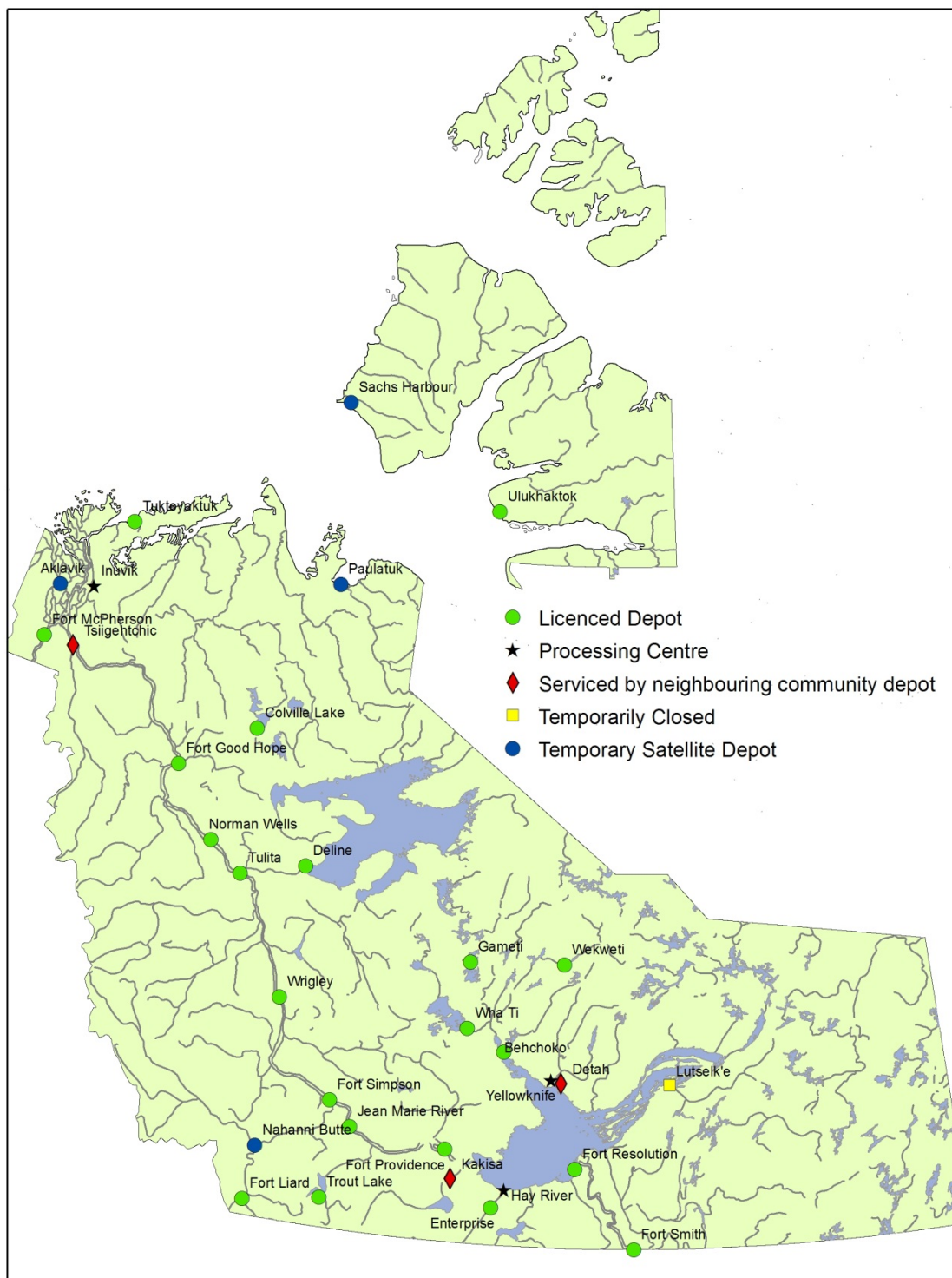


Figure 1: Beverage Container Program Depots and Processing Centres

Table 2: Beverage Container Depots (as of March 31, 2012)

COMMUNITY	LICENCEE	DATE LICENSED	STATUS (AS OF MARCH 31, 2011)
NORTH SLAVE REGION			
Behchokò	FC Services	Nov-05	Local Operator
Detah	---	---	Use Yellowknife Depot
Gamètì	Rae Lakes General Store	Sep-10	Local Operator
Wekweètì	Tlicho Community Government	Dec-05	Local Operator
Whatì	Alex's Confectionery	Feb-06	Local Operator
Yellowknife	The Bottle Shop	Nov-05	Local Operator
SOUTH SLAVE REGION			
Enterprise	Armella Mercredi	Feb-06	Local Operator
Fort Providence	Deh Gah Secondary School	Feb-06	Local Operator
Fort Resolution	Frank Lafferty	Jun-06	Local Operator
Fort Smith	RTL Recycling	Nov-05	Local Operator
Hay River & Hay River Reserve	Tri R Recycling	Nov-05	Local Operator
Kakisa	---	---	Use Enterprise or Hay River Depot
Lutselk'e	Lutselk'e Dene School	Dec-09	Temporarily Closed
DEH CHO REGION			
Fort Liard	Fort Liard Fuel Centre	Jun-09	Local Operator
Fort Simpson	Rowes Recycling	Nov-05	Local Operator
Jean Marie River	Louie Norwegian School	Dec-11	Local Operator
Nahanni Butte	---	---	Temporary Satellite Depot
Trout Lake	Sambaa K'e Dev. Corp.	Nov-05	Local Operator
Wrigley	Chief Julian Yendo School	Mar-10	Local Operator
SAHTU REGION			
Colville Lake	Colville Lake School	Dec-09	Local Operator
Déline	Ehtseo Ayha School	Dec-09	Local Operator
Fort Good Hope	Chief T'Selehye School	Dec-05	Local Operator
Norman Wells	Norman Wells Recycling	Dec-11	Local Operator
Tulita	Tulita Dene Band	Jun-07	Local Operator
INUVIK REGION			
Aklavik	---	---	Temporary Satellite Depot
Fort McPherson	Telit Gwichin Recycling Depot	Feb-07	Local Operator
Inuvik	Wrangling River Supply	Nov-05	Local Operator
Paulatuk	---	---	Temporary Satellite Depot
Sachs Harbour	---	---	Temporary Satellite Depot
Tsiigehtchic	---	---	Use Fort McPherson or Inuvik Depot
Tuktoyaktuk	Tuktoyaktuk Community Corp.	Jan-06	Local Operator
Ulukhaktok	Rose Marie Kuptana	Jul-09	Local Operator

2.2.1 Depot Profile – FC Services, Behchoko

The Behchoko Recycling Depot is operated by FC Services Ltd., a local business owned by the Grosco family. Behchoko, a community of just over 2,000 people, is located 100 km northwest of Yellowknife. The depot has been in operation since November 2005. In that time, the depot has recovered 6,360,559 beverage containers, of which 2,748,672 were aluminum containers. This translates to almost 39 tonnes of aluminum that has been recycled and reused, rather than ending up in the community landfill.



Luke Grosco (left) of FC services and Archie Black, depot manager.

The depot was originally operated from an old multi-use warehouse. In 2007, Luke Grosco submitted an application to the Depot Development Fund for a grant to help with the construction of a new, dedicated recycling depot building. The Depot Development Fund is available to eligible depot operators and provides financial assistance to build, renovate or otherwise improve community recycling depots.



The new depot in Behchoko under construction in 2008, the large rear doors allow for easy removal of fibre “mega” bags containing collected containers.

Once beverage containers are sorted, bagged and boxed, FC Services uses a large covered trailer to haul the bags and boxes to Yellowknife for processing. This transportation revenue provides the depot with additional income and helps support a local business by diversifying income sources. Operating ten hours a week, the depot has returned over \$705,000 in refundable deposits to local residents since 2006.

Due to the success of the depot and Behchoko’s growing population, FC Services has plans to expand the depot in the near future, to accommodate the increasing demand for recycling from within the community and to take advantage of the business opportunities that waste recovery can offer.

As the sign on the depot says, “THERE’S CASH IN YOUR TRASH”.



Archie Black (right) helps Adam Beaulieu sort and count containers.

2.3 Distributors

As of March 31, 2012, there were 39 beverage container distributors registered with ENR. Three distributor registrations were cancelled, and two new distributors were registered during this fiscal year. Distributors are required to report sales and remit container surcharges to ENR on a monthly basis.

2.4 Beverage Containers Distributed and Returned

2.4.1 Beverage Container Recovery Rate

From April 1, 2011 to March 31, 2012, approximately 31.2 million beverage containers were distributed and approximately 27.3 million beverage containers were returned in the NWT. Table 3 shows the number of beverage containers distributed and returned in the NWT in 2011-2012, while Table 4 shows the number of containers returned by region. Figure 2 shows the containers returned by material type for 2011-2012. Overall, the number of containers distributed in 2011-2012 increased by almost 400,000 containers from the previous year and the number of containers returned increased by approximately 2.1 million containers. The recovery rate for 2011-2012 was 88%; representing a 6% increase from the previous year.

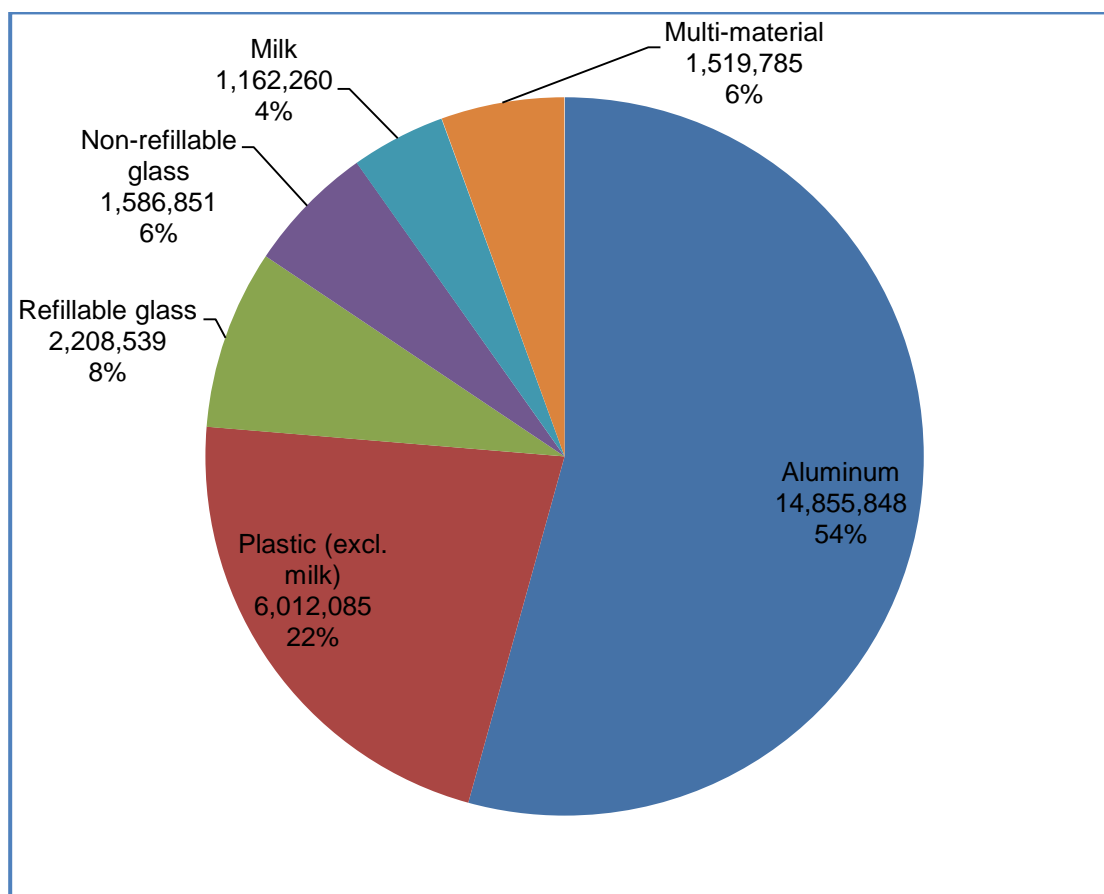
Table 3: Beverage Container Recovery Rate 2011-2012

CONTAINER MATERIAL AND/OR TYPE			CONTAINERS DISTRIBUTED	CONTAINERS RETURNED
NON-ALCOHOL BEVERAGES	< 1.0 Litre	Glass	237,518	208,646
		Aluminum	8,848,273	9,444,036
		Plastic	5,535,667	4,978,436
		Tetra Pak/Drink Pouch	1,819,723	1,186,682
		Gable Top	23,994	13,170
		Bi-Metal	30,306	14,502
	≥ 1.0 Litre	Glass	13,639	5,192
		Aluminum	0	0
		Plastic	809,697	499,329
		Tetra Pak/Drink Pouch	347,434	241,345
		Gable Top	99,169	60,861
		Bi-Metal	14,350	2,870
		Bag-in-a-Box	0	355
	Milk ≤ 1.0 Litre		1,407,495	555,157
	Milk > 1.0 Litre		681,759	607,103
ALCOHOL BEVERAGES	< 1.0 Litre	Glass - Refillable Bottle	2,482,108	2,208,539
		Glass - Non Refillable Bottle	1,237,327	863,157
		Aluminum	6,289,305	5,411,812
		Other Material	87,931	24,464
	≥ 1.0 Litre	Glass - Other Than Wine or Spirits	0	0
		Other Material - Other Than Wine or Spirits	0	0
	Any Size	Any Material - Wine or Spirits	1,240,109	1,019,712
Total			31,205,804	27,345,368

The beverage container recovery rate for
2011-2012 was 88%.

Table 4: Containers Returned by Region

Region	North Slave	South Slave	Inuvik	Sahtu	Dehcho
Total Containers	13,727,832	5,863,899	5,618,731	798,121	1,336,785
% of Containers	50%	21%	21%	3%	5%
% of Population	52%	20%	16%	6%	5%

**Figure 2: Containers Returned by Material Type**

2.4.2 Glass

Ongoing investigations and quality control initiatives have resulted in a significant drop in the reported number of non-refillable glass containers returned compared to previous years. Furthermore, there has been a gradual shift by industry away from the use of glass containers in favour of lighter materials that reduce transportation costs. This is especially the case with spirits and non-refillable alcoholic products where glass containers have increasingly been replaced by plastic ones. Program

staff continue to monitor the situation and have implemented revised reporting procedures to ensure more accuracy and accountability of the containers returned.

Table 5: Non-refillable Glass Recovery Rate (2005-2012)

Fiscal Year	Non-refillable Glass Distributed in the NWT (%)	Non-refillable Glass Returned in the NWT (%)
2005-2006	9	10
2006-2007	7	11
2007-2008	7	11
2008-2009	7	11
2009-2010	7	9
2010-2011	7	7
2011-2012	7	6

2.5 Container Reuse and Recycling

Some residents wonder whether reusing and recycling beverage containers in the NWT make sense, both environmentally and economically due to the vast distances to recycling markets. Table 6 shows where the containers go after they leave the NWT and what products they become.

Environmentally, we have shown that even recycling glass (which is the most difficult, energy intensive and least economical commodity) makes sense because it can save approximately 99 tonnes of carbon dioxide equivalent annually. If we use the same scenario under the USEPA WARM and apply the same assumptions for aluminum (which is the easiest to recycle, least energy intensive and most economical commodity), then we are avoiding approximately 1945 tonnes of carbon dioxide equivalent annually. Furthermore, by reusing and recycling beverage containers, NWT residents diverted 1157 tonnes of materials from our landfills in 2011-2012 (this does not include NRG since the project only started in April 2012).

Economically, the BCP's network of depots and processing centres operate all over the NWT, creating jobs in communities. In 2011-2012, NWT depots have refunded almost three million dollars in refundable deposits to local residents.

The Beverage Container Program provided 12 full time jobs and 35 part time jobs at depots and processing centres in 2011-2012.

Table 6: Container Material and Recycling Uses

Container Material	Container Type	Recycling Uses
Aluminum	Alcohol and non-alcohol containers (primarily pop and beer cans)	Aluminum is densified and baled, then shipped to the United States, where 97% by weight is recycled, primarily into new beverage containers.
Refillable Glass	Industry Standard Beer Bottles (ISB). These are the domestic beer bottles, primarily from the large breweries such as Labatt's and Molson's	Bottles are returned to breweries in Alberta, where they are cleaned and refilled an average of 15 times.
Non-refillable Glass*	All glass other than ISB's, includes juice, wine, liquor, coolers etc.	Glass is broken and turned into "cullet" at the regional processing centres, some of which is used locally as construction site fill; the remainder goes to landfills.
Plastic	Primarily high density polyethylene (HDPE) and polyethylene terephthalate (PET) plastic used to make soft drink, juice, water, milk and liquor containers	Baled and shipped to Alberta, where 80% of it, by weight, is recycled into non-food containers.
Multi-material	Include aseptic containers (juice boxes, drink pouches), polycoats (gable tops, milk and juice), bi-metal containers (tomato juice, evaporated milk, etc.)	<p>Aseptic and polycoat containers are baled and shipped to Alberta, then on to US recycling markets along with Alberta's multi-material containers. These containers are 80% recycled by weight.</p> <p>Bi-metal containers are baled and shipped south. They are recycled into rebar and car parts, where 95% of it is recycled by weight.</p>

* A pilot project to recycle non-refillable glass into fiberglass insulation began in April 2012 as discussed in Section 2.1.3. Therefore, this is not reflected in this table.

2.6 Enforcement

There were no convictions for offences under the *Waste Reduction and Recovery Act* in 2011-2012 for the Beverage Container Program.

3.0 SINGLE-USE RETAIL BAG PROGRAM

3.1 Background

On January 15, 2010, the NWT became the first Canadian territorial/provincial jurisdiction to implement regulations targeting single-use retail bags with the implementation of Phase 1 of the Single-use Retail Bag Program (SRBP). The program includes all single-use retail bags (e.g. plastic, paper, biodegradable, etc.). Phase 1 of the SRBP targeted the grocery sector, which is responsible for approximately half of the total single-use retail bags (SRBs) distributed. Following on the success of Phase I, minor adjustments were made to reduce retailer responsibilities under the *Single-use Retail Bag Regulations*. On February 1, 2011, Phase II of the SRBP came into effect, requiring all retail stores to charge customers 25¢ for each SRB distributed.

3.2 Distributors

During the 2011-2012 fiscal year, five new distributor registrations were issued, and three distributor registrations were cancelled. As of March 31, 2012, there were a total of 35 registered SRB distributors

3.3 Retailers

As of March 31, 2012, there were 128 retailers registered with the SRBP. Ten new retailers were registered, and one retailer registration was cancelled during 2011-2012. Seventy-six NWT businesses have ceased to provide SRBs altogether.

3.4 Single-use Retail Bags Distributed

A total of 2,165,329 SRBs were reported as distributed to NWT retail stores between April 1, 2011 and March 31, 2012. This amounts to remittances totalling \$541,332.25. Note this total is \$34,320.75 lower than the revenue reported in the audited financial statement. This variance is the result of overestimates of distributor remittance accruals for the last quarter (January 1-March 31). Accruals are based on best estimates of what distributors may distribute for that period. However, because the program is fairly new and smaller distributors do not have regular purchasing schedules, it is difficult to estimate with accuracy.

Based on information from Resource Conservation Manitoba, ENR estimated that prior to the implementation of the SRBP, residents used approximately 8.9 million SRBs (or equivalent to 208 per person per year), half of which likely originated from grocery stores. Using information provided by retailers and distributors, it is estimated NWT residents reduced their SRB use by 69-76% in 2011-2012. From

January 15, 2010 to March 31, 2012, the SRBP prevented approximately 10.8 million bags from being used.

By choosing not to use approximately 5.9 million single-use bags annually, NWT residents are offsetting about 49 tonnes of carbon dioxide equivalent emissions annually. This is equal to taking almost 10 vehicles off the road each year!

Based on USEPA WARM: http://www.epa.gov/climatechange/waste/calculators/Warm_Form.html
MTCO₂E – metric tonnes of carbon dioxide equivalent

Assumptions:

- 5 g per bag x 5,900,000 bags = 29.5 tonnes of high density polyethylene (HDPE) avoided (source reduction)
- No landfill gas recovery at landfills.
- Average distance to a community landfill is 5 km.
- Calculation of # of cars off the road is 5.1 tonnes CO₂E = 1 vehicle off the road.

3.5 Enforcement

There were no convictions for offences under the *Waste Reduction and Recovery Act* in 2011-2012 for the Single-use Retail Bag Program.

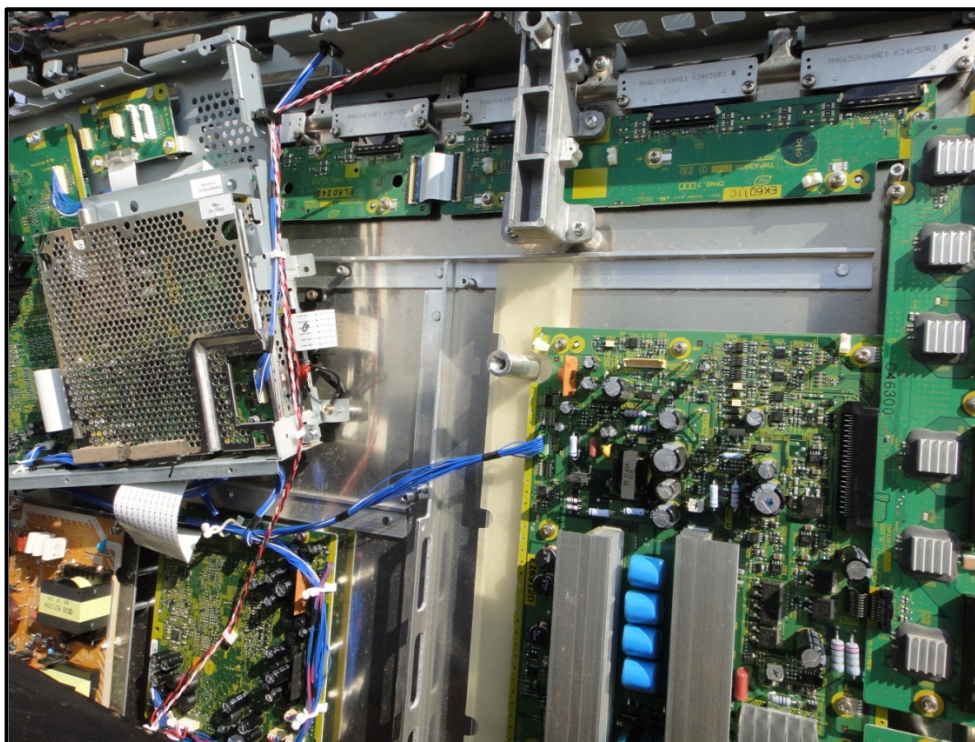
4.0 WASTE PAPER PRODUCTS INITIATIVE

In 2009, ENR launched a three-year initiative to provide funding to municipalities, businesses, organizations, and individuals to develop innovative and alternative ways to reuse waste paper products in the NWT. The initiative aimed to reduce and divert waste paper products, which make up 28-50% of the waste stream, from NWT landfills. Waste paper products include, but are not limited to white paper, brown paper, coloured paper, boxboard, corrugated cardboard, magazines, catalogue and newspapers. No applications were submitted for consideration in 2011-2012.

5.0 ELECTRONIC WASTE

Electronic waste (e-waste) is the fastest growing waste stream. It contains chemicals and heavy metals that can be hazardous to human health and the environment if they are not disposed of properly. Many e-waste components can also be broken down and recycled into secondary raw materials to manufacture new products.

As part of the Waste Reduction and Recovery Program's five-year plan, ENR has begun work toward establishing a program to reuse/refurbish/recycle e-waste in the NWT. ENR commissioned an *Inventory and Feasibility Assessment of E-waste Recovery in the NWT* to determine the best way to address e-waste in the NWT. To complement this study and to gain additional information regarding electronic products use and purchasing habits in the NWT, ENR conducted an informal survey of NWT residents in the spring of 2012. The results of the survey are available online at www.icarenwt.ca. The final inventory and feasibility report will also be available on this website when completed.



E-waste is the final item to be explored as part of the Waste Reduction and Recovery Program's five-year plan for expansion.

6.0 WASTE REDUCTION AND RECOVERY ADVISORY COMMITTEE

The Waste Reduction and Recovery Advisory Committee (WRRAC) was established under the authority of the *Waste Reduction and Recovery Act*. WRRAC serves to advise the Minister and ENR on the establishment and operation of programs to ensure improved reduction and recovery of waste in the NWT. Committee memberships reflect the following sectors and organizations: retailers; distributors/manufacturers; environmental organizations; community governments; public at large and ENR. Advice may reflect individual expertise in topics or a collective position on an initiative.

There was one meeting of the WRRAC (held August 3, 2011) in the 2011-2012 fiscal year. Table 6 lists the members of WRRAC as of March 31, 2012.

Table 7: Waste Reduction and Recovery Advisory Committee Members

Name	Sector	Organization	Community
Kevin O'Reilly (Chair)	Public at large	---	Yellowknife
Alex Nitsiza	Community representative/beverage container depot operator/retailer	---	Whatì
Amrik Kanwal	Refurbisher of electronics/ not for profit	Smart Communities Society	Yellowknife
Duane Wilson	Grocery retailer and distributor	Arctic Co-operatives Ltd.	Winnipeg
Shelagh Kerr	Industry representative for electronic manufacturers	Electronic Product Stewardship Canada	Toronto
Emery Paquin	Public at large	---	Yellowknife
Robin Williams	Electronics retailer	Roy's Audio Video	Yellowknife
Sara Brown	NWT communities	NWT Association of Communities	Yellowknife
Shannon Ripley	Environmental organization	Ecology North	Yellowknife

7.0 CONTACT INFORMATION

If you would like more information, or have comments about the waste reduction and recovery programs and/or initiatives, contact:

Waste Reduction and Management Section
 Environment Division
 Department of Environment and Natural Resources
 Government of the Northwest Territories
 P.O. Box 1320
 Yellowknife, NT X1A 2L9
 Phone: (867) 873-7654
 Fax: (867) 873-0221
 Email: nwtrecycle@gov.nt.ca
 Website: www.icarenwt.ca

APPENDIX A
Audited Financial Statement of the Environment Fund 2011-2012

Environment Fund

Financial Statements

March 31, 2012

Environment Fund

Financial Statements

March 31, 2012

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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.



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



Nancy Magrum, C.G.A., Director Finance and Administration,
Department of Environment and Natural Resources
June 15, 2012

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, 2012, 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 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 in our audit 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 Fund as at March 31, 2012 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

**Yellowknife, Canada
June 15, 2012**

A handwritten signature in dark ink that reads "Mackey LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

Environment Fund

Statement of Operations

For the year ended March 31,	2012	2011
Revenues		
Beverage container program	\$ 5,335,763	\$ 5,246,025
Recoveries	(24,069)	43,392
Single-use retail bag program	575,653	403,665
	5,887,347	5,693,082
Expenditures		
Advertising and promotion	11,226	20,209
Contract service - miscellaneous	38,831	25,368
Contract service - satellite depots	16,168	18,901
Depot handling fee	712,047	651,685
Equipment, supplies and maintenance	117,029	157,991
Freight	296,764	282,743
Grants and contributions	128,690	122,814
Insurance	10,833	12,000
Office	7,744	9,184
Processing centre handling fee	584,825	547,497
Professional fees	39,228	53,810
Refundable deposit fee	2,999,776	2,849,152
Storage	35,827	47,391
Travel and training	40,515	55,166
Wages and benefits	430,637	396,634
	5,470,140	5,250,545
Excess of revenues over expenditures before other item	417,207	442,537
Other income		
Interest	25,673	22,902
Excess of revenues over expenditures	\$ 442,880	\$ 465,439

Environment Fund

Statement of Changes in Net Assets

For the year ended March 31, 2012

	Unrestricted	Equipment replacement reserve	Total 2012	Total 2011
Balance, beginning of year	\$ 895,224	\$ 285,564	\$ 1,180,788	\$ 715,349
Excess of revenues over expenditures	442,880	-	442,880	465,439
Transfers (Note 2c)	(47,594)	47,594	-	-
Balance, end of year	\$ 1,290,510	\$ 333,158	\$ 1,623,668	\$ 1,180,788

Environment Fund

Statement of Financial Position

March 31,	2012	2011
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Assets

Current

Accounts receivable	\$ 827,310	\$ 763,295
Due from treasury (note 4)	1,784,104	1,574,546
Loans receivable (note 5)	5,972	1,805

	\$ 2,617,386	\$ 2,339,646
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Liabilities

Current

Accounts payable and accrued liabilities	\$ 214,240	\$ 374,293
Unredeemed container liability (note 6)	779,478	784,565

	993,718	1,158,858
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Fund balances

Net Assets	1,623,668	1,180,788
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	\$ 2,617,386	\$ 2,339,646
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Approved on behalf of the board:

_____ Deputy Minister

_____ Director

Environment Fund

Notes to the Financial Statements

March 31, 2012

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.

Environment Fund

Notes to the Financial Statements

March 31, 2012

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 related to the beverage container program is recognized when distributors pay the Fund for beverage containers they distribute or sell in the Northwest Territories.

Revenue under the single-use retail bag program is recognized when distributors pay the Fund for retail bags that they distribute or sell in the Northwest Territories.

Refundable deposits, depot handling fees and processing centre handling fees are expenses that are recognized when processing centres invoice the Fund for refundable deposits that were paid to the public, for depot handling fees that were paid to depot operators and for processing centre handling fees.

(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:

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 2012 transfer is \$47,594 (2011 - \$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 (\$37,132 in 2012, \$43,685 in 2011).

(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.

Environment Fund

Notes to the Financial Statements

March 31, 2012

2. Significant accounting policies (continued)

(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) 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 changes to significant accounting policies

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.

Environment Fund

Notes to the Financial Statements

March 31, 2012

3. Future changes to significant accounting policies (continued)

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.

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.

Environment Fund

Notes to the Financial Statements

March 31, 2012

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 three 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 second loan is a non-interest bearing loan with an amount currently outstanding of \$5,000 and is repayable in monthly installments of \$1,000, the loan was due on September 1, 2012. Payments on the loan were not scheduled to start until April 1, 2012. 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 2013 fiscal year.

As the full amount of the loans receivable is due within one year, the full amount has been classified as current as at March 31, 2012.

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.

7. Comparative figures

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

Environment Fund

Notes to the Financial Statements

March 31, 2012

8. Related party transactions

	2012	2011
NWT Liquor Commission		
Accounts receivable	\$ 330,116	\$ 184,905
Revenue	1,930,934	1,957,500
	\$ 2,261,050	\$ 2,142,405
Department of Human Resources		
Accounts payable	\$ -	\$ 8,636
Expenses	430,637	396,645
	\$ 430,637	\$ 405,281
Department of Finance - Expenses	\$ 10,833	\$ 12,000

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

9. Capital disclosure

The Fund's objectives when managing capital are:

- (a) 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:

	2012	2011
Current assets	\$ 2,617,386	\$ 2,339,646
Current liabilities	993,718	1,158,858
	\$ 1,623,668	\$ 1,180,788