



WASTE REDUCTION AND RECOVERY PROGRAM 2010-2011 ANNUAL REPORT

December 2011

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Appendix A: Audited Financial Statement of the Environment Fund 2010-2011

Front cover: Residents of Tulita bring their recyclables to the depot for a refund. The Tulita Dene Band operates the beverage container depot through the Community Youth Centre.

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*. All surcharges from the Beverage Container Program and the Single-use Retail Bag Program are paid into the Environment Fund. The assets of the Fund can only be used to pay for waste reduction and recovery programs and initiatives.

In 2010-2011, the Environment Fund's revenue was \$5,693,082 (excluding \$22,902 in interest income) while the expenditures were \$5,250,545, giving excess revenue of \$465,439. The balance in the Fund on March 31, 2011 was \$1,180,788. 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 Inuvik Depot and Processing Centre

The Inuvik processing centre and depot has resumed full operations at a new location following a catastrophic fire in July 2010. The fire destroyed the building and all the equipment. The depot was back in operation within ten days of the fire, while the processing centre recommenced full operations in March 2011. Beverage containers collected in the Inuvik region were either stored in Inuvik or processed in Hay River; containers stored in Inuvik were processed once the processing centre was relocated and new equipment was purchased and installed.

2.1.2 Beverage Container Program Review

November 1, 2010 marked the five-year anniversary of the Beverage Container Program (BCP). The program continues to enjoy a high level of public and political support with nearly 135 million containers being returned to depots across the NWT.

As part of a long-term plan to improve existing Waste Reduction and Recovery Programs and Initiatives, the Department of Environment and Natural Resources (ENR) contracted a consultant team consisting of MGM Management, NorthWays Consulting and CM Consulting to conduct a review of the BCP in early 2011. The final report is expected to be released in early 2012. The review will offer recommendations to make the program more efficient and easier to deliver and to ensure the program will be self-sustaining and economically viable for depots and processing centres in the long term while being affordable for the public. Topics

examined include, but are not limited to: the number of container categories; reconciliation, reporting, payment and auditing procedures; operating costs and container surcharges; transportation costs; and alternative options for managing non-refillable glass containers.

2.2 Depots and Processing Centres

As of March 31, 2011, there were 27 locally operated beverage container depots, three temporary satellite depots, and three processing centres in the NWT. 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 1 for a list of depots.

During the 2010-2011 fiscal year, one depot license was relinquished 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.



Becky Chocolate sorts containers at the Gamètì Depot.



Figure 1: Beverage Container Program Depots and Processing Centres

Table 1: Beverage Container Depots (as of March 31, 2011)

COMMUNITY	LICENCEE	DATE LICENSED	STATUS (AS OF MARCH 31, 2011)
NORTH SLAVE REGION			
Behchokò	FC Services	Nov-05	Local Operator
Dettah	---	---	Use Yellowknife Depot
Gamèti	Rae Lakes General Store	Sep-10	Local Operator
Wekweèti	Tlicho Community Government	Dec-05	Local Operator
Whati	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
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	Tri R Recycling	Nov-05	Local Operator
Kakisa	---	---	Use Enterprise or Hay River Depot
Łutselk'e	Łutselk'e Dene School	Dec-09	Local Operator
DEH CHO REGION			
Fort Liard	Fort Liard Fuel Centre	Jun-09	Local Operator
Fort Simpson	Rowes Recycling	Nov-05	Local Operator
Jean Marie River	---	---	Temporary Satellite Depot
Nahanni Butte	Nahanni Butte Store	Jun-07	Local Operator
Trout Lake	Sambaa K'e Development 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	Matco	Apr-09	Local Operator
Tulita	Tulita Dene Band	Jun-07	Local Operator
INUVIK REGION			
Aklavik	Billy Archie Contracting	Mar-09	Local Operator
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	M&J Services	Mar-09	Local Operator
Tuktoyaktuk	Tuktoyaktuk Community Corp.	Jan-06	Local Operator
Ulukhaktok	Rose Marie Kuptana	Jul-09	Local Operator

The Chief T'Selehye School in Fort Good Hope received a depot development grant of \$15,000 in 2010 to purchase a Quonset hut, which is now being used as the community beverage container collection depot.

The BCP provided 12 full time jobs, 5 seasonal jobs and 30 part time/casual jobs at Depots and Processing Centres in 2010-2011. Depots operated by schools are not included in these numbers.

2.2.1 Depot Profile – Alex's Confectionery in Whatì



Alex Nitsiza awaits the arrival of an aircraft bringing in groceries and supplies to Whatì; the same aircraft backhauls bags of used beverage containers out of Whatì to Yellowknife for processing and eventual recycling.

Alex Nitsiza, local business man and entrepreneur, has operated the depot in Whatì, a Tlicho community of 500 people, since February 2006. In that time, his depot has collected over 720,000 beverage containers, which translates to 20.4 tonnes of waste that did not end up in the local landfill. Alex has paid out approximately \$75,000 in refundable deposits to the residents of Whatì. The depot's success has caused Alex a major problem: storage of the containers the depot has collected. Even with three truck loads of containers coming out of Whatì

each year on the winter road, the program still has to backhaul additional beverage containers from the community by aircraft every fall.

Both Alex's wife, Millie and daughter, Anne Marie help with depot operations and are responsible for the day to day activities of the depot. Along with his local business activities, which include a grocery store and bed and breakfast, Alex is Chair of the Tlicho Business Investment Corporation. Alex also sits on the NWT Waste Reduction and Recovery Advisory Committee, providing a local business perspective to committee discussions and recommendations.

Now, after five years of depot operations, Alex really understands and appreciates the slogan "there's cash in your trash".

2.3 Distributors

As of March 31, 2011, there were 40 beverage container distributors registered with ENR. Four distributor registrations were cancelled, and three 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, 2010 to March 31, 2011, approximately 30.8 million beverage containers were distributed and approximately 25.2 million beverage containers were returned in the NWT. Table 2 shows the number of beverage containers distributed and returned in the NWT in 2010-2011, while Table 3 shows the number of containers returned by region. Figure 2 shows the containers returned by material type for 2010-2011. Overall, the number of containers distributed in 2010-2011 increased by over two million containers from the previous year while the number of containers returned decreased by approximately 1.5 million containers. The recovery rate for 2010-2011 was 82%; representing an 11% decrease from the previous year and a return to a more realistic and expected rate of return. Generally, in a mature and successful deposit refund recycling program where more than one type of containers are accepted, overall recovery rates do not generally exceed 85-87%.

The beverage container recovery rate for 2010/11 was 82%.

Table 2: Beverage Container Recovery Rate 2010-2011

CONTAINER MATERIAL AND/OR TYPE		CONTAINERS DISTRIBUTED	CONTAINERS RETURNED	
NON-ALCOHOL BEVERAGES	< 1.0 Litre	Glass	383,757	243,873
		Aluminum	8,710,976	8,573,409
		Plastic	5,202,348	4,588,560
		Tetra Pak/Drink Pouch	1,781,294	1,118,876
		Gable Top	37,880	14,383
		Bi-Metal	25,430	10,567
	≥ 1.0 Litre	Glass	4,376	7,915
		Aluminum	0	0
		Plastic	795,561	508,712
		Tetra Pak/Drink Pouch	339,271	222,729
		Gable Top	104,120	63,312
		Bi-Metal	9,879	2,630
		Bag-in-a-Box	0	341
	Milk ≤ 1.0 Litre		1,336,716	348,117
Milk > 1.0 Litre		729,723	447,237	
ALCOHOL BEVERAGES	< 1.0 Litre	Glass - Refillable Bottle	2,602,866	2,380,961
		Glass - Non Refillable Bottle	918,903	917,573
		Aluminum	6,532,322	4,780,132
		Other Material	0	0
	≥ 1.0 Litre	Glass - Other Than Wine or Spirits	140,135	13,742
		Other Material - Other Than Wine or Spirits	0	0
	Any Size	Any Material - Wine or Spirits	1,171,418	972,808
Total		30,826,975	25,215,876	

Table 3: Containers Returned by Region

Region	North Slave	South Slave	Inuvik	Sahtu	Dehcho
Total Containers	13,365,414	5,643,690	4,042,483	767,646	1,396,643
% of Containers	53%	22%	16%	3%	6%
% of Population	52%	20%	16%	6%	5%

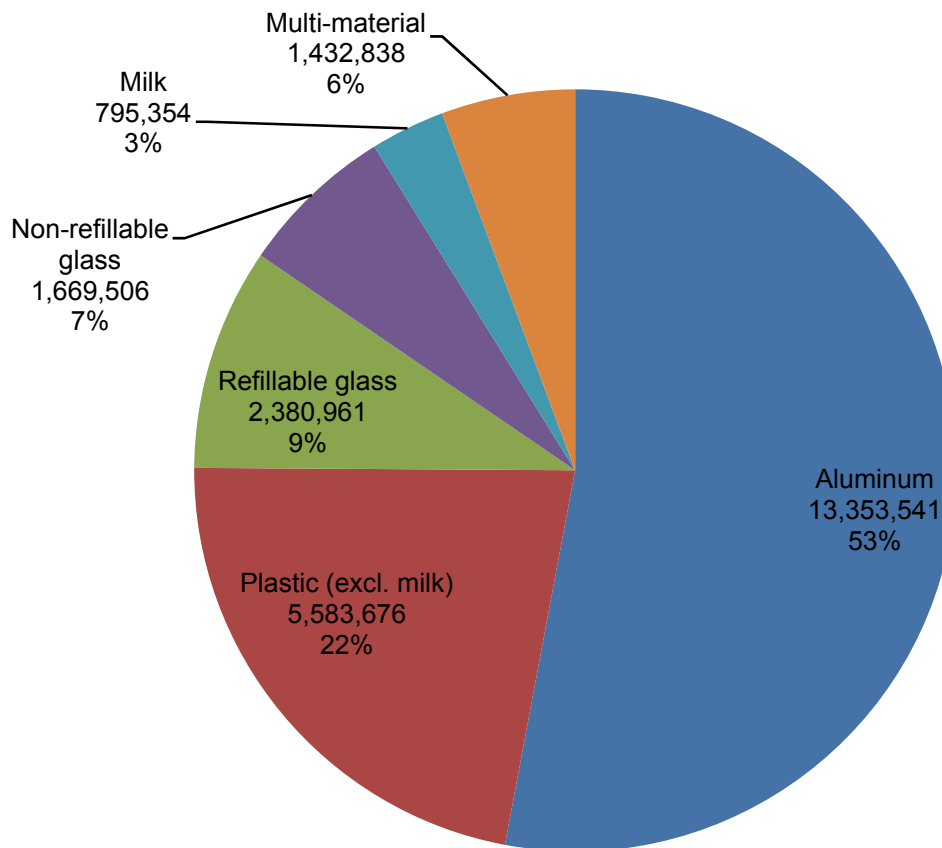


Figure 2: Containers Returned by Material Type

2.4.2 Glass

Ongoing investigations and quality control initiatives have resulted in a significant drop in the reported number of glass containers returned compared to previous years. Program staff continue to monitor the situation and will be implementing revised reporting procedures in the near future.

2.4.3 Beverage Container Type Trends

Since the Beverage Container Program began, there has been a gradual shift away from the use of glass containers in favour of lighter materials that reduce costs and greenhouse gas emissions associated with transportation. This is especially the case with spirits and non-refillable alcoholic products where glass containers have increasingly been replaced by plastic ones. Such trends may influence future changes to the BCP, to ensure the Program stays current with industry trends.

2.5 Transportation

Transportation and freight services are a key element of the Beverage Container Program, and as such, constitute a significant expense. Empty containers are shipped from depots to regional processing centres where they are processed and baled then shipped south for recycling; equipment and materials such as cash registers, bags, and boxes are shipped to depots and processing centres as required. Table 4 shows where the containers go after they leave the NWT and what products they become.

In 2010-2011, transportation costs amounted to more than \$280,000, up 25% from 2009-2010 expenses. These costs will continue to rise in 2011-2012, as the program transitions into paying for backhaul services at full rate that were generously provided free of charge by the Northern Transportation Company Ltd. (NTCL) throughout the first years of the program.



NTCL loads sea-cans in Ulukhaktok, four of which contain beverage containers destined for Inuvik to be processed and recycled.

Table 4: 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 south to the US 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 HDPE and 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.)	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. Bi-metal containers are baled and shipped south. They are recycled into rebar and car parts, where 95% of it is recycled by weight.

2.6 Enforcement

There were no convictions for offences under the *Waste Reduction and Recovery Act* in 2010-2011.

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.

3.2 Expansion to Include All Retailers

The SRBP was designed to be implemented in two phases, allowing ENR to pilot the program with grocery stores in order to assess the administrative requirements of the program. Results of a survey of grocers and their SRB distributors conducted six months into the program revealed that the Phase I was well-received.

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 Single-use Retail Bag Program came into effect, requiring all retail stores to charge customers 25¢ for each SRB distributed. A public communication and information campaign was launched in early January 2011, encouraging consumers to 'Start a Bag Habit'.



3.3 Distributors

As the program expanded to include all retailers during the 2010-2011 fiscal year, 25 new distributor registrations were issued, and four distributor registrations were cancelled. As of March 31, 2011, there were a total of 33 registered SRB distributors.

3.4 Retailers

As of March 31, 2011, there were 120 retailers registered with the Single-use Retail Bag Program, of which 93 were new registrations. Two retailers' registrations were cancelled during 2010-2011. Seventy-one NWT businesses have ceased to provide SRBs altogether.

3.5 Single-use Retail Bags Distributed

A total of 1,524,095 SRBs were reported as distributed to NWT retail stores between April 1, 2010 and March 31, 2011. This amounts to remittances totalling \$381,023.75. Note that this total is lower than the revenue reported in the audited financial statement. This variance is the result of payments into the Environment Fund made after March 31, 2010, which could not be included in the 2010-2011 audited financial statement, but accounted for SRBs distributed during the previous 2009-2010 fiscal year.

Based on information from Resource Conservation Manitoba, ENR estimated that prior to the implementation of the SRBP; residents used approximately 8.9 million SRBs (208 per person) per year, half of which likely originated from grocery stores. Between January 15, 2010, and March 31, 2011, using information provided by retailers and distributors ENR estimated that NWT residents reduced their SRB use by between 3.2 and 3.9 million bags.

With the recent inclusion of all stores under the SRBP, ENR anticipates there will be an even greater reduction in SRB use in the coming year.

4.0 WASTE PAPER PRODUCTS INITIATIVE

4.1 Status of 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 aims 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,

catalogues, newspapers, etc. In Yellowknife, it is estimated that waste paper products make up approximately 37% of the total waste stream.

No proposals were submitted for consideration by ENR in 2010-2011. 2011-2012 is the final year that funds will be available under this program. After this time, ENR will evaluate the initiative and assess available options to find local solutions to reducing and diverting waste paper products in the NWT.

4.2 City of Yellowknife Composting Pilot Project

The Yellowknife Centralized Composting Pilot Project began in September 2009. The objectives of this project are to divert organic materials such as food scraps and yard waste from the landfill, and to convert these materials into compost, which is a valuable soil amendment. Learning and results from the pilot project will assist the City of Yellowknife in planning for a larger-scale composting program.

As part of the Waste Paper Products Initiative, ENR provided funding in 2009 to support initiation of this project, and in particular to facilitate the use of waste paper products, such as shredded paper and boxboard, in the composting process.



Wintertime windrow management: mixing shredded paper with recent organics (photo courtesy of Shannon Ripley, Ecology North)

There are currently 20 businesses and institutions that participate in the centralized composting pilot project. Participants include restaurants, coffee shops, grocery stores, schools, the hospital and correctional facility. Food waste collected from businesses and institutions is mixed with yard waste dropped off by residents at the Yellowknife Solid Waste Facility. Shredded paper and boxboard are added as carbon amendments to create the proper ratio of nitrogen and carbon required by the microorganisms that actively decompose the organic materials in the composting process.

Table 5 outlines the quantity of materials that have been diverted from the landfill and used in the composting process during the first two years of the pilot project.

Table 5: Materials Processed in the Yellowknife Centralized Composting Pilot Project

Material	Amount Used in the Composting Process from September 2009-August 2011 (tonnes)
Food Waste	300
Yard Waste	155
Shredded Paper	65
Boxboard *	20
Total Input Materials	540

*Since July 2010, boxboard has not been used as a carbon amendment, as it does not fully decompose in the composting process if not ground or shredded prior to being added to the composting windrows.

The materials collected are being composted in outdoor, turned windrows at the Yellowknife Centralized Compost Facility, located next to the Solid Waste Facility. In the NWT, it takes two summer seasons to produce finished compost. The first batch of compost produced in the pilot project was undergoing final screening as of late October 2011. In early November, samples of finished compost were sent for testing to ensure the finished compost meets the Guidelines for Compost Quality outlined by the Canadian Council of Ministers of the Environment. Almost all centralized municipal composting operations in Canada that use source-separated organics (i.e. separating food and yard waste from regular garbage), such as in the case of Yellowknife, are able to produce Class A compost. Class A compost is compost that is safe for use on food crops.

The first batch of finished compost has been processed from 215 tonnes of organic materials and carbon amendments collected between September 2009 and July 2010. It is estimated that the first batch of finished compost will have a mass of 12 to 18 tonnes and a volume of 25 to 35 cubic meters.



Watering and turning compost windrow (photo courtesy of Shannon Ripley, Ecology North)

The composting process normally results in a loss of approximately 35-55% of the mass of the feedstock materials and a volume reduction of 40-60%¹. The first batch of finished compost produced is smaller than expected, as a lot of the boxboard initially used as a carbon amendment has been screened out in the final processing because it did not decompose completely due to the fact that a grinder or shredder was not accessible. The City plans to purchase a grinder / shredder for use in the composting program in 2012. This should help to increase the proportion of finished compost produced from feedstock materials.

The City plans to sell the finished compost to residents and businesses, and use the compost for landscaping projects around the city in the spring of 2012.

¹ Paul, J. and D. Geesing. 2009. Compost Facility Operator Manual. Abbotsford Printing, Abbotsford, B.C. 160 pp.

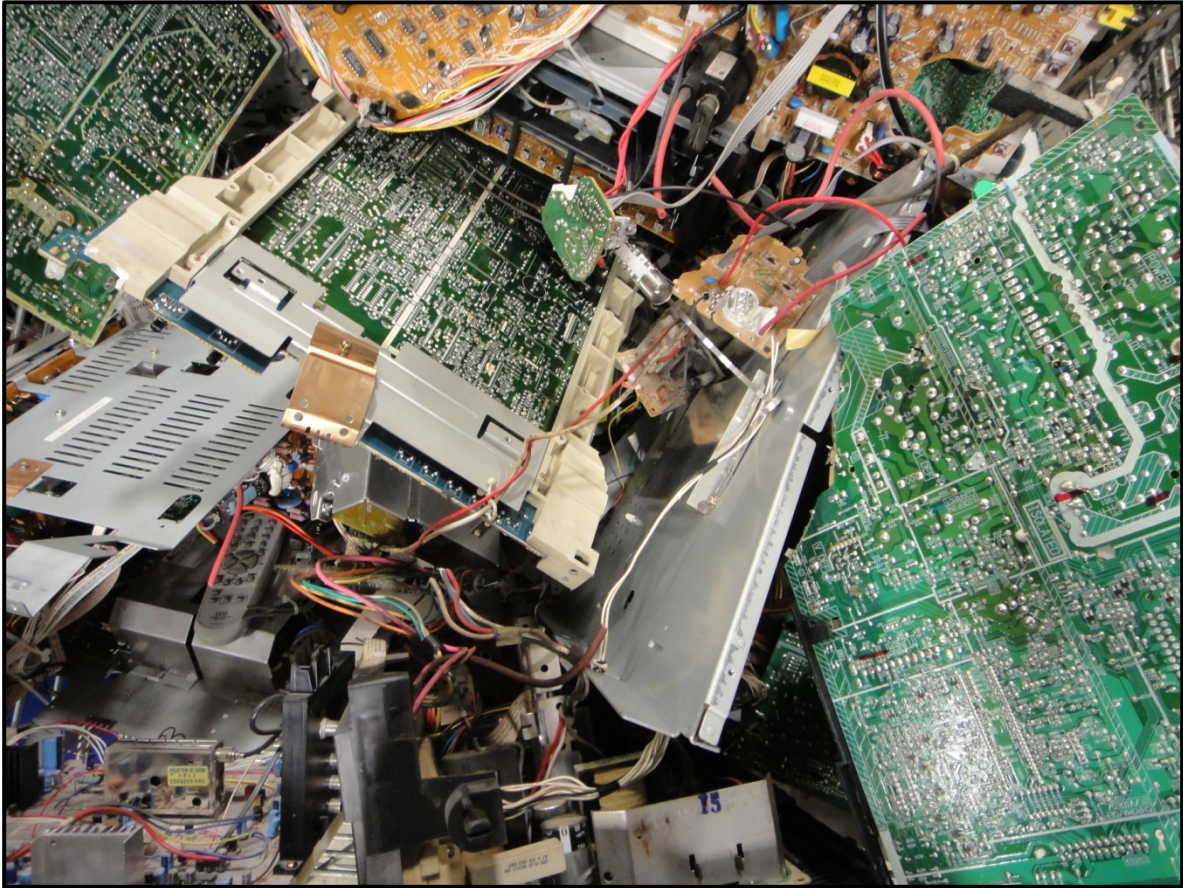
The City plans to transition from the pilot project into a long-term centralized composting program in the fall of 2011. During 2012, the City will investigate the feasibility of a residential organics collection program and options for expanded collection from businesses and institutions.

The turned windrow method of composting that has been used in the Yellowknife Centralized Composting Pilot Project has been carried out at a scale and using equipment that make it a practical example of a composting method that could be used by any other community in the NWT - regardless of size. Coordinators of the pilot project would be very happy to share plans, techniques, results and reports with anyone who is interested in setting up a composting program in their own community. A tour of the Yellowknife centralized compost facility, located next to the Solid Waste Facility, can be arranged by calling Ecology North at (867) 873-6019.

5.0 WASTE REDUCTION AND RECOVERY PROGRAM EXPANSION

In January 2008, ENR conducted a public information campaign on expanding the Waste Reduction and Recovery Program. A Discussion Paper titled “To All NWT Residents – Help Decide What New Waste Products to Recycle Across the NWT” was distributed to Aboriginal groups, Members of the Legislative Assembly, municipal and community governments, licensed beverage container depot operators, affected territorial and federal government departments, ENR regional offices, environmental organizations, and other interest groups.

The results of this campaign helped set the priorities for a five-year plan for program expansion ending in 2013. As part of the expansion, ENR committed to implementing programs and/or initiatives to address single-use retail bags, milk containers, paper products and electronic waste. The Waste Paper Products Initiative began in 2009-2010, and will run until 2011-2012. Milk containers were added to the BCP in February 2010. Phase I of the Single-use Retail Bag Program was launched with grocery stores in 2010, and Phase II became operational in all retail stores in February 2011. Electronic waste is the final item ENR committed to exploring as part of the current five-year plan. Background research regarding feasibility and options toward collecting and managing waste electronic and electrical equipment will begin in 2011-2012.



Waste electronic and electrical equipment (WEEE) 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 membership should 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 were two meetings of the WRRAC (held June 28, 2010, and February 8, 2011) in the 2010-2011 fiscal year. Table 6 lists the members of WRRAC as of March 31, 2011.

Table 6: 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	Whati
Amrik Kanwal	Refurbisher of electronics/ not for profit	Yellowknife
Duane Wilson	Grocery retailer and distributor	Winnipeg
Elena Papakosta	Manufacturer and internet retailer of electronics	Vancouver
Emery Paquin	Public at large	Yellowknife
Robin Williams	Retailer of electronics	Yellowknife
Sara Brown	NWT communities	Yellowknife
Shannon Ripley	Environmental organization	Yellowknife

7.0 CONTACT INFORMATION

If you would like more information, or have comments about the Act, Regulations, the Beverage Container Program or the Single-use Retail Bag Program, contact:

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 2010-2011

Environment Fund

Financial Statements

March 31, 2011

Environment Fund

Financial Statements

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

Environment Fund

Statement of Operations

For the year ended March 31,	2011	2010
Revenues		
Beverage container program	\$ 5,246,025	\$ 4,728,579
Single-use retail bag program	403,665	49,250
Recoveries	43,392	-
	5,693,082	4,777,829
Expenditures		
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
	5,250,545	5,048,718
Excess (deficiency) of revenues over expenditures before other item	442,537	(270,889)
Interest income	22,902	9,254
Excess (deficiency) of revenues over expenditures	\$ 465,439	\$ (261,635)

Environment Fund

Statement of Changes in Net Assets

For the year ended March 31, 2011

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

Environment Fund

Statement of Financial Position

March 31, 2011 2010

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

2,339,646 1,954,741

Loans receivable (note 5) - 1,100

\$ 2,339,646 \$ 1,955,841

Liabilities

Current

Accounts payable and accrued liabilities	\$ 374,293	\$ 524,491
Unredeemed container liability (note 6)	784,565	716,001

1,158,858 1,240,492

Fund balances

Net Assets 1,180,788 715,349

\$ 2,339,646 \$ 1,955,841

Approved by:

_____ Deputy Minister

_____ Director

Environment Fund

Notes to the Financial Statements

March 31, 2011

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, 2011

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.

Environment Fund

Notes to the Financial Statements

March 31, 2011

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.

Environment Fund

Notes to the Financial Statements

March 31, 2011

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.

Environment Fund

Notes to the Financial Statements

March 31, 2011

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
Less current portion	1,805	7,317
	\$ -	\$ 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	1,957,500	1,920,636
	\$ 2,142,405	\$ 2,095,239
Department of Human Resources		
Accounts payable	\$ 8,636	\$ 7,347
Expenses	387,645	282,539
	\$ 396,281	\$ 289,886
Department of Finance - Expenses	\$ 12,000	\$ 14,000

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:

- 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:

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