

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Financial Statements
Year Ended December 31, 2017

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Index to Financial Statements
Year Ended December 31, 2017

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Central Regional Service Board, have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Central Regional Service Board, reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance and Audit Committee. The Finance and Audit Committee is appointed by the Board and meets periodically with management and the directors' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance and Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the directors, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the directors by Richard K Power, CPA, Professional Corporation, in accordance with Canadian public sector accounting standards.

Mr Robert Elliott, Chairperson

Mr Edward Evans, Chief
Administrative Officer

Norris Arm, NL
May 17, 2018



INDEPENDENT AUDITOR'S REPORT

To the Directors of Central Regional Service Board

I have audited the accompanying financial statements of Central Regional Service Board, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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 auditor considers internal control relevant to the entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Central Regional Services board as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Clareville, Newfoundland and Labrador
May 17, 2018

Chartered Professional Accountant
Richard K Power, FCPA, Professional Corporation

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Statement of Financial Position
December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 858,383	\$ 1,329,479
Accounts receivable (Note 3)	2,085,947	1,880,386
Long term Investments (Note 4)	3,751,094	4,453,987
	6,695,424	7,663,852
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	433,700	1,972,381
Long term debt (Note 6)	2,687,500	2,837,500
Landfill closure and post closure care (Note 7)	858,000	715,000
	3,979,200	5,524,881
NET FINANCIAL ASSETS	2,716,224	2,138,971
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	52,765,531	56,080,092
ACCUMULATED SURPLUS	\$ 55,481,755	\$ 58,219,065

ON BEHALF OF COUNCIL

_____ Chairperson

_____ Treasurer

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2017

	2017	2017	2016
REVENUES			
Disposal fees (Note 9)	\$ 5,907,000	\$ 5,419,364	\$ 5,004,754
Collections fees	1,337,233	1,344,823	1,315,223
Capital grant - MMSB	-	608,819	3,092,054
Interest income	-	100,772	27,724
Other (Note 10)	77,500	80,202	188,075
Capital grant -Department of Municipal Affairs	-	-	75,129
	7,321,733	7,553,980	9,702,959
EXPENSES			
Advertising and promotion	36,500	24,696	8,837
Amortization	-	4,253,692	4,174,345
Bad debts	-	2,210	125
Insurance	229,100	221,915	197,035
Interest and bank charges	6,500	11,740	9,790
Interest on long term debt	-	75,597	73,241
Memberships	10,000	4,854	11,052
Office	29,000	24,714	38,412
Transportation services	300,000	138,546	359,712
Material handling	40,000	30,996	26,876
Landfill expenses	25,000	72,455	74,914
Dump site closure expense	-	-	13,902
Landfill closure & post-closure care	-	143,000	143,000
Material recovery facility	1,300,000	1,407,981	1,132,538
Professional fees	161,000	205,233	137,043
Repairs and maintenance	641,500	938,404	833,410
Salaries and wages	2,171,967	2,197,569	2,106,721
Telephone	89,000	70,771	83,462
Travel	32,900	21,365	31,575
Utilities	140,000	103,923	121,228
Vehicle	334,642	341,629	316,813
	5,547,109	10,291,290	9,894,031
SURPLUS (ANNUAL DEFICIT)	\$ 1,774,624	(2,737,310)	(191,072)
ACCUMULATED SURPLUS - BEGINNING OF YEAR		58,219,065	58,410,137
ACCUMULATED SURPLUS - END OF YEAR		\$ 55,481,755	\$ 58,219,065

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	2017	2016
ANNUAL DEFICIT	\$ (2,737,310)	\$ (191,072)
Amortization of tangible capital assets	4,253,692	4,174,345
Purchase of tangible capital assets	(939,130)	(4,903,476)
	3,314,562	(729,131)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	577,252	(920,203)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	2,138,971	3,059,174
NET FINANCIAL ASSETS - END OF YEAR	\$ 2,716,224	\$ 2,138,971

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)

Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Deficit	\$ (2,737,310)	\$ (191,072)
Item not affecting cash:		
Amortization of tangible capital assets	4,253,692	4,174,345
	1,516,382	3,983,273
Changes in non-cash working capital:		
Accounts receivable	(205,561)	853,813
Accounts payable	(1,538,680)	(241,829)
Deferred income	-	(75,129)
Landfill closure and post closure care	143,000	143,000
	(1,601,241)	679,855
Cash flow from operating activities	(84,859)	4,663,128
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(939,130)	(4,903,476)
Purchase of long term investments	(791,564)	(504,505)
Proceeds from sale of long term investments	1,494,459	443,812
Cash flow used by investing activities	(236,235)	(4,964,169)
FINANCING ACTIVITY		
Repayment of long term debt	(150,000)	(150,000)
Cash flow used by financing activity	(150,000)	(150,000)
DECREASE IN CASH FLOW	(471,094)	(451,041)
Cash - beginning of year	1,329,479	1,780,517
CASH - END OF YEAR	858,383	1,329,479
CASH CONSISTS OF:		
Cash - operating bank account	\$ 409,061	\$ 693,287
Cash - capital bank account	449,322	636,192
	\$ 858,383	\$ 1,329,479

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)

Notes to Financial Statements
Year Ended December 31, 2017

1. Nature of operations

The Central Regional Service Board was created under the authority of the Regional Service Board Act on February 26, 2008. The Board operates under the name Central Newfoundland Regional Waste Management Authority, and is responsible for the maintenance and operation of solid waste disposal sites and solid waste management facilities within the central region of Newfoundland.

The Board is exempt from income tax under the Income Tax Act of Canada and is designated a municipality under the Excise Tax Act of Canada.

2. Summary of significant accounting policies

Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

Non Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

Revenue recognition policy

Service revenue is recognized when delivery has occurred or services have been rendered, persuasive evidence of an agreement exists, the price is fixed or determinable, and collectibility is reasonably assured.

Government transfers are recognized as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, the amount can be reasonably estimated, any eligibility criteria have been met and there are no stipulations that give rise to a possible obligation.

Landfill Closure and Post-closure Care

Landfill closure and post-closure care costs are recognized annually as the landfill site's capacity is used, with usage being measured on a metric ton basis. The estimated total expenditure represents the sum of the estimated cash flows associated with closure and post-closure care activities, discounted at a rate equal to the estimated average long-term borrowing rate available to the Board.

(continues)

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)

Notes to Financial Statements
Year Ended December 31, 2017

2. Summary of significant accounting policies (*continued*)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is put into use and one-half of the annual amortization is charged in the year of acquisition and in the year of disposal. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Indefinite	straight-line method
Land improvements	10 to 50 years	straight-line method
Buildings	25 to 40 years	straight-line method
Machinery and equipment	5 to 10 years	straight-line method
Computer hardware and software	4 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Road surface	5 to 20 years	straight-line method
Road grade	30 years	straight-line method

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

3. Accounts receivable

	2017	2016
Operating	\$ 1,905,992	\$ 1,655,127
Harmonized sales tax	179,955	225,259
	\$ 2,085,947	\$ 1,880,386

CENTRAL REGIONAL SERVICE BOARD**(Operating as Central Newfoundland Regional Waste Management Authority)****Notes to Financial Statements****Year Ended December 31, 2017**

4. Long term investments

Long term investments consist of guarantee investment certificates with a maturity date of greater than a year. Long term investments are restricted for the following purposes.

	2017	2016
Capital projects	\$ 849,157	\$ 850,433
Capital reserve - contract bond	374,470	538,908
Capital reserve - equipment	1,157,082	1,127,638
Capital reserve - landfill construction	831,664	619,346
Capital reserve - landfill close and post closure	426,824	317,688
Vendor security bond	111,897	999,974
	\$ 3,751,094	\$ 4,453,987

Capital projects relates to funds advanced by the Department of Municipal Affairs for capital projects for the completion of facilities and other capital projects.

Capital reserves relates to replacement of equipment, collection trucks and landfill cell construction and capping. The board reserved \$791,564 including interest in 2017 for its capital reserve.

Contract security to vendor relates to a contract performance bond from a vendor.

5. Accounts payable and accrued liabilities

	2017	2016
Accounts payable and accrued liabilities	\$ 300,122	\$ 336,031
Capital construction of regional disposal sites and facilities	-	619,739
Contract security to vendor	113,705	999,974
Employee deductions payable	19,873	16,637
	\$ 433,700	\$ 1,972,381

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)

Notes to Financial Statements
Year Ended December 31, 2017

6. Long term debt

	2017	2016
Bank of Montreal loan bearing interest at 2.51% per annum, repayable in monthly principal payments of \$12,500 plus interest. The loan matures on November 30, 2035 and is secured by a government guarantee by the Province of Newfoundland and Labrador.	\$ 2,687,500	\$ 2,837,500

Principal repayment terms are approximately:

2018	\$ 150,000
2019	150,000
2020	150,000
2021	150,000
2022	150,000
Thereafter	<u>1,937,500</u>
	<u>\$ 2,687,500</u>

7. Landfill closure and post-closure care

The Board operates one solid waste landfill site. Phase 1 of the landfill site began accepting solid waste in 2012. The agreement with the Province of Newfoundland and Labrador for the operations of the landfill sites require that the Board take responsibility for certain obligations regard closure and post-closure care of each site.

Closure activities include all activities related to closing the landfill site. Through a proactive closure plan, many closure costs will be incurred on an on-going basis and will be included in the yearly fiscal operating budget. Taking this into consideration, it is assumed that closure costs incurred at the actual closure date will be reduced significantly.

Post-closure activities include all activities related to monitoring the site once it can no longer accept waste. These costs are expected to last for an indeterminate time period, but at a minimum, would exceed 15 years.

As of December 31, 2017, cash reserves of \$426,824 (Note 5) were set aside for closure and post-closure activities. The Board recognizes a future liability for closure and post-closure care costs. The liability is based on the best available information at the reporting date, which include estimated total capacity of the landfill, estimated capacity used and expected future cash outflows as outlined in the Board's proactive closure plan. The amount estimated and accrued at December 31, 2017 for the current year closure and post-closure liability is \$143,000 (2017- \$143,000). The total amount accrued for future liability for closure and post-closure care costs is \$858,000.

8. Financial instruments

The Board, as part of its operations, carries a number of financial instruments. It is management's opinion the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)

Notes to Financial Statements
Year Ended December 31, 2017

9. Disposal fees

	2017	2016
Disposal	\$ 4,841,945	\$ 4,719,971
Sale of recyclable materials	577,419	284,783
	\$ 5,419,364	\$ 5,004,754

10. Other revenue

	2017	2016
Water Specialist Revenue	\$ 77,500	\$ 124,017
Other	2,702	64,058
	\$ 80,202	\$ 188,075

11. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**CENTRAL REGIONAL SERVICE BOARD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2017**

SCHEDULE 1

Cost	Land and Land Improvements	Buildings and Leasehold Improvements	Motor Vehicles and Heavy Equipment	Asphalt and Parking Areas	Furniture and Fixtures	Computers and Data Management	2017	2016
Opening costs	14,874,011	27,967,513	16,981,818	11,840,763	150,112	751,536	72,565,750	67,662,275
Additions during the year	242,750	-	696,380	-	-	-	939,130	4,903,476
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	15,116,761	27,967,513	17,678,198	11,840,763	150,112	751,536	73,504,883	72,565,750
Accumulated Amortization								
Opening accum'd amortization	215,374	4,641,683	5,372,367	5,373,175	140,271	742,791	16,485,661	12,311,316
Amortization	189,928	1,118,701	1,742,401	1,184,076	9,840	8,746	4,253,692	4,174,345
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	405,302	5,760,384	7,114,768	6,557,251	150,111	751,537	20,739,353	16,485,661
Net Book Value of Tangible Capital Assets	14,711,459	22,207,129	10,563,430	5,283,512	1	- 1	52,765,531	56,080,092

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF OPERATIONS BY PROGRAM
YEAR ENDED DECEMBER 31, 2017

	Disposal Program	Collections Program	Capital	Total
	\$	\$	\$	\$
REVENUE				
Collections	\$ -	\$ 1,344,823	\$ -	\$ 1,344,823
Disposal	\$ 5,419,364	-	-	5,419,364
Department of Municipal Affairs - capital grants	-	-	\$ -	-
Department of Municipal Affairs - special grant	-	-	608,819	608,819
Interest	-	-	100,772	100,772
Other	80,202	-	-	80,202
	<u>5,499,566</u>	<u>1,344,823</u>	<u>709,591</u>	<u>7,553,980</u>
Total revenue				
EXPENSES				
Advertising	14,332	10,364	-	24,696
Amortization	-	-	4,253,692	4,253,692
Bad debt	2,210	-	-	2,210
Dumpsite closure	-	-	-	-
Insurance	206,063	15,852	-	221,915
Interest and bank charges	11,740	-	-	11,740
Interest on long term debt	75,597	-	-	75,597
Landfill closure and post closure	143,000	-	-	143,000
Landfill expenses	52,721	19,734	-	72,455
Material Handling	30,996	-	-	30,996
Material recycling facility	1,407,981	-	-	1,407,981
Membership	4,854	-	-	4,854
Office	24,714	-	-	24,714
Professional fees	188,738	-	16,495	205,233
Repairs and maintenance	724,069	214,335	-	938,404
Salaries and wages	1,693,217	504,352	-	2,197,569
Telephone	65,267	5,504	-	70,771
Transportation services	138,546	-	-	138,546
Travel	20,875	490	-	21,365
Utilities	102,823	1,100	-	103,923
Vehicle	152,553	189,076	-	341,629
	<u>5,060,296</u>	<u>960,807</u>	<u>4,270,186</u>	<u>10,291,290</u>
Total expenses				
Surplus (Deficit) per Statement of Operations	439,270	384,016	(3,560,595)	(2,737,310)
Capital reserve allocation	462,564	329,000	-	791,564
Surplus (Deficit) after capital reserve allocation	<u>\$ (23,294)</u>	<u>\$ 55,016</u>	<u>\$ (3,560,595)</u>	<u>\$ (3,528,874)</u>

See Note 4 for Capital Reserve.

The accompanying notes are an integral part of these financial statements