

CENTRAL REGIONAL SERVICE BOARD

Financial Statements

Year Ended December 31, 2018

CENTRAL REGIONAL SERVICE BOARD

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Year Ended December 31, 2018

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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's 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 Audit Committee. The 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 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 16, 2019



INDEPENDENT AUDITOR'S REPORT

To the Directors of Central Regional Service Board

Opinion

I have audited the financial statements of Central Regional Service Board (the Board), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

(continues)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Clarenville, Newfoundland and Labrador
May 16, 2019

Chartered Professional Accountant
Richard K Power, FCPA, Professional Corporation

CENTRAL REGIONAL SERVICE BOARD**Statement of Financial Position****December 31, 2018**

	2018	2017
FINANCIAL ASSETS		
Cash (Note 2)	\$ 694,164	\$ 858,383
Accounts receivable (Note 3)	2,303,784	2,085,947
Long term Investments (Note 4)	4,470,044	3,751,094
	7,467,992	6,695,424
LIABILITIES		
Accounts payable (Note 5)	810,722	433,701
Long term debt (Note 6)	2,537,500	2,687,500
Landfill closure and post closure care (Note 7)	1,001,000	858,000
	4,349,222	3,979,201
NET FINANCIAL ASSETS	3,118,770	2,716,223
NON-FINANCIAL ASSETS		
Tangible capital assets(Schedule 1)	48,663,440	52,765,531
ACCUMULATED SURPLUS	\$ 51,782,210	\$ 55,481,754

ON BEHALF OF THE BOARD_____
*Chairperson*_____
Treasurer

CENTRAL REGIONAL SERVICE BOARD
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2018

	Budget 2018	2018	2017
REVENUES			
Collections fees	\$ 1,369,544	\$ 1,397,900	\$ 1,344,823
Disposal fees	5,312,800	5,956,101	5,419,364
Grants	-	-	608,819
Interest income	-	155,764	100,772
Other	77,500	151,082	80,202
	6,759,844	7,660,847	7,553,980
EXPENSES			
Advertising and promotion	35,000	41,118	24,696
Amortization	-	4,283,868	4,253,692
Bad debts	-	544,160	2,210
Capital reserves	794,564	-	-
Insurance	239,700	224,528	221,915
Interest and bank charges	6,000	15,192	11,740
Interest on long term debt	225,000	66,208	75,597
Memberships	10,000	1,217	4,854
Office	26,000	38,679	24,714
Transportation services	260,000	136,212	138,546
Material handling	34,595	35,617	30,996
Landfill expenses	18,600	38,193	72,455
Landfill closure & post-closure care	-	143,000	143,000
Material recovery facility	1,300,000	1,497,596	1,407,981
Professional fees	140,000	168,312	205,233
Repairs and maintenance	882,000	1,061,842	938,404
Salaries and wages	2,241,057	2,436,120	2,197,569
Telephone	79,928	81,872	70,771
Travel	27,400	26,634	21,365
Utilities	120,000	96,122	103,923
Vehicle	320,000	423,901	341,629
	6,759,844	11,360,391	10,291,290
ANNUAL DEFICIT	-	(3,699,544)	(2,737,310)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	55,481,754	55,481,754	58,219,064
ACCUMULATED SURPLUS - END OF YEAR	\$ 55,481,754	\$ 51,782,210	\$ 55,481,754

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	Budget 2018	2018	2017
ANNUAL DEFICIT	\$ -	\$ (3,699,544)	\$ (2,737,310)
Amortization of tangible capital assets	-	4,283,868	4,253,692
Purchase of tangible capital assets	-	(181,777)	(939,131)
	-	4,102,091	3,314,561
INCREASE IN NET FINANCIAL ASSETS	-	402,547	577,251
NET FINANCIAL ASSETS - BEGINNING OF YEAR	2,716,224	2,716,223	2,138,972
NET FINANCIAL ASSETS - END OF YEAR	\$ 2,716,224	\$ 3,118,770	\$ 2,716,223

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD**Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Annual Deficit	\$ (3,699,544)	\$ (2,737,310)
Item not affecting cash:		
Amortization of tangible capital assets	4,283,868	4,253,692
	584,324	1,516,382
Changes in non-cash working capital:		
Accounts receivable	(217,837)	(205,561)
Accounts payable	377,019	(1,538,681)
Landfill closure and post closure care	143,000	143,000
	302,182	(1,601,242)
Cash flow from (used by) operating activities	886,506	(84,860)
CAPITAL ACTIVITY		
Purchase of property, plant and equipment	(181,777)	(939,131)
Purchase of long term assets	(883,948)	(791,564)
Proceeds from sale of long term assets	165,000	1,494,459
Cash flow used by capital activity	(900,725)	(236,236)
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	(164,219)	(471,096)
Cash - beginning of year	858,383	1,329,479
CASH - END OF YEAR	\$ 694,164	\$ 858,383
CASH CONSISTS OF:		
Cash - operating bank account	\$ 410,151	\$ 409,061
Cash - capital bank account	284,013	449,322
	\$ 694,164	\$ 858,383

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2018

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.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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 collectability 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.

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CENTRAL REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2018

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

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.

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.

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.

CENTRAL REGIONAL SERVICE BOARD**Notes to Financial Statements****Year Ended December 31, 2018****3. Accounts receivable**

	2018	2017
Operating	\$ 2,633,912	\$ 1,908,176
Harmonized sales tax	215,787	179,955
	2,849,699	2,088,131
Allowance for Doubtful Accounts	(545,915)	(2,184)
	\$ 2,303,784	\$ 2,085,947

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.

	2018	2017
Capital projects	\$ 372,085	\$ 849,157
Capital reserve - Landfill equipment	550,545	374,470
Capital reserve - Collection equipment	1,510,161	1,157,082
Capital reserve - Landfill construction	1,058,259	831,664
Capital reserve - Landfill close and post closure	863,632	426,824
Vendor security bond	115,362	111,897
	\$ 4,470,044	\$ 3,751,094

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 \$794,564 including interest in 2018 for its capital reserve.

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

5. Accounts payable and accrued liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 624,846	\$ 300,123
Wages payable	48,898	-
Contract security to vendor	115,362	113,705
Employee deductions payable	21,616	19,873
	\$ 810,722	\$ 433,701

CENTRAL REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2018

6. Long term debt

	2018	2017
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.	\$ 2,537,500	\$ 2,687,500

Principal repayment terms are approximately:

2019	\$ 150,000
2020	150,000
2021	150,000
2022	150,000
2023	150,000
Thereafter	<u>1,787,500</u>
	<u>\$ 2,537,500</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, 2018, cash reserves of \$863,632 (Note 4) 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, 2018 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 \$1,001,000.

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

Notes to Financial Statements

Year Ended December 31, 2018

9. Disposal fees

	2018	2017
Disposal	\$ 5,545,178	\$ 4,841,945
Sale of recyclable materials	410,923	577,419
	\$ 5,956,101	\$ 5,419,364

10. Other revenue

	2018	2017
Water Specialist Revenue	\$ 77,500	\$ 77,500
Revenue - enforcement officer MMSB	67,500	-
Other	6,082	2,702
	\$ 151,082	\$ 80,202

**CENTRAL REGIONAL SERVICE BOARD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2018**

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	2018	2017
Opening costs	15,116,761	27,967,513	17,678,198	11,840,763	150,112	751,536	73,504,883	72,565,750
Additions during the year	-	-	181,779	-	-	-	181,779	939,130
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	15,116,761	27,967,513	17,859,977	11,840,763	150,112	751,536	73,686,662	73,504,883
Accumulated Amortization								
Opening accum'd amortization	405,301	5,760,384	7,114,768	6,557,251	150,112	751,536	20,739,352	16,485,660
Amortization	194,785	1,118,701	1,786,309	1,184,075	-	-	4,283,870	4,253,692
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	600,086	6,879,085	8,901,077	7,741,326	150,112	751,536	25,023,222	20,739,352
Net Book Value of Tangible Capital Assets	14,516,675	21,088,428	8,958,900	4,099,437	-	-	48,663,440	52,765,531

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF OPERATIONS BY PROGRAM
YEAR ENDED DECEMBER 31, 2018

	Disposal Program		Collection Program		Capital		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
REVENUE								
Collections	-		\$ 1,397,900	\$ 1,344,823			\$ 1,397,900	\$ 1,344,823
Disposal	\$ 5,956,101	\$ 5,419,364					\$ 5,956,101	\$ 5,419,364
Department of Municipal Affairs - grant						608,819	-	608,819
Interest					155,764	100,772	155,764	100,772
Other	151,081	80,202					151,081	80,202
Total revenue	6,107,182	5,499,566	1,397,900	1,344,823	155,764	709,591	7,660,846	7,553,980
EXPENSES								
Advertising	31,744	14,332	9,373	10,364	-		41,118	24,696
Amortization					4,283,868	4,253,692	4,283,868	4,253,692
Bad debt	544,160	2,210					544,160	2,210
Insurance	206,528	206,063	18,000	15,852			224,528	221,915
Interest and bank charges	15,192	11,740					15,192	11,740
Interest on long term debt	66,208	75,597					66,208	75,597
Landfill closure and post closure	143,000	143,000					143,000	143,000
Landfill expenses	17,478	52,721	20,714	19,734			38,193	72,455
Material Handling	35,617	30,996					35,617	30,996
Material recycling facility	1,497,596	1,407,981					1,497,596	1,407,981
Membership	1,217	4,854					1,217	4,854
Office	38,658	24,714	21				38,679	24,714
Professional fees	168,312	188,738	-			16,495	168,312	205,233
Repairs and maintenance	833,438	724,069	228,404	214,335			1,061,842	938,404
Salaries and wages	1,888,715	1,693,217	547,405	504,352			2,436,120	2,197,569
Telephone	73,136	65,267	8,736	5,504			81,872	70,771
Transportation services	136,212	138,546					136,212	138,546
Travel	26,546	20,875	87	490			26,634	21,365
Utilities	96,122	102,823		1,100			96,122	103,923
Vehicle	190,670	152,553	233,231	189,076			423,901	341,629
	6,010,551	5,060,296	1,065,972	960,807	4,283,868	4,270,187	11,360,391	10,291,290
Surplus (Deficit) per Statement of Operations	96,631	439,270	331,928	384,016	(4,128,104)	(3,560,596)	(3,699,545)	(2,737,310)
Capital reserve allocation (See Note 4)								
Equipment	331,352	262,000	329,000	329,000	-		660,352	591,000
Landfill construction	200,564	200,564	-		-		200,564	200,564
	531,916	462,564	329,000	329,000	-		860,916	791,564
Surplus (Deficit) after capital reserve allocation	\$ (435,285)	\$ (23,294)	\$ 2,928	\$ 55,016	\$ (4,128,104)	\$ (3,560,596)	(4,560,461)	(3,528,874)

The accompanying notes are an integral part of these financial statements