

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Financial Statements
Year Ended December 31, 2016

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
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Year Ended December 31, 2016

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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 Finance and Audit Committee. The Finance and Audit Committee is appointed by the Board and meets periodically with management and the members' 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 members, the engagement or re-appointment of the external auditors.

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

Mr Allan Scott, Chairperson

Mr Edward Evans, Chief
Administrative Officer

Norris Arm, NL
May 10, 2017

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, 2016 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 Service Board, (Operating as Central Newfoundland Regional Waste Management Authority), as at December 31, 2016 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 10, 2017

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, 2016

FINANCIAL ASSETS

Cash (Note 3)	\$ 1,329,479	\$ 1,780,517
Accounts receivable (Note 4)	1,880,386	2,734,199
Long term Investments (Note 5)	4,453,987	4,393,296
	7,663,852	8,908,012

LIABILITIES

Accounts payable and accrued liabilities (Note 6)	1,972,381	2,214,207
Long term debt (Note 8)	2,837,500	2,987,500
Deferred income (Note 7)	-	75,129
Landfill closure and post closure care (Note 9)	715,000	572,000
	5,524,881	5,848,836

NET FINANCIAL ASSETS

2,138,971 3,059,176

NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 1)	56,080,092	55,350,961
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ACCUMULATED SURPLUS

\$ 58,219,064 \$ 58,410,136

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, 2016

	2016	2016	2015
REVENUES			
Collections fees	\$ 1,337,233	\$ 1,315,223	\$ 1,285,955
Disposal fees	5,907,000	4,850,014	4,155,601
Grants	-	3,092,054	-
Other	77,500	342,815	120,134
Department of Municipal Affairs - capital grants	-	75,129	5,160,223
	7,321,733	9,675,235	10,721,913
EXPENSES			
Advertising and promotion	50,000	8,837	59,525
Amortization	-	4,174,345	3,933,880
Bad debts	-	125	(728)
Insurance	228,050	197,035	239,623
Interest and bank charges	4,000	9,790	14,300
Interest on long term debt	190,940	73,241	-
Memberships	3,500	11,052	3,245
Office	47,000	38,412	38,697
Transportation services	420,000	359,712	358,596
Material handling	41,000	26,876	56,811
Landfill expenses	30,000	74,914	128,693
Dump site closure expense	-	13,902	171,327
Landfill closure & post-closure care	-	143,000	143,000
Material recovery facility	1,300,000	1,132,538	900,529
Professional fees	131,000	137,043	480,632
Repairs and maintenance	788,571	833,410	775,492
Salaries and wages	1,979,174	2,106,721	1,925,923
Telephone	100,052	83,462	105,645
Travel	42,400	31,575	33,516
Utilities	140,000	121,228	70,979
Vehicle	388,000	316,813	367,595
	5,883,687	9,894,031	9,807,280
SURPLUS (DEFICIT) FROM OPERATIONS	1,438,046	(218,796)	914,633
OTHER INCOME	-	27,724	65,185
ANNUAL SURPLUS (DEFICIT)	1,438,046	(191,072)	979,818
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	58,410,136	57,430,318
ACCUMULATED SURPLUS - END OF YEAR	\$ 1,438,046	\$ 58,219,064	\$ 58,410,136

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, 2016

	2016	2015
ANNUAL SURPLUS (DEFICIT)	\$ (191,072)	\$ 979,818
Amortization of tangible capital assets	4,174,343	3,933,880
Purchase of tangible capital assets	(4,903,476)	(5,510,265)
Capitalized interest	-	-
Capitalized overhead	-	-
	(729,133)	(1,576,385)
DECREASE IN NET FINANCIAL ASSETS	(920,205)	(596,567)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,059,176	3,655,743
NET FINANCIAL ASSETS - END OF YEAR	\$ 2,138,971	\$ 3,059,176

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, 2016

	2016	2015
OPERATING ACTIVITIES		
Surplus (deficit)	\$ (191,072)	\$ 979,818
Item not affecting cash:		
Amortization of tangible capital assets	4,174,345	3,933,880
	3,983,273	4,913,698
Changes in non-cash working capital:		
Accounts receivable	853,813	(1,554,709)
Accounts payable	(241,824)	(164,939)
Deferred income	(75,129)	(5,144,024)
Landfill closure and post closure care	143,000	143,000
	679,860	(6,720,672)
Cash flow from operating activities	4,663,133	(1,806,974)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,903,476)	(5,510,265)
Purchase of long term investments	(504,505)	(500,262)
Proceeds from sale of long term investments	443,812	2,093,264
Cash flow used by investing activities	(4,964,169)	(3,917,263)
FINANCING ACTIVITIES		
Proceeds from long term financing	-	3,000,000
Repayment of long term debt	(150,000)	(12,500)
Cash flow from (used by) financing activities	(150,000)	2,987,500
DECREASE IN CASH FLOW	(451,036)	(2,736,737)
Cash - beginning of year	1,780,517	4,517,251
CASH - END OF YEAR	1,329,479	1,780,517
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ (27,724)	\$ (65,185)
Interest paid	\$ 83,031	\$ 14,300

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, 2016

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.

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, 2016

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. Cash

	2016	2015
Cash is comprised of the following		
Cash - operating bank account	\$ 693,287	\$ 273,365
Cash - capital bank account	636,192	1,507,152
	\$ 1,329,479	\$ 1,780,517

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

Notes to Financial Statements
Year Ended December 31, 2016

4. Accounts receivable

	2016	2015
Operating	\$ 1,655,127	\$ 1,118,693
Harmonized sales tax	225,259	1,615,506
	\$ 1,880,386	\$ 2,734,199

5. Long term investments

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

	2016	2015
Capital projects	\$ 850,434	\$ 1,454,326
Capital reserve	2,603,579	1,949,741
Vendor security bond	999,974	989,229
	\$ 4,453,987	\$ 4,393,296

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 reserve relates to replacement of equipment, collection trucks and landfill cell construction and capping. The board reserved \$504,505 including interest in 2016 for its capital reserve.

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

6. Accounts payable and accrued liabilities

	2016	2015
Accounts payable and accrued liabilities	\$ 336,031	\$ 843,841
Capital construction of regional disposal sites and facilities	619,739	366,225
Contract security to vendor	999,974	987,549
Employee deductions payable	16,637	16,592
	\$ 1,972,381	\$ 2,214,207

7. Deferred revenue

Deferred revenue relates to funds advanced from the Department of Municipal Affairs for future capital expenditure.

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

Notes to Financial Statements
Year Ended December 31, 2016

8. Long term debt

	2016	2015
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.	\$ 2,837,500	\$ 2,987,500

Principal repayment terms are approximately:

2017	\$ 150,000
2018	150,000
2019	150,000
2020	150,000
2021	150,000
Thereafter	<u>2,087,500</u>
	<u>\$ 2,837,500</u>

9. 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.

Beginning in 2012, the Board has budgeted an annual reserve from operations of \$218,000 to fund closure and post-closure activities. As of year end, cash reserves of \$317,688 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, 2016 for the current year closure and post-closure liability is \$143,000 (2015- \$143,000). The total amount accrued for future liability for closure and post-closure care costs is \$715,000.

10. 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
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2016

SCHEDULE 1

Cost	Land and Land Improvements	Buildings and Leasehold Improvements	Motor Vehicles and Heavy	Asphalt and Parking Areas	Furniture and Fixtures	Computers and Data Management	2016	2015
Opening costs	11,483,439	27,372,465	16,063,962	11,840,763	150,112	751,536	67,662,275	62,152,011
Additions during the year	3,390,573	595,048	917,856	-	-	-	4,903,476	5,510,265
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	14,874,011	27,967,513	16,981,818	11,840,763	150,112	751,536	72,565,752	67,662,275
Accumulated Amortization								
Opening accum'd amortization	98,113	3,534,883	3,710,678	4,189,099	110,249	668,294	12,311,316	8,377,435
Amortization	117,261	1,106,800	1,661,689	1,184,076	30,022	74,497	4,174,345	3,933,880
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	215,374	4,641,683	5,372,367	5,373,175	140,271	742,791	16,485,661	12,311,316
Net Book Value of Tangible Capital Assets	14,658,637	23,325,830	11,609,451	6,467,588	9,840	8,745	56,080,092	55,350,961

The accompanying notes are an integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF OPERATIONS BY PROGRAM
YEAR ENDED DECEMBER 31, 2016

	Disposal Program	Collections Program	Capital	Total
	\$	\$	\$	\$
REVENUE				
Collections	\$ 5,352	\$ 1,309,871		\$ 1,315,223
Disposal	\$ 4,840,751	9,263		4,850,014
Department of Municipal Affairs - capital grants			\$ 75,129	75,129
Department of Municipal Affairs - special grant			3,092,054	3,092,054
Interest			27,724	27,724
Other	342,815			342,815
Total revenue	5,188,918	1,319,134	3,194,907	9,702,960
EXPENSES				
Advertising	16,487	- 7,650		8,837
Amortization			4,174,345	4,174,345
Bad debt	125			125
Dumpsite closure			13,902	13,902
Insurance	182,620	14,416		197,035
Interest and bank charges	9,790			9,790
Interest on long term debt	73,241			73,241
Landfill closure and post closure	143,000			143,000
Landfill expenses	53,998	20,916		74,914
Material Handling	26,876			26,876
Material recycling facility	1,132,538			1,132,538
Membership	11,052			11,052
Office	38,412			38,412
Professional fees	128,512		8,531	137,043
Repairs and maintenance	714,750	118,661		833,410
Salaries and wages	1,496,675	610,046		2,106,721
Telephone	74,800	8,662		83,462
Transportation services	359,712			359,712
Travel	31,224	351		31,575
Utilities	121,228			121,228
Vehicle	142,417	174,397		316,813
Total expenses	4,757,457	939,797	4,196,778	9,894,033
Surplus per Statement of Operations	431,460	379,337	(1,001,871)	(191,072)
Capital reserve allocation	296,505	208,000		504,505
Surplus (Deficit) after capital reserve allocation	\$ 134,955	\$ 171,337	\$ (1,001,871)	\$ (695,579)

See Note 4 for Capital Reserve.

The accompanying notes are an integral part of these financial statements