

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

**Financial Statements**  
**For the Year Ended December 31, 2011**

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**For the Year Ended December 31, 2011**

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## STATEMENT OF RESPONSIBILITY

The accompanying Financial Statements are the responsibility of the management of the *Central Regional Service Board* and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board has met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

*BDO Canada LLP, Chartered Accountants* as the Board's appointed external auditors, have audited the Financial Statements. The Auditors' report is addressed to the Board of Directors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Financial Statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian generally accepted accounting principles.

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*Allan Scott*  
Board Chair

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*Glenn Arnold*  
Treasurer



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221D Memorial Drive  
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## Independent Auditors' Report

To the Board of Directors of the Central Regional Service Board

We have audited the accompanying financial statements of the Central Regional Service Board, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, 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

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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Central Regional Service Board as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting

Clareville, Newfoundland and Labrador  
June 14, 2012

Chartered Accountants

**CENTRAL REGIONAL SERVICE BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	\$ 3,906,817	\$ 1,089,767
Short term investments	6,818,925	
Amounts receivable (Note 4)	<u>1,210,449</u>	<u>5,597,248</u>
	<u>\$ 11,936,191</u>	<u>\$ 6,687,015</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 6,927,519	\$ 5,209,592
Deferred revenue (Note 6)	<u>5,188,474</u>	<u>59,624</u>
	<u>12,115,993</u>	<u>5,269,216</u>
<b>NET FINANCIAL ASSETS (Net Debt)</b>	<u>\$ (179,802)</u>	<u>\$ 1,417,799</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	<u>\$ 41,366,227</u>	<u>\$ 30,043,730</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 41,186,425</u>	<u>\$ 31,461,529</u>

Approved on behalf of Board:

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Chairperson

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Treasurer

**CENTRAL REGIONAL SERVICE BOARD**  
**STATEMENT OF OPERATIONS**  
Year Ended December 31, 2011

	2011 Actual	2010 Actual
<b>REVENUE</b>		
Department of Municipal Affairs - capital	\$ 10,443,226	\$ 23,820,475
Department of Municipal Affairs - operating	28,445	16,205
Multi Materials Stewardship Board grant	170,855	177,589
Department of Human Resources, Labour and Employment grant	6,005	9,000
Collections fees	179,649	22,217
Interest	87,201	
Other	6,387	4,743
	<u>10,921,768</u>	<u>24,050,229</u>
<b>EXPENSES</b>		
Advertising and promotion	13,933	10,742
Business licenses and memberships	16,760	1,275
Engineering fees	175,669	5,287
Fogo Island waste management expense	62,629	412,496
Insurance	35,162	7,095
Interest and bank charges	350	1,350
Legal fees	60,668	65,602
Legal settlement (Note 7)	497,259	49,775
Meetings and conventions	11,500	6,729
Office	4,411	2,719
Professional fees	3,294	8,681
Rental		19,387
Repairs and maintenance	11,881	758
Salaries and wages	211,965	131,267
Telephone	36,202	5,699
Travel	20,937	19,171
Utilities	34,252	4,561
	<u>1,196,872</u>	<u>752,594</u>
<b>ANNUAL SURPLUS</b>	<b>9,724,896</b>	<b>23,297,635</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>31,461,529</b>	<b>8,173,481</b>
Adjustment to operating fund - prior period	-	(9,587)
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b><u>\$ 41,186,425</u></b>	<b><u>\$ 31,461,529</u></b>

**CENTRAL REGIONAL SERVICE BOARD**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
Year Ended December 31, 2011

	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
<b>ANNUAL SURPLUS</b>	<b>\$ 9,724,896</b>	<b>\$ 23,297,635</b>
Acquisition of tangible capital assets	(11,322,497)	(21,329,632)
Adjustment to operating fund		(9,587)
	<u>(11,322,497)</u>	<u>(21,339,219)</u>
<b>CHANGE IN NET FINANCIAL ASSETS</b>	<b>(1,597,601)</b>	<b>1,958,416</b>
<b>NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR</b>	<b>1,417,799</b>	<b>(540,617)</b>
<b>NET FINANCIAL ASSETS (NET DEBT), END OF YEAR</b>	<b>\$ (179,802)</b>	<b>\$ 1,417,799</b>

**CENTRAL REGIONAL SERVICE BOARD**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 9,724,896	\$ 23,297,635
Changes in non-cash items:		
Amounts receivable	4,386,799	(3,688,304)
Accounts payable and accrued liabilities	1,717,927	2,647,462
Deferred revenue	5,128,850	(191)
Short term investments	(6,818,925)	
Adjustment to operating fund		(9,587)
	<u>14,139,547</u>	<u>22,247,015</u>
Cash provided by operating transactions		
	<u>14,139,547</u>	<u>22,247,015</u>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	<u>(11,322,497)</u>	<u>(21,329,632)</u>
Cash applied to capital transactions	<u>(11,322,497)</u>	<u>(21,329,632)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>2,817,050</b>	<b>917,383</b>
<b>CASH, BEGINNING OF YEAR</b>	<u><b>1,089,767</b></u>	<u><b>171,384</b></u>
<b>CASH, END OF YEAR</b>	<u><u><b>\$ 3,906,817</b></u></u>	<u><u><b>\$ 1,088,767</b></u></u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.



**CENTRAL REGIONAL SERVICE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at December 31, 2011

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**1. Status of the Board**

The Central Regional Service Board was created under the authority of Regional Service Board Act on February 26, 2008. The Board operates under the name *Central Newfoundland 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. Significant Accounting Policies**

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:

**a) 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.

**b) 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 (expenses over revenue), provides the change in net financial assets for the year.

**c) 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:

**General Tangible Capital Assets**

Land	Indefinite
Land Improvements	10 to 50 years
Buildings	25 to 40 years
Vehicles and Equipment	
Vehicles	5 years

The accompanying notes and supplementary schedules are an integral part of these financial statements.

**CENTRAL REGIONAL SERVICE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2011**

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Machinery, equipment and furniture	5 years
Maintenance and road construction equipment	10 years
Computer Hardware and Software	4 years
Furniture & Fixtures	5 years

**Infrastructure Assets**

Transportation	
Land	Indefinite
Road surface	5 to 20 years
Road grade	30 years

**d) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership have been completed and there are no significant obligations remaining, persuasive evidence of an arrangement exists and collectibility is reasonably assured.

**e) Measurement Uncertainty**

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.

**f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments] that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

**g) Short term investments**

Short investments include guarantee investment certificates recorded at the lower of cost or market value.

**CENTRAL REGIONAL SERVICE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at December 31, 2011

**3. Cash**

Cash is comprised of the following:

	2011	2010
Cash - operating bank accounts	\$ 45,542	\$ 19,170
Cash - capital bank account	3,834,128	1,010,973
Cash - Fogo Island bank account	27,147	59,624
	\$ 3,906,817	\$ 1,089,767

**4. Amounts Receivable**

	2011	2010
Department of Municipal Affairs - capital	\$ 1,038,803	\$ 5,233,695
Harmonized sales tax	142,100	363,313
Other	29,546	240
	\$ 1,210,449	\$ 5,597,248

**5. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities relates to capital construction of regional disposal sites and facilities.

**6. Deferred revenue**

Deferred revenue relates to funds advanced for capital expenditure and the Fogo Island Waste Site.

**7. Legal settlement**

Subsequent to yearend, the Board received a legal judgment regarding a statement of claim related for wrongful termination of a contract. The judgment awarded \$561,088 to the contractor which includes the judgment award, taxes and legal costs. The amount of \$497,259 has been recorded in the current year (2010 - \$49,775). These amount are net of HST rebate.

**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  
 SCHEDULE OF TANGIBLE CAPITAL ASSETS  
 Year Ended December 31, 2011

SCHEDULE 1

	General Capital Assets					Totals		
	Land and Land Improvements	Buildings and Leasehold Improvements	Motor Vehicles	Roads, Streets, and Bridges	Recycling and collection	Land Fill Site	Compost and Treatment Facilities	
Cost								
Opening costs	3,805,593	11,920,852	-	5,459,893	462,556	5,931,805	2,463,031	8,714,098
Additions during the year	-	2,116,399	2,378,781	3,530,193	217,892	959,207	2,120,025	21,329,632
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	<b>3,805,593</b>	<b>14,037,251</b>	<b>2,378,781</b>	<b>8,990,086</b>	<b>680,448</b>	<b>6,891,012</b>	<b>4,583,056</b>	<b>30,043,730</b>
Accumulated Amortization								
Opening accum'd amortization	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	-	-	-	-	-	-	-	-
Net Book Value of Tangible Capital Assets	<b>3,805,593</b>	<b>14,037,251</b>	<b>2,378,781</b>	<b>8,990,086</b>	<b>680,448</b>	<b>6,891,012</b>	<b>4,583,056</b>	<b>30,043,730</b>

The accompanying notes and supplementary schedules are an integral part of these financial statements.