

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

Financial Statements
For the Year Ended December 31, 2012

CENTRAL REGIONAL SERVICE BOARD
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For the Year Ended December 31, 2012

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Independent Auditor's 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, 2012, and the statements of operations and surplus, change 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Clarenville, Newfoundland and Labrador
May 23, 2013


Chartered Accountants

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 4,004,387	\$ 3,906,817
Short term investments	19,893,300	6,818,925
Amounts receivable (Note 4)	<u>1,057,150</u>	<u>1,210,449</u>
	<u>\$ 24,954,837</u>	<u>\$ 11,936,191</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 1,996,230	\$ 6,927,519
Deferred revenue (Note 6)	22,362,335	5,188,474
Landfill closure and post-closure care (Note 7)	<u>143,000</u>	<u>-</u>
	<u>24,501,565</u>	<u>12,115,993</u>
NET FINANCIAL ASSETS (Net Debt)	<u>\$ 453,272</u>	<u>\$ (179,802)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>\$ 45,515,369</u>	<u>\$ 41,366,227</u>
ACCUMULATED SURPLUS	<u>\$ 45,968,641</u>	<u>\$ 41,186,425</u>

Approved on behalf of Board:

Chairperson

Treasurer

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF OPERATIONS AND SURPLUS
Year Ended December 31, 2012

	2012 Actual	2011 Actual
REVENUE		
Department of Municipal Affairs - capital	\$ 6,299,454	\$ 10,443,226
Department of Municipal Affairs - operating	7,790	28,445
Multi Materials Stewardship Board grant	-	170,855
Department of Human Resources, Labour and Employment grant	545	6,005
Collections fees	425,689	179,649
Disposal fees	3,795,932	-
Interest	117,932	87,201
Other	38,415	6,387
	<u>10,685,757</u>	<u>10,921,768</u>
EXPENSES		
Advertising and promotion	217,607	13,933
Amortization	2,161,857	-
Business licenses and memberships	5,667	16,760
Close old dump sites	742,501	-
Engineering fees	233,816	175,669
Fogo Island waste management expense	62,345	62,629
Fuel	206,577	-
Insurance	83,305	35,162
Interest and bank charges	3,234	350
Landfill closure and post-closure care (Note 7)	143,000	-
Landfill expense	36,336	-
Legal fees	-	60,668
Legal settlement (Note 8)	993	497,259
Meetings and conventions	2,699	11,500
Miscellaneous	5,377	-
Office	24,682	4,411
Professional fees	12,746	3,294
Rentals	56,399	-
Repairs and maintenance	248,130	11,881
Salaries and wages	1,057,076	211,965
Telephone	70,169	36,202
Transfer station expense	398,197	-
Travel	25,998	20,937
Utilities	104,830	34,252
	<u>5,903,541</u>	<u>1,196,872</u>
ANNUAL SURPLUS	<u><u>4,782,216</u></u>	<u><u>9,724,896</u></u>

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF OPERATIONS AND SURPLUS (CONTINUED)
Year Ended December 31, 2012

	<u>2012 Actual</u>	<u>2011 Actual</u>
ANNUAL SURPLUS (CONTINUED)	4,782,216	9,724,896
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>41,186,425</u>	<u>31,461,529</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 45,968,641</u>	<u>\$ 41,186,425</u>

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
Year Ended December 31, 2012

	<u>2012</u>	<u>2011</u>
ANNUAL SURPLUS	\$ 4,782,216	\$ 9,724,896
Acquisition of tangible capital assets	(6,310,999)	(11,322,497)
Amortization of tangible capital assets	<u>2,161,857</u>	<u>-</u>
	<u>(4,149,142)</u>	<u>(11,322,497)</u>
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	633,074	(1,597,601)
NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR	<u>(179,802)</u>	<u>1,417,799</u>
NET FINANCIAL ASSETS (NET DEBT), END OF YEAR	<u>\$ 453,272</u>	<u>\$ (179,802)</u>

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF CASH FLOWS
Year Ended December 31, 2012

	<u>2012</u>	<u>2011</u>
OPERATING TRANSACTIONS		
Annual surplus	\$ 4,782,216	\$ 9,724,896
Add: Amortization of capital assets	<u>2,161,857</u>	<u>-</u>
	6,944,073	9,724,896
Changes in non-cash items:		
Decrease in accounts receivable	153,299	4,386,799
Decrease in accounts payable and accrued liabilities	(4,931,289)	1,717,927
Increase in landfill closure and post closure liabilities	143,000	-
Increase in deferred revenue	<u>17,173,861</u>	<u>5,128,850</u>
Cash provided by operating transactions	<u>19,482,944</u>	<u>20,958,472</u>
INVESTMENT ACTIVITIES		
Purchase of tangible capital assets	(6,310,999)	(11,322,497)
Purchase of short term investments	(19,893,300)	(6,818,925)
Proceeds from sale of short term investments	<u>6,818,925</u>	<u>-</u>
	<u>(19,385,374)</u>	<u>(18,141,422)</u>
INCREASE IN CASH	97,570	2,817,050
CASH, BEGINNING OF YEAR	<u>3,906,817</u>	<u>1,089,767</u>
CASH, END OF YEAR	<u><u>\$ 4,004,387</u></u>	<u><u>\$ 3,906,817</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, 2012

1. Status of the Board

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. 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) Short Term Investments

Short investments include guaranteed investment certificates recorded at cost.

b) 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
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

CENTRAL REGIONAL SERVICE BOARD
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2012

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.

d) 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.

d) 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.

e) Revenue Recognition

Service revenue is recognized when delivery has occurred or services have been rendered, persuasive evidence of an arrangement 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.

f) Financial Instruments

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.

CENTRAL REGIONAL SERVICE BOARD
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2012

3. Cash

Cash is comprised of the following:

	2012	2011
Cash - operating bank accounts	\$ 1,814,259	\$ 45,542
Cash - capital bank account	2,180,152	3,834,128
Cash - Fogo Island bank account	9,976	27,147
	\$ 4,004,387	\$ 3,906,817

The operating bank account includes amounts totalling \$374,735 which have been internally designated for future expenditures of equipment, landfill cell construction, landfill cell capping and collection trucks. Subsequent to year end, the amounts were transferred from the operating account to designated investment accounts.

4. Accounts receivable

	2012	2011
Department of Municipal Affairs - capital	\$ -	\$ 1,038,803
Harmonized sales tax	84,114	142,100
Operating	973,036	29,546
	\$ 1,057,150	\$ 1,210,449

5. Accounts payable and accrued liabilities

	2012	2011
Capital construction of regional disposal sites and facilities	\$ 1,160,137	\$ 6,108,594
Contract security to vendor	833,336	818,925
Vacation	2,757	-
	\$ 1,996,230	\$ 6,927,519

6. Deferred revenue

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

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 regarding closure and post-closure care of each site.

CENTRAL REGIONAL SERVICE BOARD
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2012

7. Landfill closure and post-closure care (continued)

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 the fourth quarter of 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 \$54,500 were set aside for closure and post-closure activities. Phase 1 has a remaining capacity of approximately 2,200,000 tons and is estimated to have a remaining life of approximately 47 years. 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 included estimated costs in 2008 dollars for both closure and post-closure care, an estimated inflation rate of 2.5%, a discount rate of 4%, estimated total capacity of the phase, 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, 2012 for the current year closure and post-closure liability is \$143,000 (2011 - nil). The total estimated future expenditures for closure and post-closure costs of \$13,359,000 (2011 - nil), of which \$13,216,000 has yet to be accrued, will be incurred between 2015 and 2060.

8. Legal settlement

In 2012, the Board received a legal judgment regarding a statement of claim for wrongful termination of a contract in 2011. The judgment awarded \$561,088 to the contractor which included the judgment award, taxes and legal costs. An expense of \$497,259 was recognized in the prior year. This amount was net of HST rebate.

9. Financial instruments

The Board is exposed through its operations to following financial risk:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The company is exposed to normal credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The company's financial instruments that are exposed to concentration of credit risk relate primarily to other accounts receivable. The risk has not changed from the previous period.

**CENTRAL REGIONAL SERVICE BOARD
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2012**

10 Contingent liability

Bluebird Investments Ltd. has commenced actions in the Supreme Court of Newfoundland and Labrador for losses and additional costs alleged to have been caused by the Central Regional Service Board in connection with the Plaintiff's construction of seven waste management facilities. As the allegations in the Statement of Claim are neither substantiated nor proven at this date, an estimation of the amount of a contingent loss is not determinable.

SCHEDULE 1

CENTRAL REGIONAL SERVICE BOARD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year Ended December 31, 2012

	Land and Land Improvements	Buildings and Leasehold Improvements	Motor Vehicles and Heavy Equipment	Asphalt and Parking Areas	Furniture and Fixtures	Computers and Data Management	2012	2011
Cost								
Opening costs	10,696,605	18,380,576	2,921,051	8,990,086	69,916	307,993	41,366,227	30,043,730
Additions during the year	128,657	566,902	4,617,602	544,065	80,196	373,577	6,310,999	11,322,497
Disposals and write downs	-	-	-	-	-	-	-	-
Closing costs	10,825,262	18,947,478	7,538,653	9,534,151	150,112	681,570	47,677,226	41,366,227
Accumulated Amortization								
Opening accum'd amortization	-	-	-	-	-	-	-	-
Amortization	15,509	684,348	479,403	849,028	20,182	113,387	2,161,857	-
Disposals and write downs	-	-	-	-	-	-	-	-
Closing accum'd amortization	15,509	684,348	479,403	849,028	20,182	113,387	2,161,857	-
Net Book Value of Tangible Capital Assets	10,809,753	18,263,130	7,059,250	8,685,123	129,930	568,183	45,515,369	41,366,227