

CENTRAL REGIONAL SERVICE BOARD

(Operating as Central Newfoundland Regional Waste Management Authority)

Financial Statements

Year Ended December 31, 2014

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Index to Financial Statements
Year Ended December 31, 2014

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10
Schedule of Tangible Capital Assets (<i>Schedule 1</i>)	11
Statement of Operations by Function (<i>Schedule 2</i>)	12

Management's Responsibility for Financial Reporting

The accompanying Financial Statements are the responsibility of the management of the Central Regional Services 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 of the Authority 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 financial statements.

Richard Power, FCPA, FCA as the Board's appointed external auditors, have audited the Financial Statements. The Auditor's Report is addressed to the Directors of the Central Regional Service Board 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.

Mr Allan Scott, Chair

Mr Edward Evans, Chief
Administrative Officer

Norris Arm, NL
May 14, 2015



Richard Power, FCA

221E Memorial Drive
Clarenville, NL
A5A 1R3

Tel 709.433.3060
Fax 709.433.3166

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, 2014, statements of operations, change in net financial position 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, 2014 and the results of its operations, change in net financial position and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Clarenville, Newfoundland and Labrador
May 14, 2015

Chartered Professional Accountant

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Statement of Financial Position
December 31, 2014

	2014	2013 <i>(Restated - Note 2)</i>
FINANCIAL ASSETS		
Cash <i>(Note 4)</i>	\$ 4,517,251	\$ 2,686,364
Short term Investments <i>(Note 5)</i>	5,986,297	14,962,245
Accounts receivable <i>(Note 6)</i>	1,179,490	1,407,777
	\$ 11,683,038	\$ 19,056,386
LIABILITIES		
CURRENT		
Accounts payable <i>(Note 7)</i>	\$ 2,379,142	\$ 1,428,929
Deferred income <i>(Note 8)</i>	5,219,153	14,974,449
Landfill closure and post closure care <i>(Note 9)</i>	429,000	286,000
	8,027,295	16,689,378
NET FINANCIAL ASSETS	3,655,742	2,367,008
NON FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 1)</i>	53,774,576	47,381,297
ACCUMULATED SURPLUS	\$ 57,430,318	\$ 49,748,305

ON BEHALF OF THE BOARD

_____ *Chairperson*

_____ *Treasurer*

The accompanying notes are integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Statement of Operations
Year Ended December 31, 2014

	Budget 2014	2014	2013
REVENUES			
Collections fees	\$ 1,169,200	\$ 1,236,142	\$ 1,159,264
Disposal fees	4,611,800	4,223,753	4,513,783
Other	-	138,413	78,861
Department of Municipal Affairs - capital grants	-	9,755,297	7,387,885
Department of Municipal Affairs - special grant	-	870,831	-
Interest income	-	181,122	377,092
	5,781,000	16,405,558	13,516,885
EXPENSES			
Advertising and promotion	101,000	19,396	46,312
Amortization	-	3,362,018	2,853,561
Bad debts	-	7,947	32,327
Capital reserve	1,498,938	-	-
Dump site closure expense	-	197,265	2,360,130
Insurance	117,000	103,273	103,175
Interest and bank charges	3,000	17,018	4,543
Landfill closure & post-closure care	-	143,000	143,000
Landfill expenses	162,414	203,094	51,194
Legal settlements (<i>Note 11</i>)	-	-	301,849
Material handling	100,000	98,061	36,058
Memberships	8,050	7,005	7,727
Office	40,000	32,945	31,142
Professional fees	206,000	938,629	392,559
Repairs and maintenance	560,000	593,798	462,385
Salaries and wages	1,805,098	1,825,114	1,645,806
Telephone	104,500	93,231	92,798
Transportation services	450,000	431,621	475,190
Travel	57,400	50,232	57,057
Utilities	145,000	139,761	133,818
Vehicle	422,600	460,137	506,590
	5,781,000	8,723,545	9,737,221
Annual surplus	\$ -	7,682,013	3,779,664
Accumulated Surplus, beginning of year		49,748,305	45,968,641
Accumulated Surplus - end of year		\$ 57,430,318	\$ 49,748,305

The accompanying notes are integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Statement of Change in Net Financial Assets
Year Ended December 31, 2014

	2014	2013 <i>(Restated - Note2)</i>
Annual Surplus	\$ 7,682,013	\$ 3,779,664
Amortization of tangible capital assets	3,362,018	2,853,561
Acquisition of tangible capital assets	(9,755,297)	(4,719,488)
Changes in Net Financial Assets	\$ 1,288,734	\$ 1,913,737
Net Financial Assets		
Beginning of year	2,367,008	453,271
End of year	\$ 3,655,742	\$ 2,367,008

CENTRAL REGIONAL SERVICE BOARD*(Operating as Central Newfoundland Regional Waste Management Authority)***Statement of Cash Flows****Year Ended December 31, 2014**

	2014	2013 <i>(Restated - Note2)</i>
OPERATING ACTIVITIES		
Annual Surplus	\$ 7,682,013	\$ 3,779,664
Item not affecting cash:		
Amortization of tangible capital assets	3,362,018	2,853,561
	11,044,031	6,633,225
Changes in non-cash working capital:		
Accounts receivable	228,287	(350,628)
Accounts payable	950,215	(567,302)
Deferred income	(9,755,296)	(7,387,886)
Landfill closure and post closure care	143,000	143,000
	(8,433,794)	(8,162,816)
Cash flow from (used by) operating activities	2,610,237	(1,529,591)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(9,755,297)	(4,813,488)
Purchase of long term investments	(3,267,983)	(15,962,245)
Proceeds from sale of long term investments	12,243,930	20,987,300
Cash flow from (used by) investing activities	(779,350)	211,567
INCREASE (DECREASE) IN CASH FLOW	1,830,887	(1,318,024)
Cash - beginning of year	2,686,364	4,004,388
CASH - END OF YEAR	\$ 4,517,251	\$ 2,686,364

The accompanying notes are 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, 2014

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. Prior Period Adjustment

Payroll deductions payable at year end for 2013 were recorded in error. An accrual for \$46,744 was set up to reflect the final December remittance, and this amount had already been included in accounts payable. The prior period adjustment resulted in a decrease to salaries and wage expense of \$46,744 and a reduction in accounts payable of the same amount.

3. 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.

(continues)

CENTRAL REGIONAL SERVICE BOARD

(Operating as Central Newfoundland Regional Waste Management Authority)

Notes to Financial Statements

Year Ended December 31, 2014

3. 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.

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.

CENTRAL REGIONAL SERVICE BOARD*(Operating as Central Newfoundland Regional Waste Management Authority)***Notes to Financial Statements****Year Ended December 31, 2014****4. Cash**

	2014	2013
Cash is comprised of the following		
Cash - operating bank account	\$ 338,229	\$ 985,917
Cash - capital bank account	4,179,022	1,700,447
	\$ 4,517,251	\$ 2,686,364

5. Short term investments

Short 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.

	2014	2013
Capital projects	\$ 1,744,153	\$ 12,239,849
Capital reserve	3,382,121	1,873,675
Vendor security bond	860,023	848,721
	\$ 5,986,297	\$ 14,962,245

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 \$1,508,446 including interest in 2014 for its capital reserve.

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

6. Accounts receivable

	2014	2013
Operating	\$ 941,402	\$ 1,194,395
Harmonized sales tax	238,088	213,382
	\$ 1,179,490	\$ 1,407,777

7. Accounts payable

	2014	2013
Accounts payable and accrued liabilities	\$ 182,713	\$ 191,691
Capital construction of regional disposal sites and facilities	1,336,405	388,517
Contract security to vendor	860,024	848,721
	\$ 2,379,142	\$ 1,428,929

CENTRAL REGIONAL SERVICE BOARD

(Operating as Central Newfoundland Regional Waste Management Authority)

Notes to Financial Statements

Year Ended December 31, 2014

8. Deferred revenue

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

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 \$443,454 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, 2014 for the current year closure and post-closure liability is \$143,000 (2013-\$143,000). The total amount accrued for future liability for closure and post-closure care costs is \$429,000.

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.

11. Legal settlement

In 2014, the Board negotiated a legal settlement regarding a statement of claim for additional costs to have been caused by the Central Regional Service Board in connection with the construction of seven waste management facilities by Bluebird Investments Ltd. The settlement provided to the contractor \$301,849 which included the settlement amount, taxes and legal costs. This amount was accrued in 2013.

CENTRAL REGIONAL SERVICE BOARD
 SCHEDULE OF TANGIBLE CAPITAL ASSETS
 YEAR ENDED DECEMBER 31, 2014

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				
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014			
Opening costs	10,826,159		21,649,202		8,147,216		10,872,490		150,112		751,536		52,396,715		47,677,226
Additions during the year	-		4,805,012		3,982,012		968,273		-		-		9,755,297		4,813,488
Disposals and write downs	-		-		-		-		-		-		-		94,000
Closing costs	<u>10,826,159</u>		<u>26,454,214</u>		<u>12,129,228</u>		<u>11,840,763</u>		<u>150,112</u>		<u>751,536</u>		<u>62,152,011</u>		<u>52,396,714</u>
Accumulated Amortization															
Opening accum'd amortization	38,650		1,496,281		1,268,397		1,869,360		50,204		292,526		5,015,418		2,161,856
Amortization	23,159		962,068		1,023,222		1,135,663		30,022		187,884		3,362,018		2,853,561
Disposals and write downs	-		-		-		-		-		-		-		-
Closing accum'd amortization	<u>61,809</u>		<u>2,458,349</u>		<u>2,291,619</u>		<u>3,005,023</u>		<u>80,226</u>		<u>480,410</u>		<u>8,377,436</u>		<u>5,015,417</u>
Net Book Value of Tangible Capital Assets	<u><u>10,764,350</u></u>		<u><u>23,995,864</u></u>		<u><u>9,837,609</u></u>		<u><u>8,835,741</u></u>		<u><u>69,885</u></u>		<u><u>271,126</u></u>		<u><u>53,774,576</u></u>		<u><u>47,381,297</u></u>

The accompanying notes are integral part of these financial statements

CENTRAL REGIONAL SERVICE BOARD
STATEMENT OF OPERATIONS BY PROGRAM
YEAR ENDED DECEMBER 31, 2014

	Disposal Program	Collections Program	Capital	Total
	\$	\$	\$	\$
REVENUE				
Collections		\$ 1,236,142		\$ 1,236,142
Disposal	\$ 4,223,753			4,223,753
Department of Municipal Affairs - capital grants			\$ 9,755,297	9,755,297
Department of Municipal Affairs - special grant			870,831	870,831
Interest			181,122	181,122
Other	138,413			138,413
Total revenue	4,362,166	1,236,142	10,807,250	16,405,558
EXPENSES				
Advertising	19,396			19,396
Amortization			3,362,018	3,362,018
Bad debt	7,947			7,947
Dumpsite closure			197,265	197,265
Insurance	90,268	13,004		103,273
Interest and bank charges	17,018			17,018
Landfill closure and post closure			143,000	143,000
Landfill expenses	176,178	26,916		203,094
Material Handling	98,061			98,061
Membership	7,005			7,005
Office	32,945			32,945
Professional fees	155,993	6,669	775,966	938,629
Repairs and maintenance	534,932	58,521	345	593,798
Salaries and wages	1,279,477	545,637		1,825,114
Telephone	85,612	7,619		93,231
Transportation services	431,621			431,621
Travel	47,069	3,163		50,232
Utilities	139,761	-		139,761
Vehicle	198,596	261,542		460,137
Total expenses	3,321,880	923,071	4,478,594	8,723,545
Surplus per Statement of Operations	1,040,286	313,071	6,328,656	7,682,013
Capital reserve allocation	1,141,165	313,047		1,454,212
Surplus (Deficit) after capital reserve allocation	\$ (100,879)	\$ 24	\$ 6,328,656	\$ 6,227,801

See Note 5 for Capital Reserve.

The accompanying notes are integral part of these financial statements