

CENTRAL REGIONAL SERVICE BOARD

Financial Statements

Year Ended December 31, 2015

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
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Year Ended December 31, 2015

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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, 2015, 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, 2015 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.

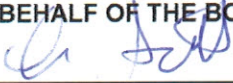
Clarenville, Newfoundland and Labrador
June 9, 2016


Chartered Professional Accountant
Richard Power, FCPA Professional Corporation

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Statement of Financial Position
December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash (Note 3)	\$ 1,780,517	\$ 4,517,251
Short term Investments (Note 4)	4,393,296	5,986,297
Accounts receivable (Note 5)	2,734,198	1,179,490
	\$ 8,908,011	\$ 11,683,038
LIABILITIES		
CURRENT		
Accounts payable (Note 6)	\$ 2,214,205	\$ 2,379,143
Deferred income (Note 7)	75,129	5,219,153
Landfill closure and post closure care (Note 9)	572,000	429,000
Long term debt (Note 8)	2,987,500	-
	5,848,834	8,027,296
NET FINANCIAL ASSETS	3,059,176	3,655,742
NON FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	55,350,961	53,774,576
ACCUMULATED SURPLUS	\$ 58,410,137	\$ 57,430,318

ON BEHALF OF THE BOARD


 _____ Chairperson


 _____ Treasurer

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 Operations****Year Ended December 31, 2015**

	Budget 2015	2015	2014
REVENUES			
Collections fees	\$ 1,298,990	\$ 1,285,955	\$ 1,236,142
Disposal fees	5,029,600	4,155,601	4,223,753
Other	-	120,134	138,413
Department of Municipal Affairs - capital grants	-	5,160,223	9,755,297
Department of Municipal Affairs - special grant	-	-	870,831
Interest income	-	65,185	181,122
	6,328,590	10,787,098	16,405,558
EXPENSES			
Advertising and promotion	53,000	59,525	19,396
Amortization	-	3,933,880	3,362,018
Bad debts (recovery)	-	(728)	7,947
Dump site closure expense	-	171,327	197,265
Insurance	139,550	239,623	106,323
Interest and bank charges	6,000	14,300	17,018
Landfill closure & post-closure care	-	143,000	143,000
Landfill expenses	142,000	128,693	152,596
Material handling	70,000	56,811	98,061
Material recovery facility	796,384	900,529	50,498
Memberships	3,700	3,245	3,955
Office	32,000	38,697	32,945
Professional fees	141,000	480,632	938,629
Repairs and maintenance	675,800	775,492	593,798
Salaries and wages	1,754,610	1,925,923	1,825,114
Telephone	81,000	105,645	93,231
Transportation services	450,000	358,596	431,621
Travel	55,000	33,516	50,232
Utilities	140,000	70,979	139,761
Vehicle	461,100	367,595	460,137
	5,001,144	9,807,280	8,723,545
Annual surplus	\$ 1,327,446	979,819	7,682,013
Accumulated Surplus, beginning of year		57,430,318	49,748,305
Accumulated Surplus - end of year		\$ 58,410,137	\$ 57,430,318

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 Change in Net Financial Assets****Year Ended December 31, 2015**

	2015	2014
Annual Surplus	\$ 979,819	\$ 7,682,013
Amortization of tangible capital assets	3,933,880	3,362,018
Acquisition of tangible capital assets	(5,510,265)	(9,755,297)
Changes in Net Financial Assets	\$ (596,566)	\$ 1,288,734
Net Financial Assets		
Beginning of year	3,655,742	2,367,008
End of year	\$ 3,059,176	\$ 3,655,742

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, 2015**

	2015	2014
OPERATING ACTIVITIES		
Annual Surplus	\$ 979,819	\$ 7,682,013
Item not affecting cash:		
Amortization of tangible capital assets	3,933,880	3,362,018
	4,913,699	11,044,031
Changes in non-cash working capital:		
Accounts receivable	(1,554,708)	228,287
Accounts payable	(164,936)	950,214
Deferred income	(5,144,024)	(9,755,296)
Landfill closure and post closure care	143,000	143,000
	(6,720,668)	(8,433,795)
Cash flow from (used by) operating activities	(1,806,969)	2,610,236
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(5,510,265)	(9,755,297)
Purchase of long term investments	(500,262)	(3,267,983)
Proceeds from sale of long term investments	2,093,264	12,243,930
Cash flow used by investing activities	(3,917,263)	(779,350)
FINANCING ACTIVITIES		
Proceeds from long term financing	3,000,000	-
Repayment of long term debt	(12,500)	-
Cash flow from financing activities	2,987,500	-
INCREASE (DECREASE) IN CASH FLOW	(2,736,732)	1,830,886
Cash - beginning of year	4,517,251	2,686,364
CASH - END OF YEAR	\$ 1,780,517	\$ 4,517,251

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, 2015

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, 2015

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

	2015	2014
Cash is comprised of the following		
Cash - operating bank account	\$ 273,365	\$ 338,229
Cash - capital bank account	1,507,152	4,179,022
	\$ 1,780,517	\$ 4,517,251

CENTRAL REGIONAL SERVICE BOARD*(Operating as Central Newfoundland Regional Waste Management Authority)***Notes to Financial Statements****Year Ended December 31, 2015****4. 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.

	2015	2014
Capital projects	\$ 1,454,326	\$ 1,744,153
Capital reserve	1,949,741	3,382,121
Vendor security bond	989,229	860,023
	\$ 4,393,296	\$ 5,986,297

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 \$584,262 including interest in 2015 for its capital reserve.

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

5. Accounts receivable

	2015	2014
Operating	\$ 1,118,692	\$ 941,402
Harmonized sales tax	1,615,506	238,088
	\$ 2,734,198	\$ 1,179,490

6. Accounts payable

	2015	2014
Accounts payable and accrued liabilities	\$ 843,839	\$ 182,714
Capital construction of regional disposal sites and and facilities	366,225	1,336,405
Contract security to vendor	987,549	860,024
Employee deductions payable	16,592	-
	\$ 2,214,205	\$ 2,379,143

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, 2015

8. Long term debt

	2015	2014
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.	\$ 2,987,500	\$ -

Principal repayment terms are approximately:

2016	\$ 150,000
2017	150,000
2018	150,000
2019	150,000
2020	150,000
Thereafter	<u>2,237,500</u>
	<u>\$ 2,987,500</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 \$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, 2015 for the current year closure and post-closure liability is \$143,000 (2014-\$143,000). The total amount accrued for future liability for closure and post-closure care costs is \$572,000.

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
(Operating as Central Newfoundland Regional Waste Management Authority)
Schedule of Tangible Capital Assets (Schedule 1)
Year Ended December 31, 2015

	General Capital Assets					Totals		
	Land and Improvements	Buildings	Heavy Equipment	Roads and Parking Areas	Furniture and Fixtures	Computers and Data Management	2015	2014
Cost								
Opening cost	\$ 10,672,326	\$ 25,990,698	\$ 12,746,575	\$ 11,840,763	\$ 150,112	\$ 751,536	\$ 62,152,010	\$ 52,396,714
Additions during the year	657,280	918,251	3,934,734	-	-	-	5,510,265	9,755,297
Closing costs	11,329,606	26,908,949	16,681,309	11,840,763	150,112	751,536	67,662,275	62,152,011
Accumulated Amortization								
Opening accum'd amortization	61,808	2,458,349	2,291,619	3,005,022	80,227	480,410	8,377,435	5,015,417
Amortization	36,304	1,076,534	1,419,059	1,184,076	30,022	187,884	3,933,879	3,362,018
Closing accum'd amortization	98,112	3,534,883	3,710,678	4,189,098	110,249	668,294	12,311,314	8,377,435
Net Book Value of TCA	\$ 11,231,494	\$ 23,374,066	\$ 12,970,631	\$ 7,651,665	\$ 39,863	\$ 83,242	\$ 55,350,961	\$ 53,774,576

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 Operations by Function (Schedule 2)
Year Ended December 31, 2015

	Disposal	Collection	Capital	2015	2014
REVENUES					
Fees	\$ 4,160,715	\$ 1,280,841	\$ -	\$ 5,441,556	\$ 5,459,895
Grants	-	-	5,160,223	5,160,223	10,626,128
Other	120,134	-	-	120,134	138,413
Interest	-	-	65,185	65,185	181,122
	4,280,849	1,280,841	5,225,408	10,787,098	16,405,558
EXPENSES					
Advertising	42,251	17,274	-	59,525	19,396
Amortization	-	-	3,933,880	3,933,880	3,362,018
Bad debt	(728)	-	-	(728)	7,947
Dumpsite closure	-	-	171,327	171,327	197,265
Insurance	223,123	16,500	-	239,623	103,273
Interest and bank charges	14,300	-	-	14,300	17,018
Landfill closure and post closure	143,000	-	-	143,000	143,000
Landfill expenses	101,514	27,179	-	128,693	203,094
Material Handling	56,811	-	-	56,811	98,061
Material recycling facility	900,529	-	-	900,529	-
Membership	3,245	-	-	3,245	7,005
Office	38,674	23	-	38,697	32,945
Professional fees	115,083	-	-	480,632	938,629
Repairs and maintenance	662,277	113,215	365,549	775,492	593,798
Salaries and wages	1,382,109	543,814	-	1,925,923	1,825,114
Telephone	95,608	10,037	-	105,645	93,231
Transportation services	358,596	-	-	358,596	431,621
Travel	31,558	1,958	-	33,516	50,232
Utilities	70,979	-	-	70,979	139,761
Vehicle	159,290	208,304	-	367,594	460,137
	\$ 4,398,219	\$ 938,304	\$ 4,470,756	\$ 9,807,279	\$ 8,723,545
Surplus (Deficit) per Statement of Operations	(117,370)	342,537	754,652	979,819	7,682,013
Less: Capital reserve allocation	248,262	336,000	-	584,262	1,454,212
Surplus (Deficit) after capital reserve allocation	\$ (365,632)	\$ 6,537	\$ 754,652	\$ 395,557	\$ 6,227,801

See Note 5 on Capital Reserves

The accompanying notes are an integral part of these financial statements