

CENTRAL REGIONAL SERVICE BOARD

(Operating as Central Newfoundland Regional Waste Management Authority)

Financial Statements

Year Ended December 31, 2013

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
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Year Ended December 31, 2013

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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, 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 Municipality in accordance with Canadian generally accepted accounting principles.

Mr Allan Scott, Chair

Mr Ed Evans, Manager

Norris Arm, NL
June 27, 2014



Richard Power, FCA

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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, 2013, 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, 2013 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.

The financial statements for the year ended December 31, 2012 were audited by another accounting firm and are presented for comparative purposes only.

Clarenville, Newfoundland and Labrador
June 27, 2014

CHARTERED ACCOUNTANT

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

Statement of Financial Position

December 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash (Note 3)	\$ 2,686,364	\$ 4,004,388
Short term Investments	14,962,245	19,893,300
Accounts receivable (Note 5)	1,407,777	1,057,149
	\$ 19,056,386	\$ 24,954,837
LIABILITIES		
CURRENT		
Accounts payable	\$ 1,475,674	\$ 1,996,231
Deferred income	14,974,449	22,362,335
Landfill closure and post closure care (Note 9)	286,000	143,000
	16,736,123	24,501,566
NET FINANCIAL ASSETS	2,320,263	453,271
NON FINANCIAL ASSETS		
Tangible capital assets	47,381,297	45,515,370
ACCUMULATED SURPLUS	\$ 49,701,560	\$ 45,968,641

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, 2013

	Budget 2013	2013	2012
REVENUES			
Collections fees	\$ 1,259,560	\$ 1,159,264	\$ 419,147
Disposal fees	5,382,000	4,513,783	3,795,931
Other	-	78,861	50,838
Municipal operating grant	-	-	7,790
Department of Municipal Affairs - capital grants	-	7,387,885	6,299,454
Interest income	-	377,092	110,358
	6,641,560	13,516,885	10,683,518
EXPENSES			
Amortization	-	2,853,561	2,161,856
Advertising and promotion	40,000	46,312	101,485
Bad debts	-	32,327	-
Insurance	123,000	103,175	83,305
Interest and bank charges	6,000	4,543	3,172
Memberships	5,000	7,727	5,667
Office	40,000	31,142	24,683
Transportation services	460,000	475,190	-
Material handling	205,000	36,058	219
Landfill expenses	-	51,194	39,297
Dump site closure expense	-	2,360,130	737,733
Fogo Island waste	-	-	18,606
Landfill closure & post-closure care	-	143,000	143,000
Professional fees	175,000	392,559	457,335
Repairs and maintenance	906,500	462,385	529,413
Salaries and wages	2,090,660	1,692,551	1,055,131
Telephone	80,000	92,798	70,169
Travel	62,400	57,057	28,698
Legal settlements (Note 10)	-	301,849	993
Utilities	132,762	133,818	104,830
Vehicle	826,000	506,590	335,710
	5,152,322	9,783,966	5,901,302
Annual surplus	\$ 1,489,238	3,732,919	4,782,216
Accumulated Surplus, beginning of year		45,968,641	41,186,425
Accumulated Surplus - end of year		\$ 49,701,560	\$ 45,968,641

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, 2013

	2013	2012
Annual Surplus	\$ 3,732,919	\$ 4,782,216
Amortization of tangible capital assets	2,853,561	2,161,856
Acquisition of tangible capital assets	(4,813,488)	(6,310,999)
Changes in Net Financial Assets	\$ 1,772,992	\$ 633,073
Net Financial Assets		
Beginning of year	453,271	(179,802)
End of year	\$ 2,226,263	\$ 453,271

The accompanying notes are 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, 2013

	2013	2012 (Revised)
OPERATING ACTIVITIES		
Net earnings	\$ 3,732,919	\$ 4,782,216
Item not affecting cash:		
Amortization of tangible capital assets	2,853,561	2,161,856
	6,586,480	6,944,072
Changes in non-cash working capital:		
Accounts receivable	(350,628)	153,300
Accounts payable	(520,557)	(4,931,388)
Deferred income	(7,387,886)	17,173,861
Landfill closure and post closure care	143,000	143,000
	(8,116,071)	12,538,773
Cash flow from (used by) operating activities	(1,529,591)	19,482,845
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(4,813,488)	(6,310,999)
Purchase of long term investments	(15,962,245)	(19,893,300)
Proceeds from sale of long term investments	20,987,300	6,819,025
Cash flow from (used by) investing activities	211,567	(19,385,274)
INCREASE (DECREASE) IN CASH FLOW	(1,318,024)	97,571
Cash - beginning of year	4,004,388	3,906,817
CASH - END OF YEAR	\$ 2,686,364	\$ 4,004,388

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, 2013

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, 2013

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

	2013	2012
Cash is comprised of the following		
Cash - operating bank account	\$ 985,917	\$ 1,814,260
Cash - capital bank account	1,700,447	2,180,152
Cash - Fogo Island bank account	-	9,976
	\$ 2,686,364	\$ 4,004,388

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

Notes to Financial Statements
Year Ended December 31, 2013

4. SHORT TERM INVESTMENTS

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

	2013	2012
Capital projects	\$ 12,239,849	\$ 19,059,964
Capital reserve	1,873,675	-
Vendor security bond	848,721	833,336
	\$ 14,962,245	\$ 19,893,300

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 \$1,873,675 in 2014 for its capital reserve.

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

5. Accounts receivable

	2013	2012
Operating	\$ 1,194,395	\$ 973,036
Harmonized sales tax	213,382	84,113
	\$ 1,407,777	\$ 1,057,149

6. Accounts payable

	2013	2012
Contract security to vendor	\$ 848,520	\$ 833,134
Capital construction of regional disposal sites and facilities	388,517	916,552
Accounts payable and accrued liabilities	191,893	246,545
Employee deductions payable	46,744	-
	\$ 1,475,674	\$ 1,996,231

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, 2013

8. Financial instruments

The Municipality, as part of its operations, carries a number of financial instruments. It is management's opinion the Municipality 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.

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.

10. Legal settlement

In 2013, the Board received in legal judgment 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 judgemental awarded to the contractor \$301,849 which included the judgemental award, taxes and legal costs.

CENTRAL REGIONAL SERVICE BOARD
(Operating as Central Newfoundland Regional Waste Management Authority)
Schedule of Tangible Capital Assets (Schedule 1)
Year Ended December 31, 2013

	General Capital Assets			Infrastructure	Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Water and Sewer	2012	2011
Cost						
Opening cost	\$ 10,672,327	\$ 21,185,687	\$ 8,809,786	\$ -	\$ 40,667,799	\$ 1,625,176
Additions during the year	9,104	(2,711,726)	(608,562)	2	(3,311,182)	34,979
Closing costs	10,681,431	18,473,961	8,201,224	2	37,356,617	1,660,155
Accumulated Amortization						
Opening accum'd amortization	15,509	1,496,281	499,585	-	2,011,375	943,899
Amortization	23,141	(2,711,726)	819,016	1	(1,869,568)	65,057
Closing accum'd amortization	38,650	(1,215,445)	1,318,601	1	141,807	1,008,956
Net Book Value of TCA	\$ 10,642,781	\$ 19,689,406	\$ 6,882,623	\$ 1	\$ 37,214,810	\$ 651,199

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 by Program (Schedule 4)
Year Ended December 31, 2013

	Financial Plan	Amortization (TCA)	Interest Expense	Transfers	PSAB Budget
Revenues					
Taxation	\$ 169,091	\$ -	\$	\$	\$ 169,091
Sale of goods and services					
Grants	104,675			(71,091)	33,584
Investments	2,000				2,000
Transfers from reserves				32,675	32,675
Total Revenues	275,766			(38,416)	237,350
Expenses					
General government services	81,000				81,000
Protective services	11,000				11,000
Transportation services	16,500				16,500
Environmental health services	32,000				32,000
Regional planning and development	31,000	1			31,001
Fiscal services					
Capital expenditures	30,675			(30,675)	
Debt charges	71,091		(71,091)		
Other	2,500				2,500
Total Expenses	275,766	1	(71,091)	(30,675)	174,001
Surplus (deficit)	\$	\$	(1) \$	71,091 \$	(7,741) \$
					63,349

The accompanying notes are integral part of these financial statements