EASTERN REGIONAL SERVICE BOARD Financial Statements Year Ended December 31, 2021

HARRIS RYAN

STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of the Eastern Regional Service Board (the Board) and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

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 Directors of the Board 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.

Harris Ryan Chartered Professional Accountants, as the Board's appointed external auditors, have audited the financial statements. The Auditor's report is addressed to the members of the 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 Public Sector Accounting Standards.

Mr. Harold Mullowney

Chairperson

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Chief Administrative Officer

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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of Eastern Regional Service Board

Qualified Opinion

We have audited the financial statements of Eastern Regional Service Board (the organization), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in annual surplus (deficit), operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

Eastern Regional Service Board derives revenue from waste management fees the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus and cash flows for the year ended December 31, 2021 or to assets and net financial assets as at December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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Independent Auditor's Report to the Members of Eastern Regional Service Board (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting
 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may
 involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal
 control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the
 disclosures, and whether the financial statements represent the underlying transactions and events in
 a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. John's, Newfoundland and Labrador April 20, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

Harris Lyan Refersional Caponation

Statement of Financial Position

December 31, 2021

	2021	2020
ASSETS		
Cash and cash equivalents (Note 3)	\$ 4,457,307	\$ 4,867,903
Accounts receivable (Note 4)	842,854	1,325,199
Harmonized sales tax recoverable	501,060	329,486
	5,801,221	6,522,588
LIABILITIES		
Accounts payable (Note 6)	575,094	992,695
Employee deductions payable	31,124	29,265
Deferred revenue (Note 7)	100,000	20,000
Bid and performance bonds	272,370	295,404
	978,588	1,337,364
NET FINANCIAL ASSETS	4,822,633	5,185,224
NON-FINANCIAL ASSETS		
Prepaid expenses	114,690	874,221
Tangible capital assets (Note 5)	5,851,500	4,945,901
	5,966,190	5,820,122
ACCUMULATED SURPLUS	\$ 10,788,823	\$ 11,005,346

CONTINGENCIES (Note 11)

COMMITMENTS (Note_10)

ON BEHALF OF THE BOARD

Director

Director

EASTERN REGIONAL SERVICE BOARD Statement of Changes in Net Financial Assets Year Ended December 31, 2021

	 1	_		
	Budget 2021		2021	2020
ANNUAL SURPLUS (DEFICIT)	\$ (127,919)	\$	(216,523)	\$ 733,912
Amortization of tangible capital assets	525,169		525,169	408,074
Purchase of tangible capital assets	(825,000)		(1,430,769)	(469,301)
Proceeds on disposal of tangible capital assets	-		-	142,450
Loss (gain) on disposal of assets	-		-	(26,977)
Decrease (increase) in prepaid expenses	-		759,531	(763,832)
- N	(299,831)		(146,069)	(709,586)
INODEACE (DECDEACE) IN NET FINANCIAL				
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(427,750)		(362,592)	24,326
NET FINANCIAL ASSETS - BEGINNING OF YEAR	5,185,225		5,185,225	5,160,899
NET FINANCIAL ASSETS - END OF YEAR	\$ 4,757,475	\$	4,822,633	\$ 5,185,225

EASTERN REGIONAL SERVICE BOARD Statement of Changes in Annual Surplus (Deficit) Year Ended December 31, 2021

*	2021	2020
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 11,005,346	\$ 10,271,434
ANNUAL SURPLUS (DEFICIT)	(216,523)	733,912
ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR	\$ 10,788,823	\$ 11,005,346

EASTERN REGIONAL SERVICE BOARD Statement of Operations Year Ended December 31, 2021

	В	udget (Note 14) 2021	Total 2021		Total 2020
REVENUES				4	
Clarenville transfer station	\$	250,000	\$ 477,884	\$	427,217
Government grants		25,000	54,710		115,213
Tipping fees		3,300,000	3,300,000		3,300,331
Waste management fees		4,590,000	4,066,827		4,138,718
Metals recycling revenue		112,500	64,990		105,382
Capital government grants		700,000	-		399,770
Fire and emergency services revenue		70,000	 35,106		28,847
		9,047,500	 7,999,517		8,515,478
EXPENSES					
Advertising and promotion		160,000	20,362		78,404
Amortization		525,169	525,169		408,074
Bad debts		90,000	291,264		303,156
Business taxes, licenses and memberships		24,000	25,643		27,881
Directors fees		100,000	63,519		78,076
Insurance		145,000	148,591		117,086
Interest and bank charges		40,000	27,317		22,835
Office		84,000	35,412		38,961
Outreach program		.=:	-		57
Professional fees		214,320	121,746		191,575
Regional waste management operations		441,500	350,157		342,166
Rental		86,000	80,313		80,313
Repairs and maintenance		164,086	33,832		60,774
Salaries and wages		1,819,201	1,673,882		1,620,770
Telephone		145,000	35,827		38,342
Tipping fees Clarenville		400,000	463,782		358,363
Training		33,000	11,524		11,806
Travel		70,000	6,645		9,992
Vehicle		599,143	836,478		716,834
Waste collection operations		4,130,000	 3,690,105		3,546,385
		9,270,419	8,441,568		8,051,850
SURPLUS (DEFICIT) FROM OPERATIONS		(222,919)	(442,051)		463,628
OTHER INCOME					
Gain on disposal of tangible capital assets			·-		26,977
Interest income		60,000	222,380		221,516
Miscellaneous revenue		35,000	3,148		21,791
		95,000	225,528		270,284
ANNUAL SURPLUS (DEFICIT)	\$	(127,919)	\$ (216,523)	\$	733,912

Statement of Cash Flows

Year Ended December 31, 2021

	 2021		2020
OPERATING ACTIVITIES			
Annual surplus (deficit)	\$ (216,523)	\$	733,912
Items not affecting cash:	(,	.,	
Amortization of tangible capital assets	525,169		408,074
Gain on disposal of tangible capital assets	 		(26,977)
	308,646		1,115,009
Changes in non-cash working capital:			
Accounts receivable	482,345		(340,002)
Accounts payable	(417,600)		388,170
Deferred revenue	80,000		(905,000)
Prepaid expenses	759,531		(763,832)
Harmonized sales tax receivable	(171,574)		220,307
Employee deductions payable	1,859		10,899
Bid and performance bonds	 (23,034)		1,795
	 711,527		(1,387,663)
Cash flow from (used by) operating activities	1,020,173		(272,654)
INVESTING ACTIVITIES			
Purchase of tangible capital assets	(1,430,769)		(469,301)
Proceeds on disposal of tangible capital assets	-		142,450
Cash flow used by investing activities	(1,430,769)		(326,851)
DECREASE IN CASH FLOW	(410,596)		(599,505)
Cash - beginning of year	4,867,903		5,467,408
Cash - beginning of year	 4,007,303		3,407,400
CASH - END OF YEAR (Note 3)	\$ 4,457,307	\$	4,867,903
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest received	\$ (222,380)	\$	(221,516)
Interest paid	\$ 27,318	\$	22,837

Notes to Financial Statements

Year Ended December 31, 2021

PURPOSE OF THE ORGANIZATION

The Eastern Regional Service Board (the "organization") was established in September of 2011 by the Province of Newfoundland under the authority of the Regional Services Board Act, 2012. The organization has been given the mandate to modernize the waste management system in the region, develop regional fire protection and work with several clusters of communities to improve drinking water and waste water treatment under the Community Sustainability Partnership.

In order to fulfill these mandates the organization has completed a network of infrastructure for the waste management system including a transfer station in Clarenville and ten waste recovery facilities (including one at the Clarenville site). To assist communities with drinking water and waste water treatment the organization has hired an engineer to provide advice to communities. As a service provider for fire protection the organization has contracted with one municipality to provide services through their volunteer fire department in the unincorporated area adjacent to the municipality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with (PSAS).

Revenue recognition

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Tipping and waste management fees are recognized as revenues as the services are provided in the related period, and when collection is reasonably assured.

Interest is recognized as earned. Other revenues are recognized when earned, collection is reasonably assured and a reasonable estimate can be determined of the amounts.

Cash and cash equivalents

Cash and cash equivalents include balances with the bank and investments held in cashable guaranteed investment certificates. Cashable guaranteed investment certificates are valued at cost plus accrued interest.

(continues)

Notes to Financial Statements

Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Land		non-depreciable
Buildings	4%	declining balance method
Furniture and equipment	20%	declining balance method
Computer equipment	55%	declining balance method
Computer software	100%	declining balance method
Heavy equipment	30%	declining balance method
Leasehold improvements	5 years	straight-line method
Motor vehicles	30%	declining balance method

The organization regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Impairment of long lived assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Non-financial assets

Non-financial assets include tangible capital assets and prepaid expenses used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.

Deferred revenue

Deferred revenue is comprised of revenue amounts that are received in advance of the services being provided.

Measurement uncertainty

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant items subject to estimates include amortization of tangible capital assets and valuation of accounts receivable. Actual results could differ from these estimates.

Notes to Financial Statements

Year Ended December 31, 2021

3.	CASH AND CASH EQUIVALEN	TS						
							2021	2020
	Cash in bank Guaranteed investment certifi	icates	i			\$	2,195,353 2,261,954	\$ 929,775 3,938,128
						\$	4,457,307	\$ 4,867,903
	Cash and cash equivalents a	re inte	ernally restrict	ted t	ю:			
	Capital reserve - Regional Capital reserve - Curbside Operational reserve Unappropriated surplus						2,376,234 430,000 1,740,000 (88,927)	2,376,234 430,000 1,740,000 321,669
						\$	4,457,307	4,867,903
4.	ACCOUNTS RECEIVABLE						2021	2020
	Waste management fees reco Allowance for doubtful accour Capital funding receivable		le			\$	2,609,484 (1,766,630) -	\$ 2,400,796 (1,475,367 399,770
						\$	842,854	\$ 1,325,199
5.	TANGIBLE CAPITAL ASSETS						2021	2020
			Cost	(2) (2)	ccumulated mortization	1	Net book value	Net book value
	Land Buildings Computer equipment Computer software Furniture and equipment Heavy equipment Leasehold improvements Motor vehicles	\$	2,288,126 2,157,624 60,738 5,544 122,360 5,965,488 3,106 244,575	\$	379,309 57,412 5,544 76,318 4,320,153 3,106 154,219	\$	2,288,126 1,778,315 3,326 - 46,042 1,645,335 - 90,356	\$ 2,296,419 1,852,412 7,390 - 57,552 694,085 - 38,043
		\$	10,847,561	\$	4,996,061	\$	5,851,500	\$ 4,945,901

Notes to Financial Statements

Year Ended December 31, 2021

ACCOUNTS	PAYABL	E
ACCOUNTS	PA	YABL

ē	2021	2020
Trade payables Other accruals	\$ 374,584 200,510	\$ 415,639 577,056
	\$ 575,094	\$ 992,695

7. DEFERRED REVENUE

	 2021	 2020
Regional Water/Wastewater Operator Program	\$ 100,000	\$ 20,000

In 2021, the organization received \$160,000 from the Provincial government to fund a Regional Water/Wastewater Operator Pilot Program. At December 31, 2021, \$100,000 of this funding remained unspent.

8. ACCUMULATED SURPLUS

In addition to investments in tangible capital assets, the board has set up reserves from the accumulated surplus to ensure future obligations of the organization can be met. These reserves are internally restricted by the board to be used only for the purpose for which they are set up. The board allocates funds to these reserves as deemed necessary.

	 2021	2020
The accumulated surplus consists of the following:		
Invested in tangible capital assets	\$ 5,851,500	\$ 4,945,901
Capital reserve - Regional	2,376,234	2,376,234
Capital reserve - Curbside	430,000	430,000
Operational reserve	1,740,000	1,740,000
Unappropriated surplus	 391,089	1,513,211
	\$ 10,788,823	\$ 11,005,346

- The regional capital reserve was established for building and equipment replacements and future site closures for waste recovery facilities, transfer station and regional equipment.
- The curbside capital reserve was established for equipment replacement and unforeseen expenses for the curbside collection program. The organization ceased the curbside collection program during fiscal 2020.
- The operational reserve was established for funding of operating deficits and for unbudgeted/unforeseen expenses.

Notes to Financial Statements

Year Ended December 31, 2021

9. TIPPING FEES

The Government of Newfoundland and Labrador has officially designated the Robin Hood Bay Waste Management Facility, which is owned and operated by the City of St. John's, as the site for the Eastern Region's Integrated Waste Management Facility. Eastern Regional Service Board contracts with the City of St. John's to provide waste disposal services for other municipalities in the Eastern Region.

Tipping fees charged per tonne at the Robin Hood Bay Waste Management Facility are determined annually by Eastern Regional Service Board based on estimated tonnage and budgeted costs to operate both Eastern Regional Service Board and the Robin Hood Bay Waste Management Facility. Operational funding is provided to Eastern Regional Service Board from tipping fees collected from facility users to the extent required in its annual budget.

10. COMMITMENTS

The organization has a long term lease with respect to its premises, which expires March 31, 2023. Future minimum lease payments, excluding HST, as at December 31, 2021, are as follows:

2022	\$ 77,012
2023	19,253

11. CONTINGENCIES

Two claims have been filed against the organization by a contractor in relation to contract issues as a result of early contract termination. The first action is alleging breach of contract and the second action is alleging loss of future revenues. The aggregate claim for damages is estimated at \$2,000,000. A mediation took place in 2020 but the matter remains unsettled and the resolution is not determinable at this time.

12. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2021.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

Reconciliation of Board Budget to PSAS Budget

Year Ended December 31, 2021

24,000 100,000 145,000 40,000 84,000 214,320 3,300,000 112,500 700,000 70,000 000'09 35,000 1,819,201 400,000 145,000 33,000 70,000 25,000 90,000 441,500 86,000 164,086 599,143 160,000 (127,919)250,000 9,142,500 4,130,000 **PSAS Budget** 9,270,419 (627,750)(627,750)**HST Rebates** (200,000)(200,000)Reserves (825,000)Expenditures (825,000) 525,169 525,169 Amortization 69 599,143 4,130,000 825,000 250,000 112,500 627,750 700,000 70,000 60,000 100,000 84,000 214,320 441,500 86,000 164,086 35,000 90,000 40,000 400,000 145,000 33,000 70,000 3,300,000 4,590,000 160,000 200,000 **Board Budget** 9,770,250 1,819,201 9,770,250 69 Business taxes, licenses and memberships Regional waste management operations Fire and emergency services revenue DEFICIT FROM OPERATIONS Waste collection operations Capital government grants Advertising and promotion Clarenville transfer station Interest and bank charges Repairs and maintenance Waste management fees Metals recycling revenue Regional capital reserve Tipping fees Clarenville Miscellaneous revenue Capital expenditures Salaries and wages Government grants Professional fees Directors fees **HST** rebates Amortization Tipping fees Telephone Bad debts Insurance Training REVENUES EXPENSES Interest Rental Vehicle Travel

(Schedule 1)