



**EASTERN REGIONAL SERVICE BOARD**  
**Financial Statements**  
**Year Ended December 31, 2018**



**HARRIS RYAN**



**EASTERN REGIONAL SERVICE BOARD**  
**Index to Financial Statements**  
**Year Ended December 31, 2018**

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	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Financial Assets	4
Statement of Changes in Accumulated Surplus	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13



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## INDEPENDENT AUDITOR'S REPORT

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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, 2018, and the statements of changes in accumulated surplus, 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *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 waste management fee revenue, annual surplus, and cash flows for the year ended December 31, 2018, or to current assets and net assets as at December 31, 2018.

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 the 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 those 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 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

(continues)

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.

*Mavis Ryan Professional Corporation*

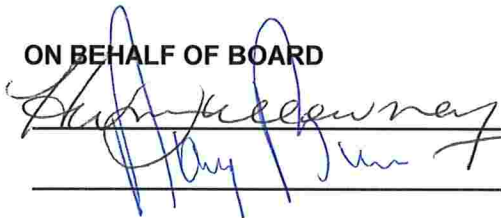
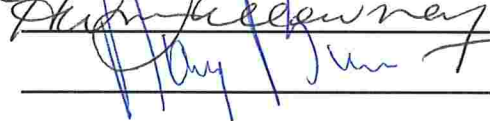
St. John's, Newfoundland and Labrador  
April 30, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

**EASTERN REGIONAL SERVICE BOARD**  
**Statement of Financial Position**  
**December 31, 2018**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents <i>(Note 3)</i>	\$ 5,787,889	\$ 5,812,621
Accounts receivable <i>(Note 4)</i>	1,098,759	971,258
Harmonized sales tax recoverable	286,870	86,734
	<b>7,173,518</b>	<b>6,870,613</b>
<b>LIABILITIES</b>		
Accounts payable <i>(Note 6)</i>	1,325,903	578,228
Employee deductions payable	22,995	20,409
Deferred income <i>(Note 7)</i>	854,268	1,540,371
Obligations under capital lease <i>(Note 10)</i>	120,052	257,754
	<b>2,323,218</b>	<b>2,396,762</b>
<b>NET FINANCIAL ASSETS</b>	<b>4,850,300</b>	<b>4,473,851</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	101,901	106,908
Tangible capital assets <i>(Note 5)</i>	4,872,026	4,726,647
	<b>4,973,927</b>	<b>4,833,555</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 9,824,227</b>	<b>\$ 9,307,406</b>

ON BEHALF OF BOARD

 Director  
 Director

**EASTERN REGIONAL SERVICE BOARD**  
**Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2018**

	<b>2018</b>	2017
<b>ANNUAL SURPLUS</b>	<b>\$ 516,821</b>	<b>\$ 884,365</b>
Amortization of tangible capital assets	<b>775,207</b>	932,244
Purchase of tangible capital assets	<b>(920,586)</b>	(973,005)
Decrease (increase) in prepaid expenses	<b>5,007</b>	(17,459)
	<b>(140,372)</b>	(58,220)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>376,449</b>	826,145
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	<b>4,473,851</b>	3,647,706
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<b>\$ 4,850,300</b>	<b>\$ 4,473,851</b>

**EASTERN REGIONAL SERVICE BOARD**  
**Statement of Changes in Accumulated Surplus**  
**Year Ended December 31, 2018**

	<b>2018</b>	2017
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>\$ 9,307,406</b>	\$ 8,423,041
<b>SURPLUS FOR THE YEAR</b>	<b>516,821</b>	884,365
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 9,824,227</b>	\$ 9,307,406

**EASTERN REGIONAL SERVICE BOARD**

**Statement of Operations**

**Year Ended December 31, 2018**

	Budget 2018	Total 2018	Total 2017
<b>REVENUES</b>			
Clarenville transfer station	\$ 390,000	\$ 276,180	\$ 352,836
Government grants	77,500	77,500	77,500
Tipping fees (Note 9)	3,347,395	3,349,346	3,395,752
Waste management fees	5,100,000	5,091,407	5,083,395
Metals recycling revenue	50,000	81,801	148,365
Capital government grants	1,750,000	684,151	609,950
Fire and emergency services revenue	19,000	21,180	20,184
	10,733,895	9,581,565	9,687,982
<b>EXPENSES</b>			
Advertising and promotion	120,000	191,236	74,113
Amortization	-	775,207	932,244
Bad debts	90,000	123,407	186,971
Business taxes, licenses and memberships	20,500	56,088	33,166
Directors fees	100,000	96,469	86,355
Insurance	115,000	142,516	106,215
Interest and bank charges	30,000	26,424	41,400
Interest on obligations under capital lease	9,615	9,587	16,137
Office	80,000	57,808	54,777
Outreach program	-	17,366	-
Professional fees	56,000	157,615	115,495
Regional waste management operations	456,000	575,866	359,671
Rental	153,000	144,188	139,487
Repairs and maintenance	130,500	94,784	44,456
Salaries and wages	2,179,395	2,176,224	2,045,098
Telephone	65,000	36,533	40,590
Tipping Fees Clarenville	350,000	354,142	327,451
Training	68,000	41,250	28,690
Travel	55,000	48,301	48,851
Vehicle	1,041,000	1,145,071	1,017,129
Waste collection operations	3,521,000	3,286,221	3,155,927
Waste recovery facilities - site development	1,850,000	7,162	309,154
	10,490,010	9,563,465	9,163,377
<b>SURPLUS FROM OPERATIONS</b>	243,885	18,100	524,605
<b>OTHER INCOME</b>			
Interest income	35,000	462,075	344,482
Miscellaneous revenue	1,000	36,646	15,278
	36,000	498,721	359,760
<b>ANNUAL SURPLUS</b>	\$ 279,885	\$ 516,821	\$ 884,365

See notes to financial statements



**EASTERN REGIONAL SERVICE BOARD****Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Surplus	\$ 516,821	\$ 884,365
Item not affecting cash:		
Amortization of tangible capital assets	775,207	932,244
	<b>1,292,028</b>	1,816,609
Changes in non-cash working capital:		
Accounts receivable	(127,501)	(120,773)
Accounts payable	747,675	9,079
Deferred income	(686,103)	226,899
Prepaid expenses	5,007	(17,459)
Harmonized sales tax payable	(200,136)	234,269
Employee deductions payable	2,586	20,409
	<b>(258,472)</b>	352,424
Cash flow from operating activities	<b>1,033,556</b>	2,169,033
<b>INVESTING ACTIVITY</b>		
Purchase of tangible capital assets	(920,587)	(973,005)
Cash flow used by investing activity	<b>(920,587)</b>	(973,005)
<b>FINANCING ACTIVITY</b>		
Repayment of obligations under capital lease	(137,701)	(131,152)
Cash flow used by financing activity	<b>(137,701)</b>	(131,152)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(24,732)</b>	1,064,876
Cash - beginning of year	<b>5,812,621</b>	4,747,745
<b>CASH - END OF YEAR</b>	<b>5,787,889</b>	5,812,621
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ (462,075)	\$ (344,482)
Interest paid	\$ 36,012	\$ 57,537

See notes to financial statements

# EASTERN REGIONAL SERVICE BOARD

## Notes to Financial Statements

Year Ended December 31, 2018

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### 1. 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 Board 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 Board has completed a network of infrastructure for the waste management system including a transfer station in Clarenville, ten waste recovery facilities (including one at the Clarenville site), and developed a fleet of vehicles and hired staff for a curbside collection program. To assist communities with drinking water and waste water treatment the Board has hired an engineer to provide advice to communities. As a service provider for fire protection the Board has contracted with one municipality to provide services through their volunteer fire department in the unincorporated area adjacent to the municipality. This model of service delivery was expanded in 2017.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards (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.

Government transfers received with associated stipulations relating to the purchase of capital assets, are recognized as revenue when the related assets are acquired.

Tipping fee revenues are provided to the extent required in the organization's annual budget and are recognized as revenue when received. Tipping fees received in advance are recorded as deferred revenue.

Waste management fee revenues are invoiced annually and are recognized as revenue when invoiced to customers. Metals recycling revenues are also recognized as revenue when invoiced.

#### 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.

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# EASTERN REGIONAL SERVICE BOARD

## Notes to Financial Statements

Year Ended December 31, 2018

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives 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
Heavy equipment under capital lease	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.

#### Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

#### Non-financial assets

Non-financial assets include all assets of a fixed or permanent nature, claims to goods and services, and consumable goods.

#### Deferred revenue

Deferred revenue is comprised of the unspent portions of government grants designated for the construction and engineering of the Clarendville waste transfer station, waste recovery facilities, as well as costs associated with the closure of various dump sites previously used in the eastern region. It also includes other deferred revenue amounts if they are received in advance. Due to the nature of these amounts, they are recognized as revenues as the funds are spent on approved projects.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. Actual results could differ from these estimates.

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# EASTERN REGIONAL SERVICE BOARD

## Notes to Financial Statements

Year Ended December 31, 2018

### 3. CASH AND CASH EQUIVALENTS

	2018	2017
Cash in bank	\$ 2,423,533	\$ 1,445,379
Guaranteed investment certificates	3,364,356	4,367,242
	<b>\$ 5,787,889</b>	<b>\$ 5,812,621</b>

Cash and cash equivalents are internally restricted to:

Capital reserve - Regional	\$ 1,176,234	856,234
Capital reserve - Curbside	430,000	280,000
Operational reserve	1,319,200	1,319,200
Unrestricted balance	2,862,455	3,357,187
	<b>\$ 5,787,889</b>	<b>5,812,621</b>

### 4. ACCOUNTS RECEIVABLE

	2018	2017
Waste management fees receivable	\$ 1,898,248	\$ 1,647,340
Allowance for doubtful accounts	(799,489)	(676,082)
	<b>\$ 1,098,759</b>	<b>\$ 971,258</b>

### 5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 1,901,175	\$ -	\$ 1,901,175	\$ 1,014,669
Buildings	1,427,037	163,822	1,263,215	1,315,849
Computer equipment	56,682	39,844	16,838	1,953
Computer software	5,544	5,544	-	-
Furniture and equipment	99,903	54,191	45,712	43,564
Heavy equipment	4,381,634	2,886,284	1,495,350	2,136,215
Heavy equipment under capital lease	874,864	787,376	87,488	124,983
Leasehold improvements	3,106	2,795	311	932
Motor vehicles	268,649	206,712	61,937	88,482
	<b>\$ 9,018,594</b>	<b>\$ 4,146,568</b>	<b>\$ 4,872,026</b>	<b>\$ 4,726,647</b>

## EASTERN REGIONAL SERVICE BOARD

### Notes to Financial Statements

Year Ended December 31, 2018

#### 6. ACCOUNTS PAYABLE

	2018	2017
Trade payables	\$ 874,162	\$ 351,212
Other accruals	451,741	227,016
	<b>\$ 1,325,903</b>	<b>\$ 578,228</b>

#### 7. DEFERRED REVENUE

	2018	2017
Tipping fees from City of St. John's	\$ 834,893	\$ 836,845
Government funded capital assets	-	684,151
Regional Water/Wastewater Operator Program	19,375	19,375
	<b>\$ 854,268</b>	<b>\$ 1,540,371</b>

In 2015, the organization received government funding for the construction and engineering of waste recovery facilities, costs associated with the closure of various dump sites previously used in the eastern region, construction and engineering of the Clarendville Transfer Station, and the purchase of land in Whitbourne where the organization is planning to build a depot for its trucks near the Whitbourne waste recovery facility. Deferred income recognized as revenue was spent on approved projects. These amounts have all been expended at the end of 2018.

During the year, the organization also received \$77,500 from the Provincial government to fund a Regional Water/Wastewater Operator Pilot Program. At December 31, 2018, \$19,375 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.

	2018	2017
The accumulated surplus consists of the following:		
Invested in tangible capital assets	\$ 4,872,026	\$ 4,726,647
Capital reserve - Regional	1,176,234	856,234
Capital reserve - Curbside	430,000	280,000
Operational reserve	1,319,200	1,319,200
Unappropriated surplus	2,026,767	2,125,325
	<b>\$ 9,824,227</b>	<b>\$ 9,307,406</b>

# EASTERN REGIONAL SERVICE BOARD

## Notes to Financial Statements

Year Ended December 31, 2018

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### 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.

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### 10. OBLIGATIONS UNDER CAPITAL LEASE

	2018	2017
TD Equipment Finance lease bearing interest at 4.78% per annum, repayable in monthly blended payments of \$12,274. The lease matures on November 1, 2019 and is secured by equipment.	\$ 120,052	\$ 257,754

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Future minimum capital lease payments are approximately:

Total minimum lease payments	\$ <u>120,052</u>
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### 11. LEASE COMMITMENTS

The organization has a long term lease with respect to its premises, which expires March 31, 2022. Future minimum lease payments, excluding HST, as at December 31, 2018, are as follows:

2019	\$ 77,012
2020	77,012
2021	77,012
2022	19,253

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### 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, 2018.

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## EASTERN REGIONAL SERVICE BOARD

### Notes to Financial Statements

Year Ended December 31, 2018

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#### 12. FINANCIAL INSTRUMENTS *(continued)*

##### ***(a) 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.

##### ***(b) Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

##### ***(c) Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

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#### 13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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