

EASTERN REGIONAL SERVICES BOARD

Minutes of Meeting #21

February 26, 2014

7:00 p.m.

Ramada St. John's

Kenmount Road, St. John's, NL

In Attendance:

Ed Grant, Chairperson
Dave Aker, Mount Pearl
Ches Ash, Trinity Conception North
Danny Breen, St. John's
Wally Collins, St. John's
Colin Corcoran, Southwest Avalon
Joy Dobbie, Trinity Bay South & Isthmus East
Woodrow French, Conception Bay South
Derrick Green, Bay Roberts
Tom Hann, St. John's
Sandy Hickman, St. John's
Harold Mallowney, Vice Chair, Southern Shore
Sterling Willis, Paradise

Regrets:

Bill Bailey, Clarenville & Isthmus
Gerry Colbert, St. John's
Shannie Duff, St. John's
Frank Galgay, St. John's
Debbie Hanlon, St. John's
Sheilagh O'Leary, St. John's
Bruce Tilley, St. John's

Other Attendees:

Ken Kelly, Chief Administrative Officer, Eastern Waste Management
Lynn Tucker, Manager Corporate Services, Eastern Waste Management
Kevin Power, Manager Waste Operations, Eastern Waste Management
Bernard Davis, Councillor/ERSB Nominee, City of St. John's
Jonathan Galgay, Councillor/ERSB Nominee, City of St. John's
Peggy Roche, Councillor/ERSB Nominee, Small Metro
Gordon Stone, Councillor/ERSB Nominee, Trinity Conception North
William Woodman, Councillor/ERSB Nominee, Southwest Avalon
Sarah Morgan, Operations Manager, Discovery Regional Service Board
Sean Handrigan, CA, Harris Ryan Chartered Accountants
Allison Taylor, CA, Harris Ryan Chartered Accountants

1. Call to Order

Mr. Ed Grant, Chairperson, called the meeting to order at 7:00 p.m.

Mr. Grant welcomed the five (5) nominees awaiting appointment to this board who have joined us this evening – Bernard Davis, Jonathan Galgay, Peggy Roche, Gordon Stone and Bill Woodman. He then introduced the staff (Ken Kelly, Lynn Tucker and Kevin Power) present at tonight’s meeting so that those new to the board would be familiar with the senior staff of Eastern Waste Management.

Mr. Grant noted that board nominees are still awaiting ministerial appointment letters and that he has been informed that they should be ready soon.

Mr. Grant also welcomed other guests who are here this evening including Ms. Sarah Morgan from the Discovery Regional Service Board; and, Mr. Sean Handrigan and Ms. Allison Taylor of Harris Ryan Chartered Accountants. He noted that Mr. Handrigan and Ms. Taylor were invited to join us this evening so that they may answer any questions or provide any information required by members in understanding our 2012 financial statements. Mr. Grant noted that the board’s financial statements are subject to PSAB (Public Sector Accounting Board) accounting and reporting practices.

2. Adoption of Agenda

It was moved and seconded (S Hickman/W French) to adopt the agenda as tabled.

MOTION 2014-001: Carried (unanimously)

3. Review of Minutes – November 27, 2013

It was moved and seconded (D Aker/S Hickman) that the minutes of the November 27, 2013 meeting is adopted as tabled.

MOTION 2014-002: Carried (unanimously)

4. Committee Reports

Mr. Grant noted for the benefit of those awaiting appointment that this is the usual outline for board meetings in that the board’s standing committees usually meet monthly and the chair of each standing committee reports to the board at its monthly meeting. Any recommendations coming from committees are ratified at the board meeting. Board meetings are usually held on the last Wednesday of each month. At this time, the board has three (3) standing committees – they are Finance & Audit Committee; Governance Committee; and, Strategy & Policy Committee. Generally the committees meet monthly and new board members will have an opportunity to participate in committees.

He continued that board members are paid a stipend for meeting attendance and/or board work. In addition, the board will reimburse any incurred expenses i.e. mileage, accommodations, etc. Mr. Grant asked members to track their time and expenses and to ensure that the information is passed along to Ms. Tucker or Mr. Kelly. He stated that the rate of remuneration paid to board members is based on provincial government policy.

Mr. Grant stated that as the board's chairperson, he was independently appointed by the Minister of Municipal Affairs with all other members either being elected or appointed by their town i.e. the City of St. John's, the City of Mount Pearl, the Town of Paradise and the Town of Conception Bay South appoints their representative from their council while in areas such as Bay Roberts, Trinity Conception North, etc. elections are held.

He continued that for the benefit of new members, an orientation session will be held.

a) Finance & Audit Committee (D Breen, Chairperson)

Mr. Breen noted that no Finance & Audit Committee meeting was held since our last Board meeting.

- i. **2012 Financial Statements** – Mr. Handrigan of Harris Ryan Chartered Accountants began by directing members to the 2012 financial statements provided in tonight's meeting package (Appendix A). He stated that as per the statement on p. 2, this is a qualified audit report. During 2012 ERSB obtained assets and liabilities of various sub-regional waste management committees. The prior year financial statements for the predecessor entities were unaudited and this is the basis for the qualified opinion.

This audit meets PSAB requirements; however, Mr. Handrigan noted that on p. 5 there are no comparables. This resulted due to the unaudited sub-regional contracts/financials being added to ERSB.

He continued as follows:

- p. 7-8 – provides a summary of significant accounting policies including information regarding revenue recognition i.e. government grants; tipping fee revenue; waste management fees; etc. ;
- p. 5 – Statement of Operations showing revenue and expenses; however, he noted that the administrative expenses have been detailed in the attached Schedule 1 found on p. 13;
- p. 13 – Schedule 1 – Bad debts is listed at \$43,898; however, he noted this is not 100% bad debt but rather an allowance for bad debt;
- p. 5 – outlines other expenses and income. He noted that the deficit shown is not completely that of ERSB but rather comes from the sub-regions. This is a result of the costs of the operations of the sub-regional contracts being shown without the associated revenue. He noted that the very next page (p. 6) outlines the board's assets and noted assets are greater than the deficit;
- p. 3-4 – Noted that the board had a \$1 million surplus at the end of 2012 with financial assets at \$3.9 million, liabilities at \$1.8 million including capital leases at \$853,000;
- p. 3 – Deferred income showing as \$1.9 million. This is the unspent portion of the \$2.8 million received from the provincial government to finance the board's capital projects i.e. construction and engineering of waste recovery facilities, as well as

costs associated with the closure of various dump sites previously used in the eastern region;

Mr. Grant asked why the \$1.9 million government funding for capital projects would be noted as deferred income on p. 3.

Mr. Handrigan replied that it was noted as such to meet PSAB requirements but that Note #8 on p. 10 is included to explain this item.

Mr. Aker noted that there is no provision on the financial statements for severance pay.

Mr. Handrigan responded that accumulated vacation pay has been included under Other Accruals on p. 9.

Mr. Kelly informed members that as per the HR policies adopted last year, ERSB does provide severance pay but only to employees upon retirement or termination, not including for just cause, with at least five (5) years of continuous service. Severance pay will be equal to the amount obtained by multiplying the number of years of continuous service by the employee's weekly salary to a maximum of twenty (20) weeks pay, unless otherwise negotiated by an employment contract.

Mr. Grant stated for the benefit of those incoming members, this board sets the tipping fees charged at the Regional Waste Management Facility located at Robin Hood Bay (RHB). The City of St. John's owns and manages the regional landfill and they do a great job. The City prepares the budget for RHB and that budget becomes a part of the board's overall budget. Members will see on p. 5 of the financial statements that tipping fees made up \$1.9 million of the board's revenue for 2012. The tipping fees at RHB have remained fairly constant over the past several years. ERSB provides waste collection services to many communities outside the metro area and collects waste management fees from property owners and towns for that service. Any surplus or deficit for either revenue stream would be reflected in our financial statements.

He continued that ERSB has a substantial surplus accumulated over the past several years. For the past two (2) years and going forward, a portion of the surplus has been and will be used to stabilize the tipping fees charged at RHB. As noted by Mr. Handrigan, the provincial government provided ERSB \$2.8 million for the construction of waste recovery facilities and dump site closures. This money is for capital projects that have been approved by the province. Waste recovery facilities have been constructed throughout the eastern region so that property owners in rural areas have access to the same basic waste management services as those who live in the metro area. Waste recovery facilities provide the same opportunity for the disposal of bulk waste as the Residential Drop-Off Facility at RHB. Residents are not charged for the use of these facilities. At this time, ERSB collects waste weekly from more than 16,000 properties.

Mr. Grant continued that ERSB will be constructing a transfer station at Clarendville. Unlike the waste recovery facilities, the Clarendville Transfer Station (CTS) will accept all waste streams. In addition, the Discovery Regional Service Board may be contracting with ERSB to dispose of the waste from the Bonavista Peninsula at the CTS.

He continued that the tipping fee revenue received by the board comes from the City of St. John's and is not audited by Harris Ryan Chartered Accountants. He concluded by stating that this should assist incoming members in understanding the relationship between ERSB, RHB and the City of St. John's.

Ms. Roche asked how ERSB could operate in 2012 without a budget.

Mr. Handrigan stated that ERSB did have a budget for 2012; however, due to the board obtaining the assets and liabilities of the sub-regional entities, it did not make sense to include the original budget in the financial statements due to the numerous changes.

Mr. Collins stated that he thought a portion of the board's surplus was earmarked for special projects such as organics programs, etc. along with a portion being used to stabilize the tipping fees. He asked if that is still the intent of the board.

Mr. Grant confirmed Mr. Collins' statement and continued that the board is relatively new to this process so the decision was made to use a portion of the surplus to stabilize the tipping fees at RHB. The province has funded all our capital projects to date; however, if needed, a portion of the surplus could be used for the organics program or any other special project approved by the board.

Mr. Collins asked why it is taking so long for organics to be addressed.

Mr. Grant noted that the province has engaged Dillon Consulting to conduct a province-wide study on organics. That study was completed in December 2013; however the province has asked for more information and the revised report should be ready later this spring. The province will then make decisions regarding organics and may decide to do a province-wide program for organics.

He continued that as members know there was some debate when considering the location for the regional waste facility for the eastern region. Government considered RHB and Dog Hill at that time. RHB was selected as the regional facility site with the intent of using Dog Hill once RHB had reached its capacity. However, it seems that Dog Hill will never be suitable for a regional waste facility as Nalcor will be running a major transmission line through the site as part of the Muskrat Falls project.

Mr. Ash stated that we did have a budget for 2012 and he is inquiring as to how our budget worked out – surplus or deficit for the year.

Mr. Handrigan directed Mr. Ash to p. 3 of the Financial Statements – the Statement of Financial Position shows an accumulated surplus at the end of 2012 in the amount of \$1,002,746.

Mr. Ash noted that at the last board meeting in November he had asked that the Memorandum of Understanding (MOU) with the City of St. John's and the board's surplus be discussed at the next board meeting.

Mr. Kelly confirmed that and stated it would be on the next meeting agenda as this meeting was set aside for the adoption of the 2012 financial statements and the orientation of newly appointed board members. He continued that the MOU is very close to being finalized and will be brought to the board for discussion.

Mr. Ash stated that for the record he would like it noted that the board's surplus should be held by the board and not by the City of St. John's. He continued that this is not a negative reflection on the city but that he feels the board should hold its own monies. The board should not have to ask the City of St. John's for money from our surplus.

Mr. Grant noted that the MOU is the agreement between the City of St. John's and ERSB regarding the management of RHB. The MOU sets out the relationship of the two bodies.

Mr. French asked when the 2013 audit would be completed.

Mr. Kelly stated that the completion of the 2012 audit was delayed due to the sub-regional entities being transferred to ERSB. The auditors had a lot of information and documentation to review and to organize.

He noted that there is a legislative requirement to submit our financial statements to the Minister by June 30, 2014.

It was moved and seconded (D Breen/D Aker) to adopt the Eastern Regional Service Board Financial Statements for year ended December 31, 2012 as tabled.

MOTION 2014-003: Carried (unanimously)

- ii. **Motions to be Ratified** – Mr. Breen stated that the board has two (2) motions to ratify that were sent to members by email since our last meeting. The first motion is to award a snow clearing contract for the Cavendish Waste Recovery Facility (WRF) and the second motion is to award a six (6) month contract for waste collection in the communities of Holyrood, Conception Harbour, Colliers, Georgetown and Marysvale.

It was moved and seconded (D Breen/W French) that Eastern Regional Service Board:

(1) Award contract for snow clearing at the Cavendish Waste Recovery Facility to SGL Construction of Heart's Delight-Islington in the amount of \$15,000 plus HST for the period of December 1, 2013 to April 30, 2014; and

(2) Award the short-term contract for multi-stream waste collection for the five communities of Holyrood, Conception Harbour, Colliers, Marysvale and Georgetown to Ridge G&P Services Ltd. in the amount of \$127,500 including HST for six (6) months ending June 30, 2014.

MOTION 2014-004: Carried (unanimously)

Mr. Grant stated that Mr. Kelly did a lot of work on this file leading up to Christmas and was successful in re-negotiating a price that is in line with current contracts. As members may recall, the initial tender call led to very high prices which would have affected the rate charged to property owners.

iii. **Bank Signatories** – Mr. Breen stated that this item would be deferred until new members have been appointed.

b. Strategy & Policy Committee - (C Ash, Chairperson)

Mr. Ash noted that no Strategy & Policy Committee meeting was held since our last Board meeting.

i. **Service Delivery to Unincorporated and Seasonal Property Areas-Local Service District of Deer Park/Vineland Road** – Mr. Ash stated that at the November board meeting a motion was adopted to start providing service along Salmonier Line and in particular in the Local Service District (LSD) of Deer Park/Vineland Road starting in April if the LSD did not have the service in place. The LSD has informed us that they do not intend to provide a service. Mr. Ash then asked Mr. Grant to provide an update on this matter and on some of the related issues.

Mr. Grant acknowledged that the board has spent a lot of time discussing this issue and a part of the motion adopted in November was to re-confirm the board's mandate to ensure that the mandate includes all properties in the Eastern region. The answer from the province was a clear YES to the board's request for clarification of our mandate and intent to provide service to unincorporated and seasonal property areas.

He continued that regarding the LSD of Deer Park/Vineland Road approximately 10% of the property owners there are permanent livyers and they would like to have service; however, many property owners are saying that they do not want service.

The waste management fee of \$180 charged to each property in the Eastern region is set as not-for-profit and the money collected allows us to simply fulfill our mandate. This fee is made up of two components – (1) contract portion for collection and transportation of the waste to RHB; and (2) tipping fees paid to dispose of the waste at RHB.

Mr. Grant continued that several meetings have been held with representatives from the LSD of Deer Park/Vineland Road. Most recently a letter was received from the LSD Executive saying that they would not be implementing service; therefore, ERSB may proceed at will. The latest development is that waste collection services will be implemented there. At this time, we are trying to come up with a strategy for the property owners that will be acceptable for them. ERSB does have GIS mapping capability and this could be something that we could offer them. The board may have to look at offering to collect their road fees in addition to their waste fees, etc. There are several options to be explored.

Mr. Galgay noted that he owns property in the LSD of Deer Park/Vineland Road and, therefore, he will abstain from any vote on this matter. In addition, he stated that he has been involved with the province-wide 911 program and feels that GPS mapping will not be available for several years yet.

Mr. Grant stated that ERSB has its own GPS mapping capability and has been building our system in the Eastern region. This is something we could offer communities in assisting them to identify their property owners, etc.

Mr. Hickman stated that offering waste collection services on Mondays in unincorporated or seasonal property areas makes most sense.

Mr. Grant agreed and stated that is the intent for the LSD of Deer Park/Vineland Road. In addition, he stated that the board will be looking at several options such as offering bi-weekly collection rather than weekly collection, etc. Any recommendations would be brought to the board for discussion.

- ii. **Strategic Plan 2014-2016** – Mr. Kelly stated that the board adopted a strategic plan for the next three (3) years and it was submitted to the province for review. They have come back with several comments – mainly concerned with the board’s ability to attain the objectives outlined in the plan. As members know, the board will have to report annually on our progress; therefore, we are all sensitive to the issue of attaining our goals. The content of the original document has not really changed. The main issue lies in the Vision Statement and Mission sections – these contain the objectives/goals that we are committing to do. Included in tonight’s meeting package is a three (3) page handout with the latest changes – these are mainly wordsmith issues. Tonight the board is being asked to adopt this version in principle for submission to the province. The board will get this back for final review in March. The final strategic plan for this organization and all provincial organizations has to be tabled in the House of Assembly by March 31, 2014.

It is moved and seconded (C Ash/S Willis) that Eastern Regional Service Board adopt the Strategic Plan 2014-2016 in principle for submission to the provincial government as required under the *Transparency and Accountability Act*.

MOTION 2014-005: Carried (unanimously)

c. **Governance Committee - (H. Mullaney, Chairperson)**

Mr. Mullaney noted that no Governance Committee meeting was held since our last Board meeting; however, there is some business to attend to.

- i. **Orientation for New Board Members** – Mr. Mullaney noted that we were expecting that the new members that we had put forward as nominees would have been appointed by this time but it is still working its way through the provincial process. By way of bringing new members up to speed, we are proposing that an orientation session will be held about one hour to one and one-half hours before the next board meeting. Of course, all board members are welcome to attend.
- ii. **Representative for Bay Roberts Sub-Region Resigned** – Mr. Grant informed members that the Mayor of Conception Harbour had been elected as the representative for the Bay Roberts Sub-Region has resigned from council and is, therefore, not eligible to be on the board. We have notified the towns and local service districts in the area and have opened up the nomination process. The nomination process will close at 4:00 p.m. on Monday, March 31, 2014. Voting takes place until noon on April 16, 2014. Until that election is completed, we won't have a full board.
- iii. **MMSB Session – *Let's Talk Garbage*** – Mr. Grant informed members that MMSB is hosting a session tomorrow, February 27th at the Holiday Inn, St. John's. This is an event to share information on MMSB and its plans going forward. Several board members as well as several staff will be attending.

Mr. Grant continued that the board is looking at a possible trip to Nova Scotia to do several site visits for compost operations. Mr. Kelly recently attended an organics conference held in Nova Scotia and got a chance to see one site that was used as a model for our pilot organics plan. This would be worthwhile for all of us – we are proposing a trip in July and we wonder who may be interested.

5. Other Business

- a) **Appointment of Members to Standing Committees** – Mr. Grant stated that this item would be deferred until new members have been appointed.
- b) **Article in *The Telegram*, February 22, 2014** – Mr. Grant stated that members most likely saw last weekend's article in *The Telegram* regarding the board's plan for a waste recovery facility at Whitbourne. Historically we have used the former dump sites as the sites for our WRFs; however, the former landfill site at Whitbourne was not suitable or large enough. At

Whitbourne, the board is planning to build not only a WRF but also an equipment depot as well as, possibly, an organics processing facility.

Last fall we identified a parcel of land (approximately 19 acres) and made an offer to purchase. The offer was rejected. As any agreement would be subject to an environmental assessment, we felt it best to have the environmental assessment completed before any further negotiation for the land takes place. The intent is to hold public consultation before we proceed at the proposed site. The purchase of a parcel of property for the Whitbourne WRF, etc., would be paid by the province from the monies we have received already for capital projects.

Mr. Hickman asked if a highway interchange has been discussed as the highway in that area will be twinned.

Mr. Kelly confirmed that the interchange has been discussed.

Mr. Grant stated he feels that public consultation on this matter is important despite whether or not it is required by government.

- c) **Statement – Mr. Ash** – Mr. Ash noted that new members will most likely be appointed by the next board meeting so he would like to take this opportunity to thank everyone for their cooperation and assistance and that he feels the board has made great progress. Mr. Ash continued that he is delighted that Mr. Gordon Stone, who is here this evening, will be his replacement as representative for the Trinity Conception North sub-region.
- d) **Statement – Mr. French** – Mr. French said he would like to reiterate what Mr. Ash has said and to add that it has been a pleasure to work with the members of the ERSB. The board has performed good work and its efforts are very worthwhile. He concluded by passing along best wishes to the new board.
- e) **Reminder for Board Members to Submit Attendance Information and Expense Claims in a Timely Manner** – Mr. Grant reminded members that it is important to submit information regarding any work they do on behalf of the board i.e. meeting attendance, conferences, etc. He informed members that they are remunerated at the rate of \$145 per day for board work.

6. Next Meeting

The next regular meeting of Eastern Regional Service Board will be held on Wednesday, March 26, 2014 at 7:00 p.m. at the Ramada St. John's.

Committee Meetings have been scheduled for:

- a) Finance & Audit Committee – Wednesday, March 12, 2014 at 12:00 noon, EWM Boardroom
- b) Strategy & Policy Committee – Tuesday, March 11, 2014 at 10:00 a.m., EWM Boardroom
- c) Governance Committee – Tuesday, March 18, 2014 at 10:00 a.m., EWM Boardroom

7. Adjournment

It was moved by T Hann to adjourn the meeting at 8:20 p.m.

MOTION 2014-006: Carried

*Prepared by: Lynn Tucker
February 28, 2014*

APPENDIX 'A'



EASTERN REGIONAL SERVICE BOARD
Financial Statements
Year Ended December 31, 2012



DRAFT

HARRIS RYAN
Chartered Accountants

EASTERN REGIONAL SERVICE BOARD

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Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of Eastern Regional Service Board

We have audited the accompanying financial statements of Eastern Regional Service Board, which comprise the statement of financial position as at December 31, 2012 and the statements of changes in net financial assets, operations, and cash flows for the year ended December 31, 2012, 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 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

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

Basis for Qualified Opinion

Eastern Regional Service Board, derives revenue from waste management fees, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Eastern Regional Service Board. Therefore, we were not able to determine whether any adjustments might be necessary to waste management fee revenue, annual deficiency, and cash flows from operations for the year ended December 31, 2012, current assets and net assets as at December 31, 2012.

During the year, the organization obtained the assets and liabilities of various sub-regional waste management committees. The prior year financial statements for the predecessor entities were unaudited. The opening balances to these financial statements have not been audited nor have we attempted to verify those opening balances by alternative means. Since opening account balances enter into the determination of the results of operations, we were unable to determine whether adjustments to opening financial assets, financial liabilities, and accumulated surplus might be necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Eastern Regional Service Board, as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

St. John's, Newfoundland and Labrador
January 15, 2014

CHARTERED ACCOUNTANTS

EASTERN REGIONAL SERVICE BOARD

Statement of Financial Position

December 31, 2012

	2012
FINANCIAL ASSETS	
Cash	\$ 3,326,359
Accounts receivable (Note 4)	345,647
Harmonized sales tax recoverable	269,070
	<hr/> 3,941,076
LIABILITIES	
Accounts payable (Note 6)	\$ 953,758
Obligations under capital lease (Note 7)	853,842
	<hr/> 1,807,600
NET FINANCIAL ASSETS	2,133,476
NON-FINANCIAL ASSETS	
Tangible capital assets (Note 5)	796,272
Prepaid expenses	19,752
	<hr/> 816,024
NON-FINANCIAL LIABILITIES	
Deferred income (Note 8)	1,946,754
ACCUMULATED SURPLUS	\$ 1,002,746

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD
Statement of Changes in Net Financial Assets
Year Ended December 31, 2012

	2012
ANNUAL DEFICIENCY	\$ (791,176)
Acquisition of tangible capital assets	(919,864)
Amortization of tangible capital assets	144,412
Acquisition of prepaid expenses	(19,752)
Use prepaid expenses	703
Acquisition of deferred income	1,946,754
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	361,077
NET FINANCIAL ASSETS – BEGINNING OF YEAR	1,772,399
NET FINANCIAL ASSETS - END OF YEAR	\$ 2,133,476

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD

Statement of Operations

Year Ended December 31, 2012

	2012
REVENUE	
Government grant <i>(Note 8)</i>	\$ 853,246
Tipping fees <i>(Note 9)</i>	1,936,831
Waste management fees	233,388
Metals recycling revenue	73,063
	3,096,528
EXPENSES	
Administrative expenses <i>(Schedule 1)</i>	\$ 798,072
Interest on obligations under capital lease	3,527
Waste management operating expenses	1,210,183
Waste recovery facilities – site development <i>(Note 8)</i>	605,557
Waste recovery facilities – operating expenses <i>(Schedule 2)</i>	1,067,735
Waste site closures <i>(Note 8)</i>	247,689
	3,932,763
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(836,235)
OTHER INCOME	
Interest income	30,818
Miscellaneous revenue	14,241
	45,059
ANNUAL DEFICIENCY	(791,176)
ACCUMULATED SURPLUS – BEGINNING OF YEAR	1,793,922
ACCUMULATED SURPLUS – END OF YEAR	\$ 1,002,746

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD

Statement of Cash Flows

Year Ended December 31, 2012

	2012
OPERATING ACTIVITIES	
Annual deficiency	\$ (791,176)
Item not affecting cash:	
Amortization of tangible capital assets	144,412
	(646,764)
Changes in non-cash working capital:	
Accounts receivable	(338,919)
Accounts payable	805,382
Prepaid expenses	(19,049)
HST receivable	(234,513)
	212,901
Cash used in operating activities	(433,863)
CAPITAL ACTIVITIES	
Purchase of tangible capital assets	(45,001)
Receipt of deferred income	1,946,754
Cash flow from (used by) capital activities	1,901,753
FINANCING ACTIVITIES	
Net financial assets of sub-regions (<i>Note 10</i>)	1,671,586
Repayment of obligations under capital lease	(21,021)
Cash flow used by financing activities	1,650,565
INCREASE IN CASH FLOW	3,118,455
Cash - beginning of year	207,904
CASH - END OF YEAR	\$ 3,326,359

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2012

1. DESCRIPTION OF OPERATIONS

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. Prior to its formal incorporation it operated as a Ministerial Committee in order to develop a regional plan and oversee the modernization of the solid waste management system for the eastern portion of the island. The authority of the Board covers the area from St. John's to Clarenville. As a committee Eastern Waste Management was not able to enter into contracts and carry out operations. In an effort to further the implementation of the Provincial Waste Management Strategy in the region it facilitated and guided the development of not for profit corporations that were comprised of the municipalities, local service districts and unincorporated areas in smaller geographic areas of the eastern region. Six not for profit corporations were established in order to be the contracting entity for the communities. Each operated as a separate entity with its own board of directors nominated by the member communities. Eastern Waste Management acted as the "Business Manager" for each of these entities. With the formal establishment of the Eastern Regional Service Board (ERSB) the not for profit corporations were not necessary. Starting in 2012 contracts for waste collection started to expire and were retendered and awarded by ERSB. Contracts that had not expired were transferred to the ERSB along with all remaining receivables and cash assets of the organizations as they ceased to operate.

2. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

During the year the company adopted public sector accounting standards. These financial statements are the first prepared in accordance with these standards. There were no changes to the financial statements at the date of transition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian generally accepted accounting principles for government organizations as prescribed by the Public Sector Accounting Board.

Revenue recognition

Government grants 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 fee revenues are provided to the extent required in the organization's annual budget and are recognized as revenue when received.

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.

(continues)

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates and are valued at cost plus accrued interest.

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 on a declining balance basis at the following rates and methods:

Buildings	4%	declining balance method
Furniture and equipment	20%	declining balance method
Computer equipment	55%	declining balance method
Heavy equipment	30%	declining balance method

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

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.

Non-financial liabilities

Non-financial liabilities are comprised of the unspent portion of government grants designated for the construction and engineering of waste recovery facilities, as well as costs associated with the closure of various dump sites previously used in the eastern region. Due to the nature of this liability, these amounts will not be required to be repaid by the organization, but will be recognized into income as the funds are spent on approved projects.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2012

4. ACCOUNTS RECEIVABLE	2012
Waste management fees receivable	\$ 384,052
Allowance for doubtful accounts	(38,405)
	\$ 345,647

5. TANGIBLE CAPITAL ASSETS	Cost	Accumulated amortization	Net book value
Buildings	\$ 7,084	\$ 319	\$ 6,765
Furniture and equipment	23,579	7,031	16,548
Computer equipment	18,313	11,206	7,107
Heavy equipment	901,002	135,150	765,852
	\$ 949,978	\$ 153,706	\$ 796,272

6. ACCOUNTS PAYABLE	2012
Trade payables	\$ 842,999
Other accruals	110,759
	\$ 953,758

7. OBLIGATIONS UNDER CAPITAL LEASE	2012
TD Equipment Finance lease bearing interest at 4.778% per annum, repayable in monthly blended payments of \$12,274. The lease matures on November 1, 2019 and is secured by equipment.	\$ 853,843
Amounts payable within one year	(147,289)
	\$ 706,554

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EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2012

7. OBLIGATIONS UNDER CAPITAL LEASE *(continued)*

Future minimum capital lease payments are approximately:

2013	\$	147,289
2014		147,289
2015		147,289
2016		147,289
2017		147,289
Thereafter		<u>270,278</u>
Total minimum lease payments		1,006,723
Less: amount representing interest at various rates		<u>(152,880)</u>
	\$	<u>853,843</u>

8. DEFERRED INCOME

Deferred income represents externally restricted government transfers with associated stipulations relating to specific projects, resulting in a liability. During the year, the organization received government funding in the amount of \$2,800,000 designated for the construction and engineering of waste recovery facilities, as well as costs associated with the closure of various dump sites previously used in the eastern region. At December 31, 2012, a portion of this funding remained unspent and has been classified as deferred income. This deferred income will be recognized as revenue in the period in which the resources are used for the purpose specified.

Government grant	\$	2,800,000
Waste recovery facilities - site development		(605,557)
Waste site closures		<u>(247,689)</u>
Deferred income	\$	<u>1,946,754</u>

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.

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2012

10. SUB-REGIONAL WASTE MANAGEMENT COMMITTEES

Within the region of eastern Newfoundland, a series of sub-regional waste management committees had been established to collect waste management fees and enter into contracts for multi-stream waste collection. During the year, these sub-regional waste management committees ceased operations, and Eastern Regional Service Board obtained their assets and liabilities totalling \$1,671,586, which have been included in opening net financial assets and opening accumulated surplus.

11. LEASE COMMITMENTS

The organization has a long term lease with respect to its premises, which expires April 1, 2017. Future minimum lease payments as at December 31, 2012, are as follows:

2013	\$	59,500
2014		59,500
2015		59,500
2016		59,500
2017		14,875
		<u>\$ 252,875</u>

12. FINANCIAL INSTRUMENTS

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. 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.

Fair value

The organization's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments. The carrying value of the capital lease obligation approximates the fair value as the interest rates are consistent with the current rates offered to the organization for debt with similar terms.

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EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2012

12. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its investment in guaranteed investment certificates.

13. EXPENSES BY OBJECT

	2012
Advertising and promotion	\$ 96,314
Amortization	144,412
Bad debts	43,898
Business taxes, licenses and memberships	13,933
Consulting fees	-
Directors fees	38,710
Insurance	8,094
Interest and bank charges	6,439
Interest on obligations under capital lease	3,527
Office	38,387
Professional fees	71,196
Rental	58,166
Repairs and maintenance	7,942
Salaries and wages	378,194
Telephone	14,330
Travel	49,618
Waste management operations	1,210,183
Waste recovery facilities - operations	896,174
Waste recovery facilities - site development	605,557
Waste site closures	247,689
	\$ 3,932,763

12. COMPARATIVE FIGURES

Due to the establishment of Eastern Regional Service Board in late 2011, comparative figures have not been included in these financial statements. Furthermore, the acquisition of contracts for multi-stream waste collection during 2012 has greatly changed operations, thereby decreasing the meaningfulness of any comparative figures presented.

EASTERN REGIONAL SERVICE BOARD

Administrative expenses

(Schedule 1)

Year Ended December 31, 2012

	2012
Advertising and promotion	\$ 96,314
Amortization	9,033
Bad debts	43,898
Business taxes, licenses and memberships	13,933
Directors fees	38,710
Insurance	8,094
Interest and bank charges	6,439
Office	38,387
Professional fees	71,196
Rental	58,166
Repairs and maintenance	7,942
Salaries and wages	342,012
Telephone	14,330
Travel	49,618
	<hr/>
	\$ 798,072

EASTERN REGIONAL SERVICE BOARD

Waste recovery facilities - operating expenses

(Schedule 2)

Year Ended December 31, 2012

	2012
Amortization	\$ 135,379
Contractor costs	896,174
Salaries and wages	36,182
	<hr/>
	\$ 1,067,735

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APPENDIX 'B'

Vision

The vision of the Eastern Regional Service Board is to improve the quality of life and protect the environment in the eastern region by ensuring cost effective, value added, sustainable waste services are provided to all properties as required by the province while providing leadership to modernize waste services.

Mission

The board has advanced the modernization of waste management through consolidation of services and infrastructure to handle the 188,000 metric tonnes of commercial and residential waste generated in the eastern region each year. In the scope of this plan the board will focus on opportunities that build upon the current basic infrastructure to make diversion options feasible.

In carrying out its mission, the board will contribute to Government's strategic directions: "Strengthened Support for Municipal Government" and "Strengthened Municipal Capacity." With regards to "Strengthened Support for Municipal Government," the board will contribute to the municipal infrastructure component. With regard to "Strengthened Municipal Capacity," the board will contribute to the community partnership and regional cooperation components.

By December 31, 2016, the Eastern Regional Service Board will have improved the efficiency of waste management services in the region.

Measure: Improved the efficiency of waste management services in the region.

Indicators:

- Developed modern standards and technology.
- Increased waste diversion in compliance with the provincial waste management strategy.
- Implemented additional waste diversion initiatives.
- Expanded household hazardous waste events and services.
- Increased curbside collection recycling in the region.

Issues

Issue 1: Waste Management

The Government of Newfoundland and Labrador's Provincial Solid Waste Management Strategy is designed to ensure effective and efficient management of solid waste across the Province. The Strategy is founded on five primary actions:

- Increase waste diversion.
- Establishment of regional waste management and regional structures.

- Development of modern standards and technology.
- Maximization of economic and employment opportunities associated with waste management.
- Public education.

The Province is currently achieving a diversion rate of 29%. The board will build upon the success to date through continued diversion expansion, modernization and better management of the waste stream.

Goal 1: By December 31, 2016 the Eastern Regional Service Board will have expanded and modernized waste management services in the region.

Measure: Expanded and modernized waste management services.

Indicators:

- Completed construction of waste management infrastructure in priority areas.
- Increased participation in residential diversion programs.
- Closed additional landfills.
- Expanded waste diversion services.

Objective 1: By December 31, 2014, the Eastern Regional Service Board will have completed the construction of the regional waste management transportation infrastructure in priority areas.

Measure: Completed construction.

Indicators:

- Completed construction of the Clarendville Transfer Station.
- Completed construction of the waste recovery facility in Whitbourne.

Objective 2: By December 31, 2015, the Eastern Regional Service Board will have developed additional waste diversion options for the region.

Measure: Developed additional waste diversion options for the region.

Objective 3: By December 31, 2016, the Eastern Regional Service Board will have closed additional landfills in the region.

Measure: Closed additional landfills

Issue 2: Building Capacity

The board is in the process of building a foundation upon which it can expand the value added services it can offer communities. As the entity established by the Province for regional service delivery, the board has the potential to deliver additional services. Integral to the delivery of value added services in a cost effective and efficient manner are the development of relationships with stakeholders and building core capacity within the organization.

Goal 2: By December 31, 2016, the Eastern Regional Service Board will have created a strong and financially self-sustaining organization.

Measure: Created a strong and financially self-sustaining organization.

Indicators:

- Established strong partnerships and agreements with communities and stakeholders.
- Developed geographic information system mapping linked to financial system.
- Developed key policies for user fees and financial health.

Objective 1: By December 31, 2014, the Eastern Regional Service Board will have developed key policies to ensure a financially self-sustaining organization.

Measure: Developed key operational policies.

Indicators:

- Signed Memorandum of Understanding with City of St. John's for use of Regional Waste Management Facility located at Robin Hood Bay.
- Developed policy on capital and operating reserves.
- Developed policy on transportation subsidy.
- Developed cost comparison of internal versus contracted service delivery.
- Developed policy on user fees (tipping fee –disposal and recycling, administrative fees).
- Developed Governance Management Framework.

Objective 2: By December 31, 2015, the Eastern Regional Service Board will have continued to develop key policies to ensure a financially self-sustaining organization.

Objective 3: By December 31, 2016, the Eastern Regional Service Board will have created a strong and financially self-sustaining organization.