

EASTERN REGIONAL SERVICE BOARD

Financial Statements

Year Ended December 31, 2022

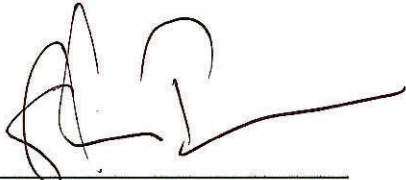
STATEMENT OF RESPONSIBILITY

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. Stephen Tessier

Chairperson



Ms. Lynn Tucker

Chief Administrative Officer

EASTERN REGIONAL SERVICE BOARD

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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, 2022, 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, 2022, 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, 2022, or to assets and net financial assets as at December 31, 2022.. Our audit opinion on the financial statements for the year ended December 31, 2021 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.

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.

(continues)

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

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 19, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

EASTERN REGIONAL SERVICE BOARD
Statement of Financial Position
December 31, 2022

	2022	2021 (Restated)
ASSETS		
Cash and cash equivalents (Note 3)	\$ 3,657,346	\$ 4,457,307
Accounts receivable (Note 4)	912,513	842,854
Harmonized sales tax recoverable	989,261	501,060
	5,559,120	5,801,221
LIABILITIES		
Accounts payable (Note 6)	598,720	575,094
Employee deductions payable	19,104	31,124
Deferred revenue (Note 8)	20,000	100,000
Bid and performance bonds	293,951	272,370
Accrued severance (Note 7)	259,651	229,015
	1,191,426	1,207,603
NET FINANCIAL ASSETS	4,367,694	4,593,618
NON-FINANCIAL ASSETS		
Prepaid expenses	149,284	114,690
Tangible capital assets (Note 5)	5,366,283	5,851,500
	5,515,567	5,966,190
ACCUMULATED SURPLUS	\$ 9,883,261	\$ 10,559,808

COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

Director

Director

EASTERN REGIONAL SERVICE BOARD
Statement of Changes in Net Financial Assets
Year Ended December 31, 2022

	Budget 2022	2022	2021 (Restated)
ANNUAL DEFICIT	\$ (1,431,059)	\$ (676,547)	\$ (251,330)
Amortization of tangible capital assets	621,922	621,922	525,169
Purchase of tangible capital assets	-	(136,705)	(1,430,769)
Decrease (increase) in prepaid expenses	-	(34,594)	759,531
	621,922	450,623	(146,069)
DECREASE IN NET FINANCIAL ASSETS	(809,137)	(225,924)	(397,399)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	4,593,618	4,593,618	4,991,017
NET FINANCIAL ASSETS - END OF YEAR	\$ 3,784,481	\$ 4,367,694	\$ 4,593,618

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD
Statement of Changes in Annual Surplus (Deficit)
Year Ended December 31, 2022

	2022	2021 <i>(Restated)</i>
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR		
As previously reported	\$ 10,559,808	\$ 11,005,346
Prior period adjustment <i>(Note 14)</i>	-	(194,208)
As restated	10,559,808	10,811,138
ANNUAL DEFICIT	(676,547)	(251,330)
ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR	\$ 9,883,261	\$ 10,559,808

EASTERN REGIONAL SERVICE BOARD**Statement of Operations****Year Ended December 31, 2022**

	Budget 2022 <i>(Note 13)</i>	Total 2022	Total 2021 <i>(Restated)</i>
REVENUES			
Clareville transfer station	\$ 306,500	\$ 470,211	\$ 477,884
Government grants	75,000	160,000	54,710
Tipping fees	3,300,000	3,300,000	3,300,000
Waste management fees	4,525,800	4,272,748	4,066,827
Metals recycling revenue	123,750	57,597	64,990
Fire and emergency services revenue	87,500	19,802	35,106
	8,418,550	8,280,358	7,999,517
EXPENSES			
Advertising and promotion	96,000	11,588	20,362
Amortization	621,922	621,922	525,169
Bad debts (recovery)	90,000	(59,306)	291,264
Business taxes, licenses and memberships	28,800	37,236	25,643
Directors fees	100,000	84,429	63,519
Insurance	174,000	145,239	148,591
Interest and bank charges	42,000	27,016	27,317
Office	115,950	45,565	35,412
Professional fees	225,036	98,057	121,746
Regional waste management operations	421,250	397,426	350,157
Rental	86,000	80,313	80,313
Repairs and maintenance	258,033	33,669	33,832
Salaries and wages	2,310,746	1,919,265	1,708,689
Telephone	169,750	36,935	35,827
Tipping fees Clareville	432,012	507,993	463,782
Training	79,500	67,335	11,524
Travel	42,500	33,655	6,645
Vehicle	612,782	789,781	836,478
Waste collection operations	4,038,328	4,368,155	3,690,105
	9,944,609	9,246,273	8,476,375
DEFICIT FROM OPERATIONS	(1,526,059)	(965,915)	(476,858)
OTHER INCOME			
Interest income	60,000	277,858	222,380
Miscellaneous revenue	35,000	11,510	3,148
	95,000	289,368	225,528
ANNUAL DEFICIT	\$ (1,431,059)	\$ (676,547)	\$ (251,330)

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD**Statement of Cash Flows****Year Ended December 31, 2022**

	2022	2021 (Restated)
OPERATING ACTIVITIES		
Annual deficit	\$ (676,547)	\$ (251,330)
Item not affecting cash:		
Amortization of tangible capital assets	621,922	525,169
	(54,625)	273,839
Changes in non-cash working capital:		
Accounts receivable	(69,659)	482,345
Accounts payable	23,626	(417,600)
Deferred revenue	(80,000)	80,000
Prepaid expenses	(34,594)	759,531
Harmonized sales tax receivable	(488,201)	(171,574)
Employee deductions payable	(12,020)	1,859
Bid and performance bonds	21,581	(23,034)
Accrued severance	30,636	34,807
	(608,631)	746,334
Cash flow from (used by) operating activities	(663,256)	1,020,173
INVESTING ACTIVITY		
Purchase of tangible capital assets	(136,705)	(1,430,769)
Cash flow used by investing activity	(136,705)	(1,430,769)
DECREASE IN CASH FLOW	(799,961)	(410,596)
Cash - beginning of year	4,457,307	4,867,903
CASH - END OF YEAR	\$ 3,657,346	\$ 4,457,307
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ (277,858)	\$ (222,380)
Interest paid	\$ 27,016	\$ 27,318

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2022

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 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 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.

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.

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EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2022

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 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. Government grants are treated as a reduction of tangible capital assets cost.

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.

Severance

The organization accounts for severance pay on an accrual basis. Severance benefits are provided to employees upon cessation of employment.

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.

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2022

3. CASH AND CASH EQUIVALENTS

	2022	2021
Cash in bank	\$ 1,336,167	\$ 2,195,353
Guaranteed investment certificates	2,321,179	2,261,954
	\$ 3,657,346	\$ 4,457,307

Cash and cash equivalents are internally restricted to:

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 (deficit)	(888,888)	(88,927)
	\$ 3,657,346	4,457,307

4. ACCOUNTS RECEIVABLE

	2022	2021
Waste management fees receivable	\$ 2,619,837	\$ 2,609,484
Allowance for doubtful accounts	(1,707,324)	(1,766,630)
	\$ 912,513	\$ 842,854

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 2,288,126	\$ -	\$ 2,288,126	\$ 2,288,126
Buildings	2,157,624	450,441	1,707,183	1,778,315
Motor vehicles	304,435	190,305	114,130	90,356
Computer equipment	67,645	61,141	6,504	3,326
Computer software	5,544	5,544	-	-
Heavy equipment	5,988,956	4,817,273	1,171,683	1,645,335
Furniture and equipment	168,830	90,173	78,657	46,042
Leasehold improvements	3,106	3,106	-	-
	\$ 10,984,266	\$ 5,617,983	\$ 5,366,283	\$ 5,851,500

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2022

6. ACCOUNTS PAYABLE

	2022	2021
Trade payables	\$ 391,122	\$ 374,584
Other accruals	207,598	200,510
	\$ 598,720	\$ 575,094

7. ACCRUED SEVERANCE

	2022	2021
Accrued severance	\$ 259,651	\$ 229,015

The organization provides severance benefits to employees upon cessation of employment. Permanent employees become eligible following 5 years of service. The amount of severance is 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.

8. DEFERRED REVENUE

	2022	2021
Regional Water/Wastewater Operator Program	\$ 20,000	\$ 100,000

In 2022, the organization received \$80,000 from the Provincial government to fund a Regional Water/Wastewater Operator Pilot Program. At December 31, 2022, \$20,000 of this funding remained unspent.

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2022

9. 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.

	2022	2021 (Restated)
<u>The accumulated surplus consists of the following:</u>		
Invested in tangible capital assets	\$ 5,366,283	\$ 5,851,500
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 (deficit)	(29,256)	162,074
	\$ 9,883,261	\$ 10,559,808

- 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.

10. 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.

11. COMMITMENTS

The organization has a long term lease with respect to its premises, which expires March 31, 2024. Future minimum lease payments, excluding HST, as at December 31, 2022, are as follows:

2023	\$ 77,012
2024	19,252

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2022

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, 2022.

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.

13. BUDGET

The organization approves a budget each fiscal year which is prepared on a revenue and expenditure basis, so does not meet the requirements of PSAS. The reconciliation of the organization's cash based budget to the PSAS accrual based budget presented in these financial statements is disclosed in Schedule 1.

14. PRIOR PERIOD ADJUSTMENT

During the year, it was determined that the organization had not recorded its liability for a severance accrual from prior years, as a result, the financial statements have been adjusted retrospectively to correct this error. These adjustments have resulted in a decrease in opening accumulated surplus of \$194,208, an increase in annual deficit of \$34,807, and recording of an accrued severance of \$229,015 for the year ended December 31, 2021.

EASTERN REGION SERVICE BOARD

Reconciliation of Board Budget to PSAS Budget

Year Ended December 31, 2022

(Schedule 1)

	Board Budget	Amortization	Capital Expenditures	Reserves	HST Rebates	PSAS Budget
REVENUES						
Clarenville transfer station	\$ 306,500	\$	\$	\$	\$	306,500
Government grants	75,000					75,000
Tipping fees	3,300,000					3,300,000
Waste management fees	4,525,800					4,525,800
Metals recycling revenue	123,750					123,750
HST rebates	659,137				(659,137)	-
Fire and emergency services revenue	87,500					87,500
Interest	60,000					60,000
Reserve funding	150,000			(150,000)		-
Miscellaneous revenue	35,000					35,000
	9,322,687	-	-	(150,000)	(659,137)	8,513,550
EXPENSES						
Advertising and promotion	96,000					96,000
Amortization		621,922				621,922
Bad debts	90,000					90,000
Business taxes, licenses and memberships	28,800					28,800
Directors fees	100,000					100,000
Insurance	174,000					174,000
Interest and bank charges	42,000					42,000
Office	115,950					115,950
Professional fees	225,036					225,036
Regional waste management operations	421,250					421,250
Rental	86,000					86,000
Repairs and maintenance	258,033					258,033
Salaries and wages	2,310,746					2,310,746
Tipping fees Clarenville	432,012					432,012
Telephone	169,750					169,750
Training	79,500					79,500
Travel	42,500					42,500
Vehicle	612,782					612,782
Waste collection operations	4,038,328					4,038,328
	\$ 9,322,687	\$ 621,922	\$ -	\$ -	\$ -	\$ 9,944,609
DEFICIT FROM OPERATIONS						\$ (1,431,059)