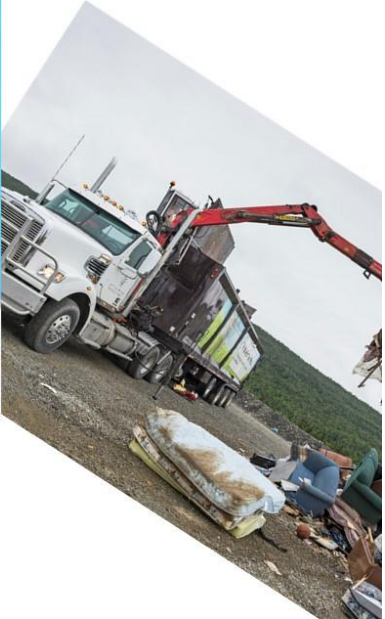


**Eastern Regional Service Board
Annual Performance Report 2014**



Message from the Chairperson



I am pleased to present the 2014 annual report for the Eastern Regional Service Board. This report covers the period January 1, 2014 to December 31, 2014 and was prepared in accordance with the *Transparency and Accountability Act* requirements for a category two government entity.

The Board has been very active in the advancement of the Provincial Waste Management Strategy. In partnership with the Newfoundland and Labrador English School District and Multi Materials Stewardship Board (MMSB), we developed and implemented a program to divert recyclable containers and paper fibre from schools in the eastern region. The Board also implemented services at our facilities to accept used and unwanted electronics and divert these materials from disposal in the landfill. The communities across the eastern region continue to move forward and develop programs to divert waste from the regional landfill.

As chairperson, my signature indicates that all members of the Board are accountable for the results reported in this document. I am very pleased with the Board's past year of operations and I look forward to continued progress in 2015.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Ed Grant', written in a cursive style.

Ed Grant
Chairperson
Eastern Regional Service Board

Table of Contents

OVERVIEW	4
MANDATE	7
LINES OF BUSINESS	7
VISION	9
MISSION	9
SHARED COMMITMENTS	9
HIGHLIGHTS AND ACCOMPLISHMENTS	9
REPORT ON PERFORMANCE	10
OPPORTUNITIES AND CHALLENGES AHEAD	13

Overview

The Eastern Regional Service Board (the “Board”) was charged with implementing the regional plan developed by its predecessor committee – Eastern Waste Management for the 163 communities and 270,000 people in the eastern region. The plan was developed to accomplish three broad goals:

- advance the implementation of modern waste management practices,
- divert materials from disposal in the landfill, and
- close the 42 community landfills that operated in the region.

As of December 31, 2014, there were four community landfills operating in the eastern region with 38 operationally closed in accordance with the Eastern Regional Plan. The Province has chosen the Robin Hood Bay facility to be the focus for landfill and diversion services/facilities. The City of St. John’s operates the Robin Hood Bay facility for the benefit of the region.

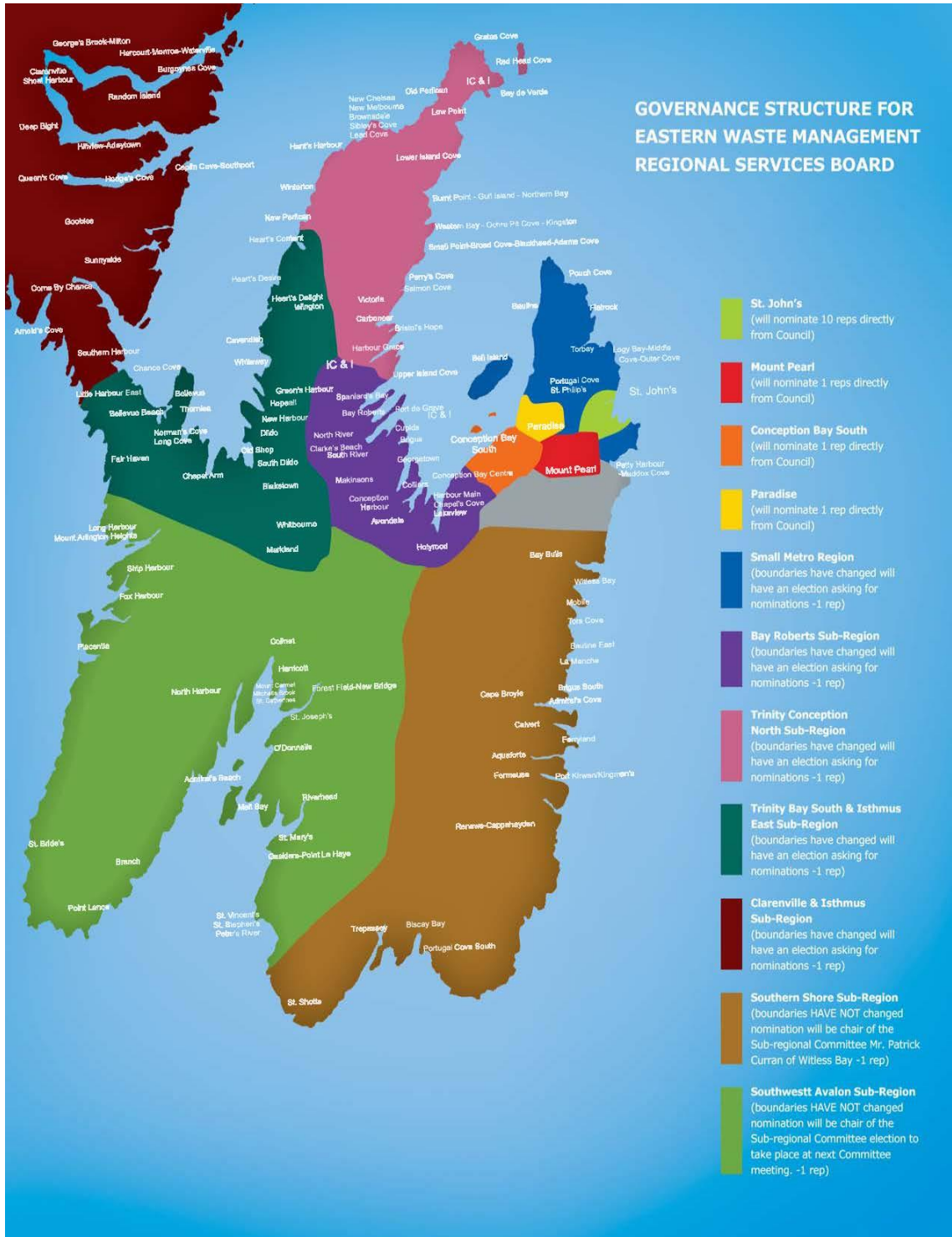
While many of the larger urban communities have dedicated waste fleets, the smaller municipalities, local service districts and unincorporated areas have joint service delivery contracts. These contracts allow for an efficient and effective collection, transport and diversion of waste materials. The Board provides direct service to approximately 18,000 households and businesses through these contracts. This includes weekly waste collection, biweekly recyclables collection (fiber and containers), and regular bulk garbage collection events.



Incinerator in Old Perlican being dismantled and replaced with a waste recovery facility

In addition to the roadside/curbside collection, the Board also operates a series of waste recovery facilities throughout the region to ensure that residents have ready access to services and facilities to dispose of household bulk items. Throughout the year, household hazardous waste collection events take place to allow residents to properly dispose of these hazardous materials.

Operations are overseen by a board of twenty municipal government representatives led by a chairperson appointed by the Province. These twenty members are either nominated by their respective Council or are elected by the Councils in a sub region to represent the sub region on the Eastern Regional Service Board. The map on the following page illustrates the representation for each area in the eastern region.



EASTERN REGIONAL SERVICES BOARD MEMBERS:		
		Area Represented
Mr. Ed Grant	Chair:	
Mr. Harold Mallowney	Vice-Chair:	Southern Shore
Mr. Dave Aker		Mount Pearl
Mr. Gordon Stone		Trinity Conception North
Mr. Bill Bailey		Clarenville & Isthmus
Mr. Danny Breen		St. John's
Ms. Peggy Roche		Metro Area
Mr. Bernard Davis		St. John's
Mr. Wally Collins		St. John's
Ms. Joy Dobbie		Trinity Bay South & Isthmus East
Mr. Jonathan Galgay		St. John's
Mr. Ken McDonald		Conception Bay South
Mr. Dave Lane		St. John's
Mr. Dennis O'Keefe		St. John's
Mr. Tom Hann		St. John's
Mr. Sam Whalen		Bay Roberts Area
Mr. Sandy Hickman		St. John's
Mr. William Woodman		Southwest Avalon
Mr. Art Puddister		St. John's
Mr. Bruce Tilley		St. John's
Mr. Sterling Willis		Paradise

Revenue and Expenditures

The Board is accountable for the funds it receives from government and the funds that are generated through user fees. Each year it has audited financial statements prepared.

The Board's 2014 budget is presented in the table below.

Budget 2014		
Expenditures		
	Regional Services	\$ 3,590,282
	Waste Collection	\$ 2,665,886
Total		\$ 6,256,168
Revenue		
	RHB Tipping fee Derived	\$ 2,952,328
	Waste Collection	\$ 2,851,380
	Other	\$ 452,460
Total		\$ 6,256,168

The Board's office is currently located at 255 Majors Path, Suite 3 in St. John's, NL, A1A 0L5 and is staffed by 27 employees (20 full time and 7 part time) of which 9 are female and 18 are male. Contact information for the office is as follows: Ph: (709) 579-7960; Fax: (709) 579-5392; Email: info@easternwaste.ca

Mandate

In accordance with section 3 of the *Eastern Regional Service Board Regulations, 2013*, the authority granted to the Eastern Regional Service Board is to:

- construct, acquire, maintain and operate a waste management system within the eastern region.

The boundaries of the Eastern Regional Service Board are from St. John's in the East, Clarenville in the West and down the Burin Peninsula to Swift Current and Random Island.

These regulations can be viewed in their entirety on the following website: <http://www.assembly.nl.ca/Legislation/sr/Regulations/rc130008.htm>

Lines of Business

1) Operation of waste facilities and management of waste collection:

The Board operates six waste recovery facilities across the region – Bay Bulls, Renew's-Cappahayden, St. Joseph's, Placentia, Sunnyside and Old Perlican. These facilities accept residential bulk garbage at no charge, including appliances, tires, construction and demolition materials, vehicles and parts.



Use of modern and efficient equipment for collection and transport

Collection services are provided by the Board to 18,000 homes and businesses on a weekly basis. This includes weekly waste collection, biweekly recyclables collection and regular bulk pick up events. Appendix 1 contains an illustrative map of communities that have curbside recycling as of January 2014. Appendix 2 contains an illustrative map of the 104 communities served by the Board's weekly waste collection service.

In addition, the Board provides household hazardous waste collection events.

2) Education and promotion of the Provincial Waste Management Strategy:

Through its regular contact with municipal stakeholders, the Board supports the education and promotion of the Provincial Waste Management Strategy in the eastern region. For example, it conducts household education campaigns in service areas to increase the participation of residents in the recycling program. In conjunction with other municipal organizations the Board continues to focus on the education of residents and the increase in recycling services offered by municipalities.



Separation of bulky goods for diversion and transportation

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

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

Shared Commitments

In partnership with the Newfoundland and Labrador English School District and Multi Materials Stewardship Board (MMSB), we developed and implemented a program to divert recyclable containers and paper fibre from schools in the eastern region. This program started with 6 pilot schools to demonstrate the concept with the intention of full roll out of the program to all schools in the region. Using the curbside residential services that are already in place we can offer efficient and cost effective services to schools across the region. This program if adopted across the Province by the NL English School District will greatly enhance participation of this large institutional body and reinforce the messaging of the benefits of diversion with hands on experience in the school setting. This should translate into increased participation at home in the curbside recycling programs.

Highlights and Accomplishments

Several new areas have adopted the regional curbside waste collection service in 2014 including the towns of Holyrood, Conception Harbour, Colliers, the local service districts of Marysvale, Georgetown and Deer Park/Vinland Road and the unincorporated area along Salmonier Line.

In addition to the planned work the Board has also implemented new services such as the ability to divert electronics and cellular telephones from the landfill through our network of waste recovery facilities. This builds on the network of existing electronics diversion centers to provide these services to more rural and less populated areas of our region.

Our network of waste recovery facilities received material from approximately 31,000 clients. This material included; household appliances, furniture, electronics, residential construction material, tires, metal, shingles, floor coverings, propane tanks (20 lbs or less), trees, and branches.

Waste diversion activities included

- The chipping of trees, branches and other non-treated wood that did not contain nails for recovery by municipalities and property owners for inclusion in beautification projects
- 416 metric tonnes of metal was diverted to approved metal recyclers and generated revenue for regional services
- 11,795 tires, as accepted by the Used Tire Recycling Program of the MMSB
- 32 pallets of electronic waste, as accepted by the Recycle My Electronics Program of the Electronic Products Recycling Association (EPRA)

In 2014, 5,267,160 Kg of waste was transferred from the Waste Recovery Facilities (WRFs) to the Regional Waste Management Facility located at Robin Hood Bay for disposal in the landfill.

The Board held 40 Household Hazardous Waste events in communities across the region and removed 23,500 liters of paint, 4,608 liters of flammable liquids, 3,942 liters of propane, 5,701 liters of waste oil. In total over 40,000 liters of hazardous materials were collected in partnership with local volunteer fire departments.

Report on Performance

The Business Plan for the Board identified two strategic issues that guided the Board's work over the past year. This section reports on the Board's achievement of its 2014 objectives.

Issue 1: Waste Management

The Government of Newfoundland and Labrador's Provincial Solid Waste Management 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 Board has built upon its success to date through continued diversion expansion, modernization and better management of the waste stream.

In 2014 the Board contributed to the “municipal infrastructure” component of the strategic direction “Strengthened Support for Municipal Governments” as well as the “regional cooperation” component of the strategic direction “Strengthened Municipal Capacity.”

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

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:

1. Completed construction of the eastern transfer station, to be built in Clarendville.

The construction of this facility was not completed in 2014. The first procurement process for this infrastructure did not result in the award of a contract because the cost for construction exceeded the budget for the project. A joint decision of the Board and the Department of Municipal and Intergovernmental Affairs was made to divide the construction into smaller components and tender for each component separately. A contract to purchase equipment and a separate contract to complete site work have been awarded. The construction of the building will be tendered in the first quarter of 2015. This project is fully funded by the Province.

2. Completed construction of the waste recovery facility in Whitbourne.

This piece of infrastructure has been hampered by the ability to find a suitable parcel of land upon which to construct the facility. The preferred parcel of land was undergoing the Provincial Environmental Assessment Review process when the Board decided to withdraw the registration of that project. A second parcel of land has been identified and the process of purchase and permitting of that site has begun. If the purchase and permitting are successful then it is expected that a site will be operational in 2015. This project is fully funded by the Province.

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

Carry over indicators from Fiscal 2014

- 1. Completed construction of the eastern transfer station, to be built in Clarendville.**
- 2. Completed construction of the waste recovery facility in Whitbourne.**

Measure: Developed additional waste diversion options for the region

Indicators:

- 3. Increased the number of communities providing curbside recycling programs.**
- 4. Expanded availability of electronics diversion services.**

Issue 2: Building Capacity

The Board continued to build the necessary administrative and organizational foundations for service delivery.

In 2014 the Board contributed to the “municipal infrastructure” component of the strategic direction “Strengthened Support for Municipal Governments” as well as the “regional cooperation” component of the strategic direction “Strengthened Municipal Capacity.”

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

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 policies.

Indicators:

1. Signed Memorandum of Understanding with City of St. John’s for use of Regional Waste Management Facility located at Robin Hood Bay.

A memorandum of understanding was signed by both parties in June of 2014 that successfully defined the use, management and funding of the facility. This has been completed and signed.

2. Developed policy on capital and operating reserves.

The Board established a policy to fund a capital reserve equivalent to the annual depreciation of its equipment and property. The Board established a policy for its operating reserve to maintain the tipping fees charged at the landfill at the 2012 rate plus the annual rate of inflation for the province. This policy has been completed and adopted.

3. Developed policy on transportation policy.

The purpose of the transportation policy is to ensure that the costs of operating a waste collection system across the region were not disproportionately more costly in areas that were further from the Robin Hood Bay landfill. The Board established a policy that a mechanism to subsidize areas further from the regional landfill was not required. All municipalities are charged the same rate to use the regional landfill and the costs of the curbside collection program are the same across the region. This policy has been completed and adopted.

4. Developed cost comparison of internal versus contracted service delivery.

Throughout 2014 the Board developed a comparison of the cost to provide curbside waste collection services internally utilizing its own staff and equipment versus contracting for that service. The comparison resulted in the decision in the Fall of 2014 to develop the internal capacity for the provision of services in the Southwest Avalon and the Towns of Carbonear and Spaniard’s Bay. This cost comparison has been completed and adopted.

5. Developed policy on user fees (tipping fee –disposal and recycling, administrative fees).

The Board has not completed the development of this policy with respect to the portion of administrative costs to be allocated to the curbside waste collection services. Additional analysis is required to complete the policy. The work of the Finance and Audit Committee on this issue will continue into 2015.

6. Developed Governance Management Framework.

The Governance Committee of the Board has developed a Governance Management Framework for the work of the Board based on best practices in other leading government entities. This framework will ensure that the Board reviews its work and performance on a regular basis against a comprehensive framework for governance oversight. This framework has been completed and adopted.

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.

Measure: Developed key policies.

Indicators:

- 1. Developed policy on user fees and the portion recovered for administration.**
- 2. Developed agreements for use of land for Waste Recovery Facilities and Transfers Stations in each community that hosts this infrastructure.**
- 3. Developed service level agreement for each service provided to a community.**

Opportunities and Challenges Ahead

During the 2014 operating year it became evident to the Board that its efforts to further implement the Provincial Waste Management Strategy were hampered by two significant issues with the enabling legislation.

Firstly, the *Regional Service Boards Act, 2012* and the subsequent regulations do not provide the necessary tools for the appropriate administration of services. In comparison to municipalities the regional service boards lack tools such as:

- the ability to lien a property for non-payment of fees,
- regional service boards have the burden of going to small claims court to collect debts,
- there is no requirement to be notified of property sales similar to cities such as St. John's and Mount Pearl,
- regional service boards do not have the ability to retroactively collect fees or issue certificates of good standing for accounts.

These items combined with the lack of a comprehensive property ownership database in the Province negatively affects the revenue sustainability of regional service boards and its ability to collect fees. The Eastern Regional Service Board is working with various government departments and the Technical Oversight Committee to identify potential solutions. In addition, the Eastern Regional Service Board is mitigating these deficiencies through the creation of a comprehensive property ownership database which is enabled with geographic mapping information. The focus for this database has been in unincorporated areas and local service districts where identifying property ownership and accurate mailing addresses for property owners is the most challenging.

It is the Board's understanding these tangible administrative issues are intertwined with the overall issue of regional governance. These issues may be resolved with the development of a new regional governance model. The Board hopes to participate in the development of the principles and main components of the new governance model and the consultations that are planned by the Province.

Secondly, the full implementation of the Provincial Waste Management Strategy (PWMS) is challenging because the objectives outlined in the PWMS may not always be in sync with the objectives of those charged with implementing the PWMS, mainly the municipalities. Again, we have identified this problem and are working with the various departments and the TOC to identify potential solutions. The authority for waste collection resides with the municipalities, local service districts and waste disposal committees under the *Municipalities Act 1999*. The Eastern Regional Service Board has had great success in working with community leaders to adopt the objectives of the PWMS. Those communities that have not adopted the PWMS often cite the cost of implementing additional services as the main impediment and state that until it is mandatory they will continue to provide a cheaper, garbage only service. The voluntary nature of the PWMS presents a challenge for its full implementation. The Eastern Regional Service Board is working with the PWMS Oversight Committee to explore options to resolve these issues.

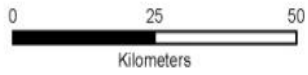
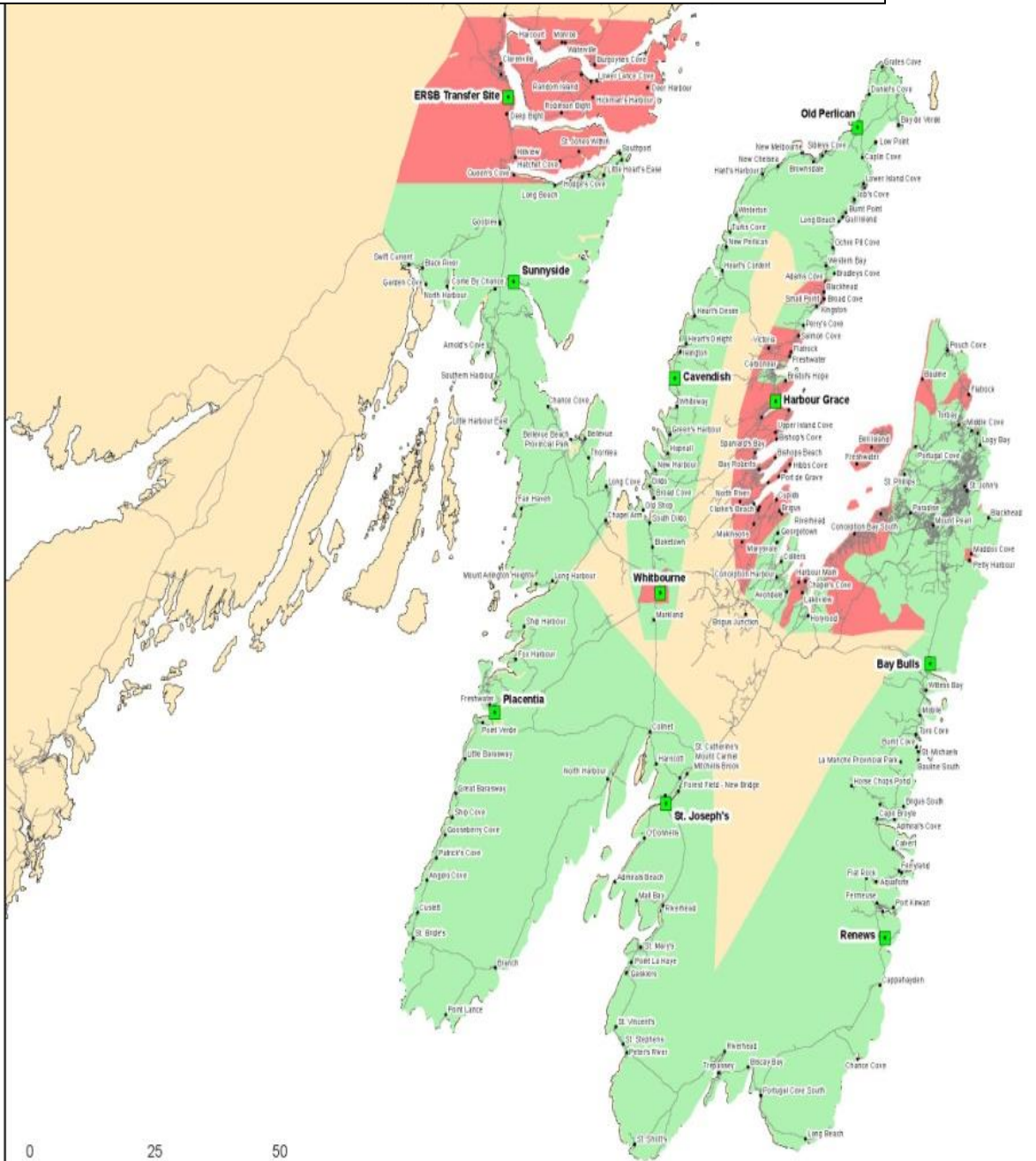
However, the opportunities for the Eastern Regional Service Board far outweigh the current challenges. As a regional entity providing services to a vast array of communities from unincorporated areas to large municipalities the Board has focused on building organizational capacity to leverage its knowledge and expertise. One of the most significant aspects for any organization is revenue collection and as discussed this challenge is greater when property ownership is not known. The development of a comprehensive Geographic Information System (GIS) enabled database has given the Board a unique advantage to support municipalities and for future service delivery. This will facilitate the cost effective collection of fees for other services if the mandate of the Board is expanded. This database can also be a valuable tool for other services such as the dispatch of emergency response services, protecting information on water/sewer lines, regional and local planning.

The expansion of a regional geographic information system can also help protect valuable municipal knowledge. As the municipal workforce ages the ability to capture and map key infrastructure such as buried water and sewer lines will help mitigate the loss of corporate knowledge in these entities as staff retire. Having access to this information may also enhance the design and construction of future infrastructure.

The regional service boards can also build upon their existing relationships with municipalities, local service districts and representative groups such as joint councils, road associations, etc... to facilitate the delivery of other municipal services. The *Regional Service Boards Act, 2012* under Section 19 contemplates the regional service boards delivering other services such as fire, water and waste water, regional transportation, recreation, and other services of a regional nature such as regional planning. In some of these areas the regional service boards could provide an administrative capacity that allows the municipalities to continue to have the authority for provision of the service while purchasing the service from the Board.

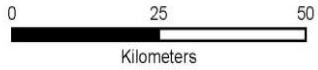
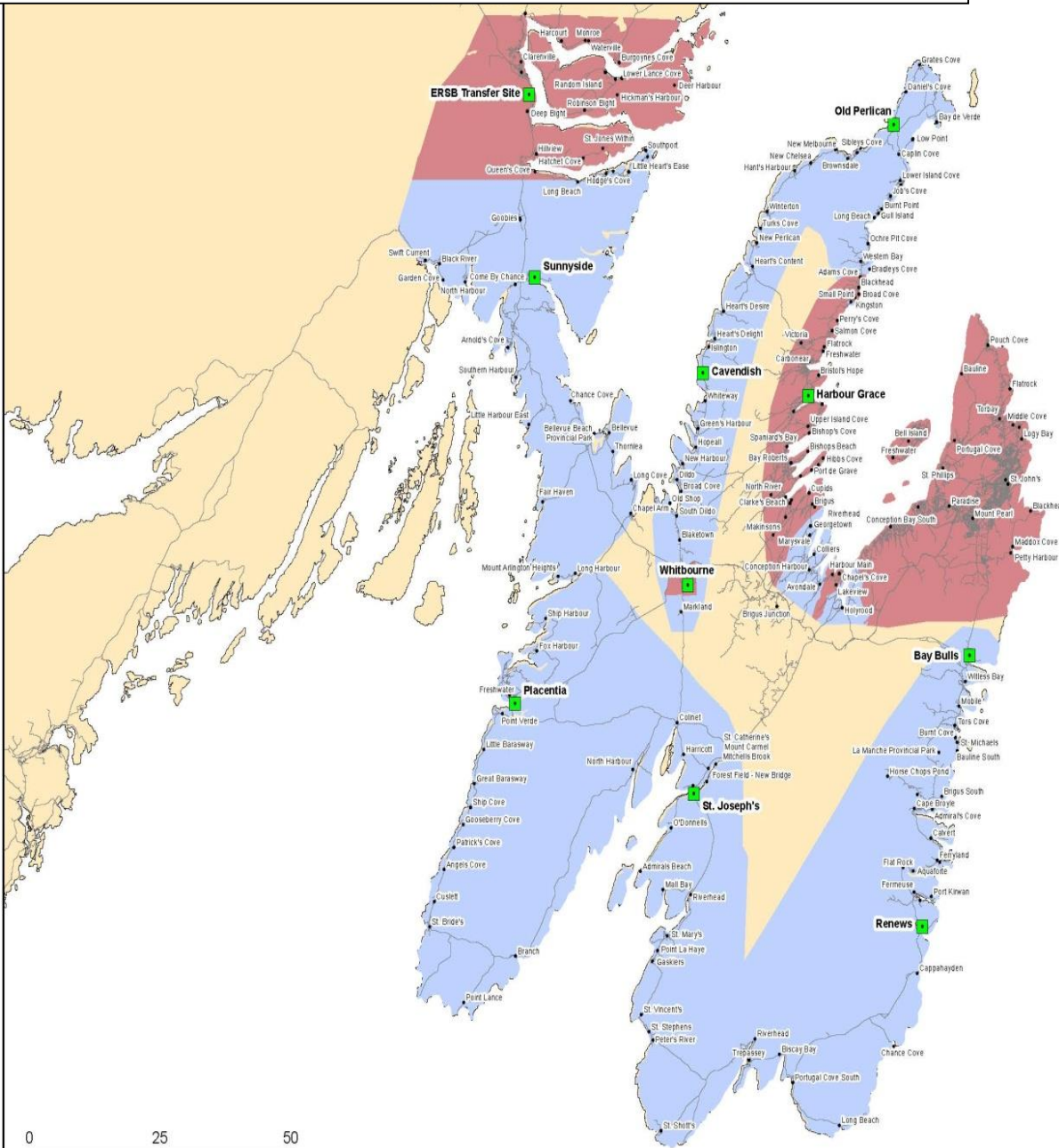
The addition of services also provides an opportunity to make the regional service boards more sustainable in that the administrative cost can be shared over more services instead of being carried by only one service.

Appendix 1: Communities that have Curbside Recycling as of January 2013



- Waste Recovery Facility (WRF)
- Communities that recycle
- Communities that do not recycle

Appendix 2: Communities with waste collection services provided by the Board.



- Waste Recovery Facility (WRF)
- EWM Collection Area
- Self Collect Area

EASTERN REGIONAL SERVICE BOARD
Financial Statements
Year Ended December 31, 2014

EASTERN REGIONAL SERVICE BOARD

Index to Financial Statements

Year Ended December 31, 2014

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Financial Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13
Administrative Expenses (<i>Schedule 1</i>)	14
Waste Recovery Facilities – Operating Expenses (<i>Schedule 2</i>)	15

HARRIS RYAN

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 statements of financial position as at December 31, 2014 and the statements of operations, changes in net financial assets and cash flows for the years ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 audits. We conducted our audits 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 audit opinion.

(continues)

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

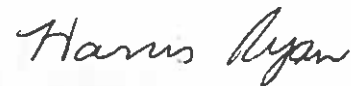
Basis for Qualified Opinion

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 surplus, and cash flows from operations for the years ended December 31, 2014, current assets and net assets as at December 31, 2014.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Eastern Regional Service Board as at December 31, 2014 and the results of its operations and its cash flows for the years then ended in accordance with Public Sector Accounting Standards.

St. John's, Newfoundland and Labrador
June 25, 2015



CHARTERED PROFESSIONAL ACCOUNTANTS

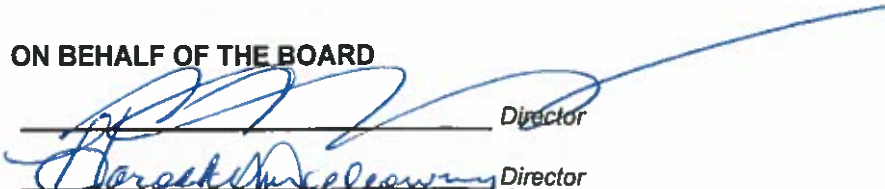
EASTERN REGIONAL SERVICE BOARD

Statement of Financial Position


December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	\$ 7,333,922	\$ 3,671,483
Accounts receivable (Note 3)	390,326	252,485
Harmonized sales tax recoverable	635,924	454,019
	8,360,172	4,377,987
LIABILITIES		
Accounts payable (Note 5)	\$ 1,567,561	\$ 495,272
Obligations under capital lease (Note 6)	632,834	746,043
	2,200,395	1,241,315
NET FINANCIAL ASSETS	6,159,777	3,136,672
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	1,859,316	866,250
Prepaid expenses	34,762	23,954
	1,894,078	890,204
NON-FINANCIAL LIABILITIES		
Deferred income (Note 7)	4,820,626	1,441,699
ACCUMULATED SURPLUS	\$ 3,233,229	\$ 2,585,177

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, 2014

	2014	2013
ANNUAL SURPLUS (DEFICIENCY)	\$ 648,052	\$ 1,582,431
Acquisition of tangible capital assets	(1,353,058)	(361,735)
Amortization of tangible capital assets	359,992	291,757
Acquisition of prepaid expenses	(34,762)	(23,955)
Use of prepaid expenses	23,954	19,752
Acquisition of deferred income	4,342,481	852,453
Recognition of deferred income	(963,554)	(1,357,507)
INCREASE IN NET FINANCIAL ASSETS	3,023,105	1,003,196
NET FINANCIAL ASSETS – BEGINNING OF YEAR	3,136,672	2,133,476
NET FINANCIAL ASSETS – END OF YEAR	\$ 6,159,777	\$ 3,136,672

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD

Statement of Operations

Year Ended December 31, 2014

	Budget 2014	2014	2013
REVENUE			
Government grants (Note 7)	\$ -	\$ 468,893	\$ 1,411,845
Tipping fees (Note 8)	2,952,328	2,952,328	3,204,906
Waste management fees	3,065,640	3,108,854	2,655,353
Metals recycling revenue	35,000	57,721	41,242
	6,052,968	6,587,796	7,313,346
EXPENSES			
Administrative expenses (Schedule 1)	1,202,949	1,317,367	1,199,590
Interest on obligations under capital lease	34,080	34,080	39,489
Transfer station - operating expenses	209,724	-	-
Transfer station - site development (Note 7)	-	306,505	-
Waste management operating expenses	2,965,886	3,169,426	2,738,552
Waste recovery facilities - operating expenses (Schedule 2)	1,183,586	1,106,092	895,550
Waste recovery facilities - site development (Note 7)	-	9,918	826,005
Waste site closures (Note 7)	-	160,118	181,768
	5,596,225	6,103,506	5,880,954
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	456,743	484,290	1,432,392
OTHER INCOME			
Interest income	-	149,252	98,049
Miscellaneous revenue	-	14,510	51,990
	-	163,762	150,039
ANNUAL SURPLUS (DEFICIENCY)	456,743	648,052	1,582,431
ACCUMULATED SURPLUS – BEGINNING OF YEAR	2,585,177	2,585,177	1,002,746
ACCUMULATED SURPLUS – END OF YEAR	\$ 3,041,920	\$ 3,233,229	\$ 2,585,177

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD**Statement of Cash Flows****Year Ended December 31, 2014**

	2014	2013
OPERATING ACTIVITIES		
Annual surplus (deficiency)	\$ 648,052	\$ 1,582,431
Item not affecting cash:		
Amortization of tangible capital assets	359,992	291,757
	1,008,044	1,874,188
Changes in non-cash working capital:		
Accounts receivable	(137,841)	93,161
Accounts payable	1,072,289	(458,485)
Prepaid expenses	(10,808)	(4,202)
HST receivable	(181,905)	(184,949)
	741,735	(554,475)
Cash flow from operating activities	1,749,779	1,319,713
CAPITAL ACTIVITIES		
Purchase of property, plant and equipment	(1,353,058)	(361,735)
Deferred income	3,378,927	(505,054)
Cash flow from (used by) capital activities	2,025,869	(866,789)
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	(113,209)	(107,800)
Cash flow from (used by) financing activities	(113,209)	(107,800)
INCREASE IN CASH FLOW	3,662,439	345,124
Cash - beginning of year	3,671,483	3,326,359
CASH - END OF YEAR	\$ 7,333,922	\$ 3,671,483

See notes to financial statements

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2014

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. 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 (PSAB).

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. Government assistance for acquiring fixed assets is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets.

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.

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.

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2014

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
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 company 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 and the Clarendville Transfer Station, 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 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, 2014

3. ACCOUNTS RECEIVABLE

	2014	2013
Waste management fees receivable	\$ 648,817	\$ 441,933
Government funding receivable	-	7,626
Allowance for doubtful accounts	(258,491)	(197,074)
	\$ 390,326	\$ 252,485

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Buildings	\$ 7,084	\$ 849	\$ 6,235	\$ 6,495
Computer equipment	28,003	21,410	6,593	6,573
Computer software	3,517	3,031	486	1,271
Furniture and equipment	57,096	20,927	36,169	35,211
Heavy equipment	1,492,446	207,930	1,284,516	260,438
Heavy equipment under capital lease	874,864	510,483	364,381	520,544
Leasehold improvements	3,106	311	2,795	-
Motor vehicles	198,654	40,513	158,141	35,718
	\$ 2,664,770	\$ 805,454	\$ 1,859,316	\$ 866,250

During the year, the organization entered into a contract for the supply of equipment to the Clarendville Transfer Station. As of December 31, 2014, a deposit of \$635,915 had been paid with no equipment received. This amount has been included in capital assets. No amortization has been taken.

5. ACCOUNTS PAYABLE

	2014	2013
Trade payables	\$ 1,490,672	\$ 409,553
Other accruals	74,988	85,694
Employee deductions payable	1,901	25
	\$ 1,567,561	\$ 495,272

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2014

6. OBLIGATIONS UNDER CAPITAL LEASE	2014	2013
TD Equipment Finance		
TD Equipment Finance lease bearing interest at 4.8% per annum, repayable in monthly blended payments of \$12,274. The lease matures on November 1, 2019 and is secured by equipment.	\$ 632,834	\$ 746,043
Amounts payable within one year	(147,289)	(147,289)
	<u>\$ 485,545</u>	<u>\$ 598,754</u>

Future minimum capital lease payments are approximately:

2015	147,289
2016	147,289
2017	147,289
2018	147,289
2019	<u>122,989</u>
Total minimum lease payments	712,145
Less: amount representing interest at 4.8%	<u>(79,311)</u>
	<u>\$ 632,834</u>

EASTERN REGIONAL SERVICE BOARD

Notes to Financial Statements

Year Ended December 31, 2014

7. DEFERRED INCOME

During the year, the organization received government funding in the amount of \$3,895,429 for the construction and engineering of waste recovery facilities, costs associated with the closure of various dump sites previously used in the eastern region, and construction and engineering of the Clarenville Transfer Station. This deferred income will be recognized as revenue when spent on approved projects.

Deferred income has also been recognized with respect to tipping fee revenue described in Note 8. During the year, funding received from the City of St. John's exceeded the amount determined by the organization's annual budget. The excess has been included in deferred revenue at year end.

	2014	2013
Deferred income - beginning of year	\$ 1,441,699	\$ 1,946,754
Government funding	3,895,429	46,711
Prior year spending with government approval in current year	23	(349,735)
Transfer station - site development	(306,505)	(46,711)
Waste recovery facilities - site development	(9,918)	(826,005)
Waste site closures	(160,118)	(181,768)
Funding overpayment from City of St. John's	812,469	-
Funding overpayment from City of St. John's - prior year	(852,453)	852,453
Deferred income	\$ 4,820,626	\$ 1,441,699

8. 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, 2014

9. LEASE COMMITMENTS

The company has a long term lease with respect to its premises, which expires April 1, 2017. Future minimum lease payments as at December 31, 2014, are as follows:

2015	81,775
2016	81,775
2017	<u>27,258</u>
	<u>\$ 190,808</u>

10. FINANCIAL INSTRUMENTS

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company 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 company has a significant number of customers which minimizes concentration of credit risk.

Fair value

The company'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 company for debt with similar terms.

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 company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its investment in guaranteed investment certificates.

EASTERN REGIONAL SERVICE BOARD**Notes to Financial Statements****Year Ended December 31, 2014****11. EXPENSES BY OBJECT**

	2014	2013
Advertising and promotion	\$ 162,699	\$ 127,355
Amortization	359,992	291,757
Bad debts	64,568	158,564
Business taxes, licenses and memberships	16,301	25,936
Directors fees	84,145	77,930
Insurance	32,609	27,088
Interest and bank charges	13,920	12,099
Interest on obligations under capital lease	34,080	39,489
Office	32,406	30,299
Professional fees	58,374	105,014
Rental	110,228	64,434
Repairs and maintenance	82,479	32,383
Salaries and wages	919,532	682,710
Telephone	27,201	19,158
Training	33,244	-
Transfer station - site development	306,505	-
Travel	53,748	72,991
Vehicle	177,492	185,577
Waste management operations	3,169,425	2,738,552
Waste recovery facilities - operations	194,521	181,845
Waste recovery facilities - site development	9,918	826,005
Waste site closures	160,118	181,768
	\$ 6,103,506	\$ 5,880,954

EASTERN REGIONAL SERVICE BOARD

Administrative expenses

(Schedule 1)

Year Ended December 31, 2014

	2014	2013
Advertising and promotion	\$ 162,699	\$ 127,355
Amortization	15,489	12,483
Bad debts	64,568	158,564
Business taxes, licenses and memberships	16,301	25,936
Directors fees	84,145	77,930
Insurance	32,609	27,088
Interest and bank charges	13,920	12,099
Office	32,406	30,299
Professional fees	58,374	105,014
Rental	110,228	64,434
Repairs and maintenance	5,711	8,776
Salaries and wages	606,724	457,463
Telephone	27,201	19,158
Training	33,244	-
Travel	53,748	72,991
	\$ 1,317,367	\$ 1,199,590

EASTERN REGIONAL SERVICE BOARD

Waste recovery facilities – operating expenses

(Schedule 2)

Year Ended December 31, 2014

	2014	2013
Amortization	\$ 344,503	\$ 279,274
Contractor costs	194,521	181,845
Repairs and maintenance	76,768	23,607
Salaries and wages	312,808	225,247
Vehicle	177,492	185,577
	\$ 1,106,092	\$ 895,550
