

**SOUTHEAST REGIONAL SERVICE
COMMISSION**

FINANCIAL STATEMENTS

Year ended December 31, 2019



SOUTHEAST REGIONAL SERVICE COMMISSION

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Year ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Southeast Regional Service Commission

Opinion

We have audited the financial statements of the **Southeast Regional Service Commission** (the Commission), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and accumulated surplus, statement of changes in net debt and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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 Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission'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.

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 Commission'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 Commission'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 Commission 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.

Ernst & Young LLP

Dieppe, Canada
May 26, 2020

Chartered Professional Accountants

SOUTHEAST REGIONAL SERVICE COMMISSION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended December 31,	2019 Budget (note 3)	2019 Actual	2018 Actual
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REVENUE	Schedule		
Solid waste	A	\$ 15,374,831	\$ 15,497,068
Local planning	B	1,859,702	1,992,772
Regional planning	C	208,260	292,946
Electricity	E	835,158	815,095
Dangerous and unsightly premises	F	-	-
Regional destination marketing organization	G	112,500	(14,935)
Interest revenue from reserve funds		-	82,504
Gain on disposal of tangible capital assets		-	161,330
		18,390,451	18,826,780
			17,665,189
<hr/>			
EXPENSES			
Solid waste	A	14,337,727	14,267,934
Local planning	B	1,852,817	1,853,847
Regional planning	C	209,120	263,230
Administration	D	830,858	750,313
Electricity	E	829,496	940,400
Regional destination marketing organization	G	161,500	24,418
		18,221,518	18,100,142
			17,487,198
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ANNUAL SURPLUS (note 4)		\$ 168,933	726,638
			177,991
ACCUMULATED SURPLUS, BEGINNING OF YEAR		N/A	19,982,119
			19,804,128
ACCUMULATED SURPLUS, END OF YEAR		N/A	\$ 20,708,757
			\$ 19,982,119

The accompanying notes are an integral part of the financial statements.

SOUTHEAST REGIONAL SERVICE COMMISSION

STATEMENT OF CHANGES IN NET DEBT

Year ended December 31,

	2019 Budget	2019 Actual	2018 Actual
ANNUAL SURPLUS	\$ 168,933	\$ 726,638	\$ 177,991
RELATING TO TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(8,471,000)	(3,126,650)	(2,933,595)
Net change in work in progress	-	(3,237,623)	(1,931,294)
Proceeds on disposal of tangible capital assets	-	204,150	257,588
Amortization of tangible capital assets	2,734,188	3,343,444	3,425,106
Gain on disposal of tangible capital assets	-	(161,330)	(196,924)
	(5,736,812)	(2,978,009)	(1,379,119)
CHANGE IN NET DEBT	\$ (5,567,879)	(2,251,371)	(1,201,128)
NET DEBT, BEGINNING OF YEAR	N/A	(4,881,760)	(3,680,632)
NET DEBT, END OF YEAR	N/A	\$ (7,133,131)	\$ (4,881,760)

The accompanying notes are an integral part of the financial statements.

SOUTHEAST REGIONAL SERVICE COMMISSION

STATEMENT OF FINANCIAL POSITION

As at December 31,

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 7,937,561	\$ 6,778,180
Accounts receivable (note 5)	2,216,909	1,985,413
Term deposit (2.15%, maturing in August 2022) (note 11)	1,565,193	1,532,250
Inventory	73,937	138,234
	<hr/>	<hr/>
	11,793,600	10,434,077
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LIABILITIES		
Accounts payable and accrued liabilities (note 6)	3,038,392	2,105,213
Deferred revenue	97,692	31,532
Long-term debt (note 7)	13,076,000	10,681,000
Landfill post-closure liability (note 9)	2,714,647	2,498,092
	<hr/>	<hr/>
	18,926,731	15,315,837
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NET DEBT	(7,133,131)	(4,881,760)
<hr/>		
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10)	21,069,703	21,329,317
Work in progress	6,772,185	3,534,562
	<hr/>	<hr/>
	27,841,888	24,863,879
<hr/>		
ACCUMULATED SURPLUS	\$ 20,708,757	\$ 19,982,119

COMMITMENTS (note 13)

The accompanying notes are an integral part of the financial statements.

APPROVED BY

....., Director

....., Director

SOUTHEAST REGIONAL SERVICE COMMISSION

STATEMENT OF CASH FLOWS

Year ended December 31,

2019

2018

OPERATING ACTIVITIES

Annual surplus	\$ 726,638	\$ 177,991
Items not affecting cash:		
Gain on disposal of tangible capital assets	(161,330)	(196,924)
Amortization of tangible capital assets	3,343,444	3,425,106
Change in landfill post-closure liability	216,555	295,806
	4,125,307	3,701,979
Net change in non-cash items:		
Accounts receivable	(231,496)	(401,108)
Inventory	64,297	(28,796)
Accounts payable and accrued liabilities	933,179	(133,959)
Deferred revenue	66,160	36
	4,957,447	3,138,152

CAPITAL ACTIVITIES

Acquisition of tangible capital assets	(3,126,650)	(2,933,595)
Proceeds of disposal of tangible capital assets	204,150	257,588
Net change in work in progress	(3,237,623)	(1,931,294)
	(6,160,123)	(4,607,301)

INVESTING ACTIVITIES

Acquisition of term deposit	(32,943)	(32,250)
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FINANCING ACTIVITIES

Additional financing	3,812,000	900,000
Repayment of long-term debt	(1,417,000)	(1,319,000)
	2,395,000	(419,000)

INCREASE (DECREASE) IN CASH

1,159,381 (1,920,399)

CASH, BEGINNING OF YEAR

6,778,180 8,698,579

CASH, END OF YEAR

\$ 7,937,561 \$ 6,778,180

Additional information on the statement of cash flows (note 12)

The accompanying notes are an integral part of the financial statements.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Southeast Regional Service Commission (the Commission) was incorporated in 2013 under the *Regional Service Delivery Act*. The Commission serves the southeast region of New Brunswick, including 39 different municipalities and local service districts. The Commission is governed by a 19-member board including representatives from the incorporated municipalities as well as the local service districts. The Commission provides waste treatment and land planning services and is exempt from income taxes under the *Income Tax Act* of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian public sector accounting standards (PSAS) as set out in the Public Sector CPA Canada Handbook - Accounting, which constitute generally accepted accounting principles (GAAP) for local governments. The Commission also complies with the Municipal Financial Reporting Manual (MFRM) of the Province of New Brunswick (PNB). The MFRM does not conflict with the CPA Canada Handbook - Accounting for the preparation of the financial statements, but requires some additional disclosures and prescribes a different basis for the preparation of the Commission's budget.

Reporting entity

The financial statements reflect the assets, liabilities, revenue, expenses and changes in net debt and accumulated surplus of the reporting entity. The reporting entity is composed of all funds of the Commission's operations. Interfund balances and transactions have been eliminated.

Budget

The budget figures contained in Schedules H to N of the financial statements were approved by the Board of Directors on October 30, 2018.

Use of estimates

The presentation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Commission's significant estimates relate to the landfill post-closure liability and the amortization of the capital assets.

Revenue recognition

Revenue is recorded using the accrual basis of accounting. Revenue received prior to being earned is recorded as deferred revenue until it is earned.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recorded using the accrual basis of accounting, as they are incurred and measurable based on receipt of goods or services and/or obligation to pay.

Financial instruments

All financial instruments are recorded initially at fair value and subsequently at amortized cost.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the normal course of operations.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost of tangible capital assets is amortized on a straight-line basis over the following estimated useful lives:

Land improvements	10 years
Buildings	25 years
Waste treatment equipment	2 to 20 years
Vehicles	5 to 10 years
Computer equipment	5 to 10 years
Roads	10 years

Work in progress is not amortized until it is available for productive use.

Impairment

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the tangible capital asset no longer contributes to the Commission's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. Impairment is assessed by comparing the carrying amount to the estimate of the value of the asset's remaining service potential to the Commission. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the long-term value of the asset subsequently increases.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is recorded at the lower of cost and net realizable value, the cost being determined using the market value less a normal profit margin.

Landfill post-closure liability

The Commission has a legal obligation under provincial environmental law to provide post-closure care for its landfill. The Commission records a post-closure liability as the landfill site's capacity is used. The post-closure liability is remeasured annually at the best estimate of the total expenditure required to settle the present obligation as at the date of the statement of financial position, using a discount rate that coincides with the timing of the expected cash flows required to settle the obligation. Changes in the liability due to the passage of time or to other factors are recognized as an expense in the statement of operations and accumulated surplus.

As at each year-end, the post-closure liability is reviewed and adjusted to reflect the updated best estimate of the liability. Such adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement, as well as changes in the legal requirements of the obligation and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the post-closure liability.

Pension plan

The Commission provides a defined contribution pension plan to its employees. Pension costs related to current services are charged to expenses for the period during which contributions are made by the employer.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

3. RECONCILIATION OF BUDGET

The budgets for the operating funds are prepared on the basis required by the MFRM of the PNB. The following is a reconciliation of these budgets with the budget prepared in accordance with PSAS that is presented on the statement of operations and accumulated surplus.

	Operating budget	Second previous year's surplus/deficit	Other	Interfund transfers	Transfers to/ from reserve funds	Amortization	Total per PSAS
Revenue							
Solid waste	\$ 15,801,026	\$ (426,195)	\$ -	\$ -	\$ -	\$ -	\$ 15,374,831
Local planning	1,935,903	(76,201)	-	-	-	-	1,859,702
Regional planning	234,046	(25,786)	-	-	-	-	208,260
Administration	830,858	-	-	(830,858)	-	-	-
Electricity	835,158	-	-	-	-	-	835,158
Regional destination marketing organization (RDMO)	112,500	-	-	-	-	-	112,500
	<u>19,749,491</u>	<u>(528,182)</u>	<u>-</u>	<u>(830,858)</u>	<u>-</u>	<u>-</u>	<u>18,390,451</u>
Expenses							
Solid waste	15,801,026	-	(2,864,000) ¹	(689,612)	(170,000)	2,260,313 ³	14,337,727
Local planning	1,935,903	-	-	(83,086)	-	-	1,852,817
Regional planning	234,046	-	-	(24,926)	-	-	209,120
Administration	830,858	-	-	-	-	-	830,858
Electricity	1,171,781	(424,026)	(358,900) ²	(33,234)	-	473,875 ³	829,496
Regional destination marketing organization (RDMO)	112,500	-	-	-	49,000	-	161,500
	<u>20,086,114</u>	<u>(424,026)</u>	<u>(3,222,900)</u>	<u>(830,858)</u>	<u>(121,000)</u>	<u>2,734,188</u>	<u>18,221,518</u>
Annual surplus (deficit)	\$ (336,623)	\$ (104,156)	\$ 3,222,900	\$ -	\$ 121,000	\$ (2,734,188)	\$ 168,933

1 - This amount includes \$1,071,000 for debt repayment and \$1,793,000 for capital expenditures contributed by the operating funds.

2 - This amount is for debt repayment.

3 - Amortization expense is budgeted for PSAS purposes, but is not budgeted under fund accounting.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

4. RECONCILIATION OF ANNUAL SURPLUS (DEFICIT)

	Solid Waste Fund	Local Planning Fund	Regional Planning Fund	Corporate Operating Fund	Electricity Operating Fund	Dangerous and Unsightly Premises Fund	RDMO Fund	Capital Fund	Reserve Funds	Total
Annual fund surplus (deficit)	\$ 308,297	\$ 123,195	\$ 32,423	\$ -	\$(359,536)	\$ -	5,000	\$ 3,999,456	\$ 281,958	\$ 4,390,793
Adjustments to annual surplus (deficit) for PSAS requirements										
Tangible capital assets - amortization	-	-	-	-	-	-	-	(3,343,444)	-	(3,343,444)
Second previous year's deficit (surplus)	(426,195)	(76,201)	(25,786)	-	424,026	-	-	-	-	(104,156)
Post-closure liability	-	-	-	-	-	-	-	-	(216,555)	(216,555)
Interfund transfers										
Capital expenditures	1,414,328	-	-	-	-	-	-	(1,414,328)	-	-
Long-term debt repayment	1,058,100	-	-	-	358,900	-	-	(1,417,000)	-	-
Reserve funds	1,216,605	15,000	-	19,000	-	-	(44,353)	(1,006,798)	(199,454)	-
Corporate expenditures	638,530	76,931	23,079	(769,313)	30,773	-	-	-	-	-
Net adjustments to annual surplus (deficit)	3,901,368	15,730	(2,707)	(750,313)	813,699	-	(44,353)	(7,181,570)	(416,009)	(3,664,155)
Annual surplus (deficit) in accordance with PSAS	\$ 4,209,665	\$ 138,925	\$ 29,716	\$(750,313)	\$ 454,163	\$ -	\$(39,353)	\$(3,182,114)	\$(134,051)	\$ 726,638

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

5. ACCOUNTS RECEIVABLE	2019	2018
Trade receivables	\$ 1,180,589	\$ 1,380,299
Receivables from other governments	495,286	235,089
Sales tax receivable	526,928	356,216
Accrued interest receivable	14,106	13,809
	\$ 2,216,909	\$ 1,985,413
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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2019	2018
Trade payables	\$ 2,469,884	\$ 1,324,705
Payables to other governments	204,793	330,227
Wages payable	144,444	216,975
Source deductions payable	61,022	86,051
Other accrued liabilities	158,249	147,255
	\$ 3,038,392	\$ 2,105,213
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7. LONG-TERM DEBT	2019	2018
Debentures, New Brunswick Municipal Finance Corporation		
1.05% - 3.90%, maturing in 2035, OIC #14-0008 and 14-0061	\$ 2,326,000	\$ 2,697,000
1.20% - 3.70%, maturing in 2034, OIC #14-0008	1,594,000	1,781,000
1.20% - 2.95%, maturing in 2026, OIC #14-0008, 14-0061 and 15-0097	3,778,000	4,319,000
1.65% - 3.35%, maturing in 2022, OIC #15-0097 and 16-0089	745,000	984,000
2.55% - 3.40%, maturing in 2028, OIC #14-0061	821,000	900,000
1.95% - 2.45%, maturing in 2029, OIC #18-0071	3,812,000	-
	\$ 13,076,000	\$ 10,681,000

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

7. LONG-TERM DEBT (continued)

Approval of the Municipal Capital Borrowing Board has been obtained for the debentures. Principal minimum payments required for the next five years are as follows:

2020 - \$ 1,758,000
2021 - \$ 1,600,000
2022 - \$ 1,573,000
2023 - \$ 1,349,000
2024 - \$ 1,382,000

8. BORROWINGS COMPLIANCE

Operating borrowing

As prescribed by the *Regional Service Delivery Act*, borrowing to finance operating fund operations is limited to 5% of the Commission's operating budget, except for the solid waste management service, for which the borrowing is limited to 25% of the amount budgeted for that service. In 2019, the Commission complied with these restrictions.

9. ACCRUED LANDFILL POST-CLOSURE LIABILITY

The Commission is responsible for the continued monitoring and treatment of the landfill site following its closure.

The accrued liability for post-closure costs has been determined based on estimated total expenditures of \$29.7 million over 30 years, commencing after the landfill reaches full capacity in 2060 and ending in 2089. Post-closure costs were determined using an annual inflation rate of 2% and are discounted at a rate of 3%.

The total capacity of the landfill has been estimated at 1.202 million square metres, of which 496,500 (2018 - 478,500) square metres have been used, leaving 705,500 (2018 - 723,500) square metres available. As such, the landfill is estimated to be 41% full (2018 - 40%).

The accrued liability has been increased by \$216,555 in 2019 (2018 - \$295,806). This amount has been charged to income during the year. The balance of the accrued liability as at December 31, 2019 is \$2,714,647 (2018 - \$2,498,092).

This liability will be settled by the assets of the post-closure reserve fund in note 11.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

10. TANGIBLE CAPITAL ASSETS

2019 **2018**

	Land	Land improvements	Buildings	Waste treatment equipment	Vehicles	Computer equipment	Roads	Total	Total
Cost									
Balance, beginning of year	\$ 3,267,600	\$ 779,902	\$ 9,684,669	\$ 40,892,560	\$ 867,923	\$ 243,332	\$ 3,858,734	\$ 59,594,720	\$ 57,255,733
Acquisitions	-	-	-	2,815,556	-	-	311,094	3,126,650	2,933,595
Dispositions	-	-	-	(752,410)	-	-	-	(752,410)	(594,608)
Balance, end of year	3,267,600	779,902	9,684,669	42,955,706	867,923	243,332	4,169,828	61,968,960	59,594,720
Accumulated amortization									
Balance, beginning of year	-	721,796	4,355,878	30,329,822	420,601	77,309	2,359,997	38,265,403	35,374,241
Amortization	-	15,885	387,387	2,534,999	119,517	37,658	247,998	3,343,444	3,425,106
Dispositions	-	-	-	(709,590)	-	-	-	(709,590)	(533,944)
Balance, end of year	-	737,681	4,743,265	32,155,231	540,118	114,967	2,607,995	40,899,257	38,265,403
Net book value of tangible capital assets	\$ 3,267,600	\$ 42,221	\$ 4,941,404	\$ 10,800,475	\$ 327,805	\$ 128,365	\$ 1,561,833	\$ 21,069,703	\$ 21,329,317

Fully amortized assets with a total cost of \$26,055,896 (2018 - \$25,104,249) are included in land improvements, waste treatment equipment, vehicles, computer equipment and roads because they are still in use.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

11. RESERVE FUNDS

				2019	2018
	Operating Reserve Fund	Capital Reserve Fund	Post-closure Reserve Fund	Total	Total
Assets					
Accrued interest receivable	\$ -	\$ -	\$ 14,106	\$ 14,106	\$ 13,809
Term deposit	-	-	1,565,193	1,565,193	1,532,250
Due from Solid Waste Fund	500,740	1,888,530	1,387,398	3,776,668	3,527,950
	\$ 500,740	\$ 1,888,530	\$ 2,966,697	\$ 5,355,967	\$ 5,074,009
Accumulated surplus					
Balance at beginning of year	\$ 407,110	\$ 1,930,223	\$ 2,736,676	\$ 5,074,009	\$ 5,641,909
Interest revenue	3,983	18,500	60,021	82,504	84,063
Transfer from Solid Waste Fund	100,000	946,605	170,000	1,216,605	835,000
Transfer from Local Planning Fund	15,000	-	-	15,000	-
Transfer from Corporate Operating Fund	19,000	-	-	19,000	-
Transfer to Capital Fund	-	(1,006,798)	-	(1,006,798)	(1,366,000)
Transfer to Dangerous and Unsanitary Premises Fund	-	-	-	-	(169,963)
Transfer from (to) Regional Destination Marketing Organization Fund	(44,353)	-	-	(44,353)	49,000
	\$ 500,740	\$ 1,888,530	\$ 2,966,697	\$ 5,355,967	\$ 5,074,009

The Operating Reserve Fund was established for the payment of operating expenditures. The Capital Reserve Fund was established for the payment of capital expenditures. The Post-Closure Reserve Fund was established for the payment of expenditures to be incurred after closure of the landfill. All transfers to and from these reserve funds must be made by a resolution of the Board of Directors.

Transfers to/from reserve funds

The transfers were authorized by the Board of Directors through resolutions dated November 26, 2019.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

12. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Cash flows related to operating activities include the following elements:

	2019		2018
Interest received	\$ 194,161	\$	189,416
Interest paid	\$ 281,329	\$	274,242

13. COMMITMENTS

The Commission has contract commitments until 2028 for the rental of premises and until 2022 for the rental of equipment. The Commission also has commitments for construction projects that should all be completed and paid in 2020. The balance of the commitments under these contracts is \$3,072,201. Minimum payments under these commitments over the next five years are as follows:

2020 - \$ 2,468,922
2021 - \$ 152,270
2022 - \$ 107,847
2023 - \$ 105,665
2024 - \$ 107,536

14. PENSION PLAN

During the year, the Commission contributed \$411,128 (2018 - \$367,328) to the pension plan. The Commission's contributions are equal to up to 8% of the employees' earnings.

SOUTHEAST REGIONAL SERVICE COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

15. FINANCIAL INSTRUMENTS

The Commission provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit evaluations of its clients and reviews the credit background of new clients. The Commission is not exposed to any significant risk with respect to a single client.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is exposed to this risk on its term deposit and its long-term debt because they bear interest at fixed rates.

Management believes that the Commission is not exposed to any other significant risks arising from its financial instruments.

16. SUBSEQUENT EVENT

Subsequent to year-end, the outbreak of the Coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to entities globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Commission in future periods. The impact of COVID-19 that is likely to be the most significant to the Commission is the loss of recycling revenue since the recycling plant is currently closed until the Commission can ensure that it can comply with the social distancing requirements imposed by the Province of New Brunswick.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE A - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

A - SOLID WASTE

REVENUE

Municipal waste	\$ 3,556,512	\$ 3,556,508	\$ 3,729,544
Municipal transport	170,642	170,642	168,642
Municipal education	170,642	170,642	168,642
Solid waste treatment	9,783,138	9,860,050	8,796,338
Construction and demolition waste treatment	192,000	181,899	167,617
Recycling	1,154,200	862,883	1,033,702
Rental income	131,092	130,030	129,028
Equipment rental income	26,000	28,330	25,700
Third-party materials processing	95,605	79,920	93,085
Grants	70,000	267,366	108,330
Interest revenue	15,000	111,954	105,644
Other income	10,000	76,844	43,801
	15,374,831	15,497,068	14,570,073

OPERATING EXPENSES

Advertising	33,000	29,292	30,707
Bad debts	2,400	8,667	604
Bank charges and collection fees	28,500	21,118	22,577
Computer maintenance	175,000	95,166	79,784
Education events	120,000	80,336	80,284
Electricity	414,302	414,519	401,920
Equipment rental and leasing	12,120	3,453	23,473
Equipment washing	3,060	1,317	3,525
Fuel	521,920	519,568	522,532
Insurance	146,239	138,916	132,201
Legal fees	15,150	-	9,787
Maintenance	806,130	956,532	1,022,007
Meals and entertainment	7,020	13,192	11,055
Meetings	5,050	3,644	2,832
Memberships and subscriptions	5,555	4,639	8,479
Miscellaneous (recovery)	2,018	253	(2,011)
Monitoring	91,710	85,938	71,646
Office supplies	36,360	29,614	29,769
Postage and courier	5,050	5,846	3,926
Professional services	135,320	85,969	106,052
Property taxes	211,370	200,488	199,955
	2,777,274	2,698,467	2,761,104

SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE A - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

A - SOLID WASTE (continued)

OPERATING EXPENSES (continued)

Carried forward	\$ 2,777,274	\$ 2,698,467	\$ 2,761,104
Purchases of fibre (recovery)	-	64,297	(28,796)
Repair and maintenance - roads	148,874	112,564	136,526
Special projects	-	251,030	-
Supplies	403,100	332,934	374,332
Telephone	58,222	46,831	51,828
Training and development	32,536	34,744	32,484
Translation	6,326	-	-
Transport subsidy	131,895	131,895	130,501
Vehicle registration	1,146	1,186	1,029
Waste disposal costs	262,600	290,826	234,046
Waste without charge	1,515	979	1,279
Wages and benefits	6,975,232	6,047,995	5,478,987
Contracted staffing	946,694	1,018,763	1,231,442
Interest on long-term debt	272,000	225,710	208,620
Discount on debentures	60,000	29,182	7,065
Amortization of tangible capital assets	2,260,313	2,763,976	2,830,576
Change in landfill post-closure liability (note 9)	-	216,555	295,806
	14,337,727	14,267,934	13,746,829
Excess of revenue over expenses	\$ 1,037,104	\$ 1,229,134	\$ 823,244

SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE B - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

B - LOCAL PLANNING

REVENUE

Local planning municipal contributions	\$ 1,859,702	\$ 1,859,702	\$ 1,806,712
Other income	-	133,070	-
	1,859,702	1,992,772	1,806,712

OPERATING EXPENSES

Advertising	3,821	651	1,790
Computer maintenance	40,000	68,361	40,089
GIS Planet fees	1,600	1,343	1,655
Insurance	8,876	8,990	11,835
Leasing	14,216	13,870	14,516
Legal fees	6,000	3,600	8,930
Memberships and subscriptions	8,000	7,692	7,882
Miscellaneous	558	12,198	694
Office supplies	20,800	29,714	26,306
Per diems	13,950	9,700	11,475
Postage and courier (recovery)	2,874	(1,084)	2,990
Rent	135,115	125,585	126,308
Telephone	26,881	22,687	26,903
Training	21,000	32,427	22,353
Translation and meeting expenses	22,845	16,661	12,449
Travel	39,705	35,152	37,805
Wages and benefits	1,486,576	1,466,300	1,398,148
	1,852,817	1,853,847	1,752,128

Excess of revenue over expenses	\$ 6,885	\$ 138,925	\$ 54,584
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE C - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

C - REGIONAL PLANNING

REVENUE

Regional planning municipal contributions	\$	163,260	\$	163,268	\$	130,816
Grants		45,000		24,816		41,360
Other income		-		104,862		69,305
				<hr/>		
		208,260		292,946		241,481

OPERATING EXPENSES

Climate change and public transportation projects		2,000		33,769		62,082
Miscellaneous		4,000		2,387		3,621
Professional services		28,441		-		-
Recreation asset mapping and connectivity		87,819		-		-
Wages and benefits		86,860		227,074		123,254
				<hr/>		
		209,120		263,230		188,957

Excess of revenue over expenses (excess of expenses over revenue)	\$	(860)	\$	29,716	\$	52,524
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE D - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

D - ADMINISTRATION

REVENUE	\$	-	\$	-	\$	-
OPERATING EXPENSES						
Advertising		1,000		6,049		-
Computer maintenance		46,000		21,855		33,526
Insurance		2,959		2,997		3,945
Legal fees		1,000		-		472
Office supplies		12,500		12,500		12,557
Per diems		65,000		53,631		41,455
Professional services		28,000		29,597		42,809
Rent		21,840		21,840		21,840
Telephone		6,715		7,175		6,040
Training and memberships		22,200		9,285		12,339
Translation and meeting expenses		21,000		22,988		14,042
Travel		13,900		9,837		8,749
Wages and benefits		588,744		552,559		600,436
		830,858		750,313		798,210
Excess of expenses over revenue	\$	(830,858)	\$	(750,313)	\$	(798,210)

SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE E - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

E - ELECTRICITY

REVENUE

Sale of electricity	\$	835,158	\$	815,095	\$	823,399
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OPERATING EXPENSES

Electricity		11,000		10,412		10,828
Insurance		21,747		21,497		20,549
Maintenance		150,000		220,378		191,335
Monitoring		10,000		3,400		978
Supplies		35,000		1,465		7,299
Training		4,000		1,316		795
Wages and benefits		60,633		39,223		56,964
Interest on long-term debt		63,241		63,241		65,289
Amortization of tangible capital assets		473,875		579,468		594,530
		829,496		940,400		948,567

Excess of revenue over expenses (excess of expenses over revenue)	\$	5,662	\$	(125,305)	\$	(125,168)
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE F - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

F - DANGEROUS AND UNSIGHTLY PREMISES

REVENUE

Municipal contributions (refund)	\$	-	\$	-	\$	(169,963)
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OPERATING EXPENSES

Excess of expenses over revenue	\$	-	\$	-	\$	(169,963)
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE G - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

G - REGIONAL DESTINATION MARKETING ORGANIZATION

REVENUE

Municipal contributions (refund)	\$	112,500	\$	(14,935)	\$	112,500
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OPERATING EXPENSES

Professional services		161,500		25,000		51,925
Wages and benefits (recovery)		-		(582)		582

		161,500		24,418		52,507
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Excess of revenue over expenses (excess of expenses over revenue)	\$	(49,000)	\$	(39,353)	\$	59,993
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FUND ACCOUNTING

SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE H - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

H - SOLID WASTE FUND

REVENUE

Municipal waste	\$ 3,556,512	\$ 3,556,508	\$ 3,729,544
Municipal transport	170,642	170,642	168,642
Municipal education	170,642	170,642	168,642
Solid waste treatment	9,783,138	9,860,050	8,796,338
Construction and demolition waste treatment	192,000	181,899	167,617
Recycling	1,154,200	862,883	1,033,702
Rental income	131,092	130,030	129,028
Equipment rental income	26,000	28,330	25,700
Third-party materials processing	95,605	79,920	93,085
Grants	70,000	267,366	108,330
Interest revenue	15,000	111,954	105,644
Other income	10,000	76,844	43,801
Second previous year's surplus	426,195	426,195	139,773
	15,801,026	15,923,263	14,709,846

OPERATING EXPENSES

Advertising	33,000	29,292	30,707
Bad debts	2,400	8,667	604
Bank charges and collection fees	28,500	21,118	22,577
Computer maintenance	175,000	95,166	79,784
Education events	120,000	80,336	80,284
Electricity	414,302	414,519	401,920
Equipment rental and leasing	12,120	3,453	23,473
Equipment washing	3,060	1,317	3,525
Fuel	521,920	519,568	522,532
Insurance	146,239	138,916	132,201
Legal fees	15,150	-	9,787
Maintenance	806,130	956,532	1,022,007
Meals and entertainment	7,020	13,192	11,055
Meetings	5,050	3,644	2,832
Memberships and subscriptions	5,555	4,639	8,479
Miscellaneous (recovery)	2,018	253	(2,011)
Monitoring	91,710	85,938	71,646
Office supplies	36,360	29,614	29,769
	\$ 2,425,534	\$ 2,406,164	\$ 2,451,171

SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE H - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

H - SOLID WASTE FUND (continued)

OPERATING EXPENSES (continued)

Carried forward	\$ 2,425,534	\$ 2,406,164	\$ 2,451,171
Postage and courier	5,050	5,846	3,926
Professional services	135,320	85,969	106,052
Property taxes	211,370	200,488	199,955
Purchases of fibre (recovery)	-	64,297	(28,796)
Repairs and maintenance - roads	148,874	112,564	136,526
Special projects	-	251,030	-
Supplies	403,100	332,934	374,332
Telephone	58,222	46,831	51,828
Training and development	32,536	34,744	32,484
Translation	6,326	-	-
Transport subsidy	131,895	131,895	130,501
Vehicle registration	1,146	1,186	1,029
Waste disposal costs	262,600	290,826	234,046
Waste without charge	1,515	979	1,279
Wages and benefits	6,975,232	6,047,995	5,478,987
Contracted staffing	946,694	1,018,763	1,231,442
Interest on long-term debt	272,000	225,710	208,620
Discount on debentures	60,000	29,182	7,065
Long-term debt repayment	1,071,000	1,058,100	961,800
Allocation of corporate services	689,612	638,530	663,109
Capital expenditures contributed by operating fund	1,793,000	1,414,328	863,201
Transfer to capital reserve	-	946,605	675,000
Transfer to operating reserve	-	100,000	-
Transfer to post-closure reserve	170,000	170,000	160,000
	15,801,026	15,614,966	13,943,557
Excess of revenue over expenses	\$ -	\$ 308,297	\$ 766,289

SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE I - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

I - LOCAL PLANNING FUND

REVENUE

Local planning municipal contributions	\$ 1,859,702	\$ 1,859,702	\$ 1,806,712
Other income	-	133,070	-
Second previous year's surplus	76,201	76,201	43,917
	1,935,903	2,068,973	1,850,629

OPERATING EXPENSES

Advertising	3,821	651	1,790
Computer maintenance	40,000	68,361	40,089
GIS Planet fees	1,600	1,343	1,655
Insurance	8,876	8,990	11,835
Leasing	14,216	13,870	14,516
Legal fees	6,000	3,600	8,930
Memberships and subscriptions	8,000	7,692	7,882
Miscellaneous	558	12,198	694
Office supplies	20,800	29,714	26,306
Per diems	13,950	9,700	11,475
Postage and courier (recovery)	2,874	(1,084)	2,990
Rent	135,115	125,585	126,308
Telephone	26,881	22,687	26,903
Training	21,000	32,427	22,353
Translation and meeting expenses	22,845	16,661	12,449
Travel	39,705	35,152	37,805
Wages and benefits	1,486,576	1,466,300	1,398,148
Allocation of corporate services	83,086	76,931	79,726
Transfer to operating reserve	-	15,000	-
	1,935,903	1,945,778	1,831,854

Excess of revenue over expenses	\$ -	\$ 123,195	\$ 18,775
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE J - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

J - REGIONAL PLANNING FUND

REVENUE

Regional planning municipal contributions	\$	163,260	\$	163,268	\$	130,816
Grants		45,000		24,816		41,360
Other income		-		104,862		69,305
Second previous year's surplus		25,786		25,786		14,638
				<hr/>		
		234,046		318,732		256,119

OPERATING EXPENSES

Climate change and public transportation projects		2,000		33,769		62,082
Miscellaneous		4,000		2,387		3,621
Professional services		28,441		-		-
Recreation asset mapping and connectivity		87,819		-		-
Wages and benefits		86,860		227,074		123,254
Allocation of corporate services		24,926		23,079		23,946
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		234,046		286,309		212,903

Excess of revenue over expenses	\$	-	\$	32,423	\$	43,216
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE K - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

K - CORPORATE OPERATING FUND

REVENUE

Contributions from other funds	\$	830,858	\$	769,313	\$	798,210
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OPERATING EXPENSES

Advertising		1,000		6,049		-
Computer maintenance		46,000		21,855		33,526
Insurance		2,959		2,997		3,945
Legal fees		1,000		-		472
Office supplies		12,500		12,500		12,557
Per diems		65,000		53,631		41,455
Professional services		28,000		29,597		42,809
Rent		21,840		21,840		21,840
Telephone		6,715		7,175		6,040
Training and memberships		22,200		9,285		12,339
Translation and meeting expenses		21,000		22,988		14,042
Travel		13,900		9,837		8,749
Wages and benefits		588,744		552,559		600,436
Transfer to operating reserve		-		19,000		-
		830,858		769,313		798,210

Excess of revenue over expenses	\$	-	\$	-	\$	-
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE L - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

L - ELECTRICITY OPERATING FUND

REVENUE

Sale of electricity	\$	835,158	\$	815,095	\$	823,399
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OPERATING EXPENSES

Electricity		11,000		10,412		10,828
Insurance		21,747		21,497		20,549
Maintenance		150,000		220,378		191,335
Monitoring		10,000		3,400		978
Supplies		35,000		1,465		7,299
Training		4,000		1,316		795
Wages and benefits		60,633		39,223		56,964
Interest on long-term debt		63,241		63,241		65,289
Allocation of corporate services		33,234		30,773		31,429
Second previous year's deficit		424,026		424,026		65,027
Long-term debt repayment		358,900		358,900		357,200

		1,171,781		1,174,631		807,693
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Excess of revenue over expenses

(excess of expenses over revenue)	\$	(336,623)	\$	(359,536)	\$	15,706
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE M - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

M - DANGEROUS AND UNSIGHTLY PREMISES FUND

REVENUE

Municipal contributions (refund)	\$	-	\$	-	\$	(169,963)
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OPERATING EXPENSES

Transfer from operating reserve		-		-		(169,963)
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Excess of revenue over expenses	\$	-	\$	-	\$	-
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SOUTHEAST REGIONAL SERVICE COMMISSION

SCHEDULE N - OTHER INFORMATION

Year ended December 31,

2019
Budget
(note 3)

**2019
Actual**

2018
Actual

N - REGIONAL DESTINATION MARKETING ORGANIZATION FUND

REVENUE

Municipal contributions (refund)	\$	112,500	\$	(14,935)	\$	112,500
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OPERATING EXPENSES

Professional services		161,500		25,000		51,925
Wages and benefits (recovery)		-		(582)		582
Transfer to (from) operating reserve		(49,000)		(44,353)		49,000

		112,500		(19,935)		101,507
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Excess of revenue over expenses	\$	-	\$	5,000	\$	10,993
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