

**SOUTHEAST REGIONAL SERVICE  
COMMISSION**

**ANNUAL FINANCIAL REPORT**

Year ended December 31, 2018



# ***SOUTHEAST REGIONAL SERVICE COMMISSION***

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Year ended December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

### **Basis for 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 28, 2019

Chartered Professional Accountants

**SOUTHEAST REGIONAL SERVICE COMMISSION**

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

Year ended December 31,

		2018 Budget (note 3)	2018 Actual	2017 Actual
<b>REVENUE</b>				
	Schedule			
Solid waste	A	\$ 14,907,539	\$ 14,570,073	\$ 13,708,715
Local planning	B	1,806,714	1,806,712	1,789,552
Regional planning	C	175,816	241,481	255,659
Electricity	E	806,294	823,399	224,147
Dangerous and unsightly premises	F	-	(169,963)	168,072
Regional destination marketing organization	G	112,500	112,500	-
Interest revenue from reserve funds		-	84,063	74,548
Gain on disposal of tangible capital assets		-	196,924	207,400
		17,808,863	17,665,189	16,428,093
<b>EXPENSES</b>				
Solid waste	A	11,667,864	10,620,447	10,138,094
Local planning	B	1,769,975	1,752,128	1,641,965
Regional planning	C	166,257	188,957	223,063
Administration	D	806,564	798,210	764,485
Electricity	E	357,300	354,037	174,750
Regional destination marketing organization	G	112,500	52,507	-
Amortization of tangible capital assets		2,583,882	3,425,106	3,489,670
Change in landfill post-closure liability (note 9)		-	295,806	64,144
		17,464,342	17,487,198	16,496,171
<b>ANNUAL SURPLUS (DEFICIT) (note 4)</b>		\$ 344,521	177,991	(68,078)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		N/A	19,804,128	19,872,206
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		N/A	\$ 19,982,119	\$ 19,804,128

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

## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

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### **STATEMENT OF CHANGE IN NET DEBT**

Year ended December 31,

	2018 Budget	2018 Actual	2017 Actual
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 344,521	\$ 177,991	\$ (68,078)
<b>RELATING TO TANGIBLE CAPITAL ASSETS</b>			
Acquisition of tangible capital assets	(1,500,000)	(2,933,595)	(6,219,979)
Net change in work in progress	-	(1,931,294)	996,492
Proceeds on disposal of tangible capital assets	-	257,588	267,503
Amortization of tangible capital assets	2,583,882	3,425,106	3,489,670
Gain on disposal of tangible capital assets	-	(196,924)	(207,400)
	1,083,882	(1,379,119)	(1,673,714)
<b>CHANGE IN NET DEBT</b>	\$ 1,428,403	(1,201,128)	(1,741,792)
<b>NET DEBT, BEGINNING OF YEAR</b>	N/A	(3,680,632)	(1,938,840)
<b>NET DEBT, END OF YEAR</b>	N/A	\$ (4,881,760)	\$ (3,680,632)

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

## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

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### **STATEMENT OF FINANCIAL POSITION**

December 31,

**2018**

**2017**

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#### **FINANCIAL ASSETS**

Cash	\$	<b>6,778,180</b>	\$	8,698,579
Accounts receivable (note 5)		<b>1,985,413</b>		1,584,305
Term deposit (2.15%, maturing in August 2022) (note 11)		<b>1,532,250</b>		1,500,000
Inventory		<b>138,234</b>		109,438
				<hr/>
		<b>10,434,077</b>		11,892,322

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#### **LIABILITIES**

Accounts payable (note 6)		<b>2,105,213</b>		2,239,172
Deferred revenue		<b>31,532</b>		31,496
Long-term debt (note 7)		<b>10,681,000</b>		11,100,000
Landfill post-closure liability (note 9)		<b>2,498,092</b>		2,202,286
				<hr/>
		<b>15,315,837</b>		15,572,954

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#### **NET DEBT**

**(4,881,760)** (3,680,632)

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#### **NON-FINANCIAL ASSETS**

Tangible capital assets (note 10)		<b>21,329,317</b>		21,881,492
Work in progress		<b>3,534,562</b>		1,603,268
				<hr/>
		<b>24,863,879</b>		23,484,760

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#### **ACCUMULATED SURPLUS**

**\$ 19,982,119** \$ 19,804,128

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#### **COMMITMENTS** (note 13)

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

APPROVED BY

....., Director

....., Director

## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

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### **STATEMENT OF CASH FLOW**

Year ended December 31,

**2018**

**2017**

#### **OPERATING ACTIVITIES**

Annual surplus (deficit) \$ **177,991** \$ (68,078)

Items not affecting cash:

Gain on disposal of tangible capital assets **(196,924)** (207,400)

Amortization of tangible capital assets **3,425,106** 3,489,670

Change in landfill post-closure liability **295,806** 64,144

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**3,701,979** 3,278,336

Net change in non-cash items:

Accounts receivable **(401,108)** 24,778

Inventory **(28,796)** (54,258)

Accounts payable **(133,959)** (533,092)

Deferred revenue **36** (42,619)

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**3,138,152** 2,673,145

#### **CAPITAL ACTIVITIES**

Acquisition of tangible capital assets **(2,933,595)** (6,219,979)

Proceeds of disposal of tangible capital assets **257,588** 267,503

Net change in work in progress **(1,931,294)** 996,492

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**(4,607,301)** (4,955,984)

#### **INVESTING ACTIVITIES**

Net change in investments **(32,250)** (46,199)

#### **FINANCING ACTIVITIES**

Additional financing **900,000** 1,219,000

Repayment of long-term debt **(1,319,000)** (1,397,000)

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**(419,000)** (178,000)

#### **NET CHANGE IN CASH**

**(1,920,399)** (2,507,038)

#### **CASH, BEGINNING OF YEAR**

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**8,698,579** 11,205,617

#### **CASH, END OF YEAR**

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**\$ 6,778,180** \$ 8,698,579

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

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



# **SOUTHEAST REGIONAL SERVICE COMMISSION**

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## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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### **1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES**

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The Southeast Regional Service Commission (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 tax under the Income Tax Act of Canada.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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These financial statements are prepared by management in accordance with Canadian public sector accounting (PSA) standards as set out in the Public Sector Accounting Handbook of the Chartered Professional Accountants of Canada (CPA Canada), 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 Handbook 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, revenues, expenditures and changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of all funds of the Commission's operations. Inter-fund 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 31, 2017.

#### **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 revenues 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**

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## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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

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#### **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**

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### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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

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##### **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 re-measured 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.

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, 2018

### 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 the PSA standards that is presented on the statement of operations and accumulated surplus.

	Operating budget	Second previous year's surplus/deficit	Other	Inter-fund transfers	Transfers to/from reserve funds	Total per PSA standards
<b>Revenue</b>						
Solid waste	\$ 15,047,312	\$ (139,773)	\$ -	\$ -	-	\$ 14,907,539
Local planning	1,850,631	(43,917)	-	-	-	1,806,714
Regional planning	190,454	(14,638)	-	-	-	175,816
Administration	806,564	-	-	(806,564)	-	-
Electricity	806,294	-	-	-	-	806,294
Regional destination marketing organization (RDMO)	112,500	-	-	-	-	112,500
	18,813,755	(198,328)	-	(806,564)	-	17,808,863
<b>Expenses</b>						
Solid waste	15,047,312	-	(2,550,000) <sup>1</sup>	(669,448)	(160,000)	11,667,864
Local planning	1,850,631	-	-	(80,656)	-	1,769,975
Regional planning	190,454	-	-	(24,197)	-	166,257
Administration	806,564	-	-	-	-	806,564
Electricity	806,400	(59,637)	(357,200) <sup>2</sup>	(32,263)	-	357,300
Regional destination marketing organization (RDMO)	112,500	-	-	-	-	112,500
Amortization	-	-	2,583,882 <sup>3</sup>	-	-	2,583,882
	18,813,861	(59,637)	(323,318)	(806,564)	(160,000)	17,464,342
<b>Annual surplus (deficit)</b>	<b>\$ (106)</b>	<b>\$ (138,691)</b>	<b>\$ 323,318</b>	<b>\$ -</b>	<b>\$ 160,000</b>	<b>\$ 344,521</b>

1 - This amount includes \$1,050,000 for debt repayment and \$1,500,000 for capital expenditures contributed by the operating funds.

2 - This amount is for debt repayment.

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

**SOUTHEAST REGIONAL SERVICE COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

**4. RECONCILIATION OF ANNUAL SURPLUS (DEFICIT)**

	Solid Waste Fund	Local Planning Fund	Regional Planning Fund	Corporate Operating Fund	Electricity Operating Fund	Dangerous and Unsanitary Premises Fund	RDMO Fund	Capital Fund	Reserve Funds	Total
Annual fund surplus (deficit)	\$ 766,289	\$ 18,775	\$ 43,216	\$ -	\$ 15,706	\$ -	\$ 10,993	\$ 3,745,125	\$ (567,900)	\$ 4,032,204
Adjustments to annual surplus (deficit) for PSA requirements										
Capital assets - amortization	-	-	-	-	-	-	-	(3,425,106)	-	(3,425,106)
Second previous year's deficit (surplus)	(139,773)	(43,917)	(14,638)	-	65,027	-	-	-	-	(133,301)
Post-closure liability	-	-	-	-	-	-	-	-	(295,806)	(295,806)
Inter-fund transfers	-	-	-	-	-	-	-	(863,201)	-	-
Capital expenditures	863,201	-	-	-	-	-	-	-	-	-
Long-term debt repayment	961,800	-	-	-	357,200	-	-	(1,319,000)	-	-
Reserve funds	835,000	-	-	-	-	(169,963)	49,000	(1,366,000)	651,963	-
Corporate expenditures	663,109	79,726	23,946	(798,210)	31,429	-	-	-	-	-
Net adjustments to annual surplus (deficit)	3,183,337	35,809	9,308	(798,210)	453,656	(169,963)	49,000	(6,973,307)	356,157	(3,854,213)
Annual surplus (deficit) in accordance with PSA standards	\$ 3,949,626	\$ 54,584	\$ 52,524	\$ (798,210)	\$ 469,362	\$ (169,963)	\$ 59,993	\$ (3,228,182)	\$ (211,743)	\$ 177,991

## **SOUTHEAST REGIONAL SERVICE COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

<b>5. ACCOUNTS RECEIVABLE</b>	<b>2018</b>	<b>2017</b>
Trade receivables	\$ 1,380,299	\$ 910,119
Receivables from other governments	235,089	222,847
Sales tax receivable	356,216	437,821
Accrued interest receivable	13,809	13,518
	<b>\$ 1,985,413</b>	<b>\$ 1,584,305</b>

  

<b>6. ACCOUNTS PAYABLE</b>	<b>2018</b>	<b>2017</b>
Trade payables	\$ 1,324,705	\$ 1,772,644
Payables to other governments	330,227	194,383
Wages payable	216,975	108,254
Source deductions payable	86,051	36,655
Other accrued liabilities	147,255	127,236
	<b>\$ 2,105,213</b>	<b>\$ 2,239,172</b>

  

<b>7. LONG-TERM DEBT</b>	<b>2018</b>	<b>2017</b>
Debentures, New Brunswick Municipal Finance Corporation		
1.05% - 3.90%, maturing in 2035, OIC #14-0008 and 14-0061	\$ 2,697,000	\$ 3,063,000
1.20% - 3.70%, maturing in 2034, OIC #14-0008	1,781,000	1,965,000
1.20% - 2.95%, maturing in 2026, OIC #14-0008, 14-0061 and 15-0097	4,319,000	4,853,000
1.65% - 2.35%, maturing in 2022, OIC #15-0097 and 16-0089	984,000	1,219,000
2.55% - 3.40%, maturing in 2028, OIC #14-0061	900,000	-
	<b>\$ 10,681,000</b>	<b>\$ 11,100,000</b>

## **SOUTHEAST REGIONAL SERVICE COMMISSION**

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### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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#### **7. LONG-TERM DEBT (continued)**

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

2019 - \$ 1,417,000  
2020 - \$ 1,337,000  
2021 - \$ 1,170,000  
2022 - \$ 1,136,000  
2023 - \$ 903,000

#### **8. BORROWINGS COMPLIANCE**

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##### **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 2018, the Commission complied with these restrictions.

#### **9. ACCRUED LANDFILL POST-CLOSURE LIABILITY**

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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%. All estimates are unchanged from 2017.

The total capacity of the landfill has been estimated at 1.202 million square metres, of which 478,500 (2017 - 469,000) square metres have been used, leaving 723,500 (2017 - 733,000) square metres available. As such, the landfill is estimated to be 40% full (2017 - 39%).

The accrued liability has been increased by \$295,806 in 2018 (2017 - \$64,144). This amount has been charged to income during the year. The balance of the accrued liability at December 31, 2018 is \$2,498,092 (2017 - \$2,202,286).

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, 2018

			2018				2017			
	Land	Land	Buildings	Waste	Computer	Roads	Total	Total	Total	Total
	improvements	improvements		treatment	equipment					
				equipment						
<b>10. TANGIBLE CAPITAL ASSETS</b>										
<b>Cost</b>										
Balance, beginning of year	\$ 3,267,600	\$ 779,902	\$ 9,684,669	\$ 39,682,369	\$ 739,996	\$ 3,041,244	\$ 57,255,733	\$ 51,485,670		
Acquisitions	-	-	-	1,642,368	290,358	817,490	2,933,595	6,219,979		
Dispositions	-	-	-	(432,177)	(162,431)	-	(594,608)	(449,916)		
Balance, end of year	3,267,600	779,902	9,684,669	40,892,560	867,923	3,858,734	59,594,720	57,255,733		
<b>Accumulated amortization</b>										
Balance, beginning of year	-	667,806	3,968,491	28,189,815	457,790	2,035,577	35,374,241	32,274,384		
Amortization	-	53,990	387,387	2,539,139	97,623	324,420	3,425,106	3,489,670		
Dispositions	-	-	-	(399,132)	(134,812)	-	(533,944)	(389,813)		
Balance, end of year	-	721,796	4,355,878	30,329,822	420,601	2,359,997	38,265,403	35,374,241		
<b>Net book value of tangible capital assets</b>	\$ 3,267,600	\$ 58,106	\$ 5,328,791	\$ 10,562,738	\$ 447,322	\$ 1,498,737	\$ 21,329,317	\$ 21,881,492		

Fully amortized assets with a total cost of \$25,104,249 (2017 - \$21,044,990) 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, 2018

11. RESERVE FUNDS				2018	2017
	Operating Reserve Fund	Capital Reserve Fund	Post- Closure Reserve Fund	Total	Total
<b>Assets</b>					
Accrued interest receivable	\$ -	\$ -	\$ 13,809	\$ 13,809	\$ 13,519
Term deposit	-	-	1,532,250	1,532,250	1,500,000
Due from Solid Waste Fund	407,110	1,930,223	1,190,617	3,527,950	4,128,390
	<b>\$ 407,110</b>	<b>\$ 1,930,223</b>	<b>\$ 2,736,676</b>	<b>\$ 5,074,009</b>	<b>\$ 5,641,909</b>
<b>Accumulated surplus</b>					
Balance at beginning of year	\$ 523,301	\$ 2,597,843	\$ 2,520,765	\$ 5,641,909	\$ 4,708,134
Investment income	4,772	23,380	55,911	84,063	74,548
Transfer from Solid Waste Fund	-	675,000	160,000	835,000	661,155
Transfer from Local Planning Fund	-	-	-	-	30,000
Transfer to Capital Fund	-	(1,366,000)	-	(1,366,000)	-
Transfer from (to) Dangerous and Unightly Premises Fund	(169,963)	-	-	(169,963)	168,072
Transfer from Regional Destination Marketing Organization Fund	49,000	-	-	49,000	-
	<b>\$ 407,110</b>	<b>\$ 1,930,223</b>	<b>\$ 2,736,676</b>	<b>\$ 5,074,009</b>	<b>\$ 5,641,909</b>

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 October 30, 2018.

## **SOUTHEAST REGIONAL SERVICE COMMISSION**

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### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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#### **12. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOW**

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Cash flows related to operating activities include the following elements:

	2018		2017
Interest received	\$ 189,416	\$	127,201
Interest paid	\$ 274,242	\$	268,148

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#### **13. COMMITMENTS**

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The Commission has contract commitments until 2028 for the rental of premises and until 2022 for the rental of equipment. The balance of the commitments under these contracts is \$818,976. Minimum payments under these commitments over the next five years are as follows:

2019 - \$ 150,296  
2020 - \$ 116,339  
2021 - \$ 114,590  
2022 - \$ 103,767  
2023 - \$ 101,585

#### **14. PENSION PLAN**

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During the year, the Commission contributed \$367,328 (2017 - \$340,536) to the pension plan. The Commission's contributions are equal to 8% of the employees' earnings.

## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

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### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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#### **15. FINANCIAL INSTRUMENTS**

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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. COMPARATIVE FIGURES**

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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,

	2018 Budget (note 3)	2018 Actual	2017 Actual
<b>A - SOLID WASTE</b>			
<b>REVENUE</b>			
Municipal waste	\$ 3,729,544	\$ 3,729,544	\$ 3,707,200
Municipal transport	168,642	168,642	167,146
Municipal education	168,642	168,642	167,146
Solid waste treatment	8,599,391	8,796,338	7,514,344
Construction & demolition waste treatment	225,000	167,617	225,684
Recycling	1,743,409	1,033,702	1,462,190
Rental income	128,320	129,028	126,468
Equipment rental income	30,600	25,700	20,870
Third party materials processing	93,423	93,085	113,157
Grants	-	108,330	20,000
Interest revenue	10,568	105,644	52,101
Other income	10,000	43,801	132,409
	14,907,539	14,570,073	13,708,715
<b>OPERATING EXPENSES</b>			
Advertising	35,100	30,707	9,996
Bad debts	2,400	604	13,420
Bank charges and collection fees	26,600	22,577	16,995
Computer maintenance	175,000	79,784	212,130
Education events	95,000	80,284	141,207
Electricity	400,279	401,920	374,283
Equipment rental and leasing	5,050	23,473	11,621
Equipment washing	3,030	3,525	1,765
Fuel	461,594	522,532	407,406
Insurance	132,144	132,201	124,345
Legal fees	8,489	9,787	20,098
Maintenance	931,281	1,022,007	927,384
Meals and entertainment	7,020	11,055	7,039
Meetings	1,010	2,832	1,949
Memberships and subscriptions	6,182	8,479	4,292
Miscellaneous (recovery)	2,020	(2,011)	8,939
Monitoring	100,800	71,646	83,985
Office supplies	43,430	29,769	35,392
Postage and courier	4,848	3,926	5,323
Professional services	137,870	106,052	98,669
Property taxes	211,370	199,955	199,405
Carry forward	\$ 2,790,517	\$ 2,761,104	\$ 2,705,643

## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

### **SCHEDULE A - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

#### **A - SOLID WASTE (continued)**

##### **OPERATING EXPENSES (continued)**

Carried forward	\$ 2,790,517	\$ 2,761,104	\$ 2,705,643
Purchases of fibre (recovery)	3,030	(28,796)	(50,543)
Repair and maintenance - roads	152,732	136,526	82,684
Supplies	446,644	374,332	380,969
Telephone	52,000	51,828	53,144
Training and development	33,514	32,484	25,074
Translation	6,264	-	2,062
Transport subsidy	130,501	130,501	129,814
Vehicle registration	1,134	1,029	1,247
Waste disposal costs	312,317	234,046	272,704
Waste without charge	1,854	1,279	1,261
Wages and benefits	5,817,168	5,478,987	4,860,690
Contracted staffing	1,573,189	1,231,442	1,464,601
Interest on long-term debt	305,000	208,620	201,663
Discount on debentures	42,000	7,065	7,081
	11,667,864	10,620,447	10,138,094
Excess of revenues over expenses	\$ 3,239,675	\$ 3,949,626	\$ 3,570,621

**SOUTHEAST REGIONAL SERVICE COMMISSION**

**SCHEDULE B - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

**B - LOCAL PLANNING**

**REVENUE**

Local planning municipal contributions	\$ 1,806,714	\$ <b>1,806,712</b>	\$ 1,789,552
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**OPERATING EXPENSES**

Advertising	3,821	<b>1,790</b>	361
Computer maintenance	43,200	<b>40,089</b>	38,462
GIS Planet fees	1,500	<b>1,655</b>	1,518
Insurance	14,205	<b>11,835</b>	12,858
Leasing	14,216	<b>14,516</b>	11,988
Legal fees	6,000	<b>8,930</b>	6,195
Memberships and subscriptions	7,660	<b>7,882</b>	7,075
Miscellaneous	558	<b>694</b>	-
Office supplies	20,800	<b>26,306</b>	32,287
Per diems	13,950	<b>11,475</b>	11,449
Postage and courier	2,874	<b>2,990</b>	3,063
Rent	125,040	<b>126,308</b>	115,006
Telephone	24,200	<b>26,903</b>	23,778
Training	21,000	<b>22,353</b>	23,101
Translation and meeting expenses	22,845	<b>12,449</b>	23,573
Travel	39,705	<b>37,805</b>	34,972
Wages and benefits	1,408,401	<b>1,398,148</b>	1,296,279

	1,769,975	<b>1,752,128</b>	1,641,965
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Excess of revenues over expenses	\$ 36,739	\$ <b>54,584</b>	\$ 147,587
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## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

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### **SCHEDULE C - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

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#### **C - REGIONAL PLANNING**

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##### **REVENUE**

Regional planning municipal contributions	\$	130,816	\$	<b>130,816</b>	\$	106,815
Grants		45,000		<b>41,360</b>		-
Other income		-		<b>69,305</b>		148,844
				<hr/>		
		175,816		<b>241,481</b>		255,659

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##### **OPERATING EXPENSES**

Climate change and public transportation projects		3,000		<b>62,082</b>		48,777
Miscellaneous		6,000		<b>3,621</b>		-
Recreation asset mapping and connectivity		88,000		-		87,086
Wages and benefits		69,257		<b>123,254</b>		87,200
				<hr/>		
		166,257		<b>188,957</b>		223,063

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Excess of revenues over expenses	\$	9,559	\$	<b>52,524</b>	\$	32,596
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## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

### **SCHEDULE D - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

#### **D - ADMINISTRATION**

<b>REVENUE</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>
<b>OPERATING EXPENSES</b>						
Advertising		1,000		-		2,338
Computer maintenance		40,000		<b>33,526</b>		30,576
Insurance		4,735		<b>3,945</b>		4,286
Legal fees		500		<b>472</b>		600
Office supplies		12,500		<b>12,557</b>		12,500
Per diems		61,000		<b>41,455</b>		59,342
Professional services		25,000		<b>42,809</b>		37,794
Rent		21,840		<b>21,840</b>		19,318
Telephone		6,000		<b>6,040</b>		4,761
Training and memberships		26,500		<b>12,339</b>		15,402
Translation and meeting expenses		16,000		<b>14,042</b>		21,543
Travel		13,900		<b>8,749</b>		11,675
Wages and benefits		577,589		<b>600,436</b>		544,350
		806,564		<b>798,210</b>		764,485
Excess of expenses over revenues	<b>\$</b>	<b>(806,564)</b>	<b>\$</b>	<b>(798,210)</b>	<b>\$</b>	<b>(764,485)</b>



## **SOUTHEAST REGIONAL SERVICE COMMISSION**

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### **SCHEDULE E - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

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#### **E - ELECTRICITY**

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##### **REVENUE**

Sale of electricity	\$	806,294	\$	<b>823,399</b>	\$	224,147
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##### **OPERATING EXPENSES**

Electricity		2,000		<b>10,828</b>		7,311
Insurance		4,969		<b>20,549</b>		3,637
Maintenance		180,000		<b>191,335</b>		37,259
Monitoring		10,000		<b>978</b>		1,779
Professional services		-		<b>-</b>		3,214
Supplies		35,000		<b>7,299</b>		24,490
Training		4,000		<b>795</b>		3,064
Wages and benefits		56,042		<b>56,964</b>		27,340
Interest on long-term debt		65,289		<b>65,289</b>		66,656

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		357,300		<b>354,037</b>		174,750
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Excess of revenues over expenses	\$	448,994	\$	<b>469,362</b>	\$	49,397
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**SOUTHEAST REGIONAL SERVICE COMMISSION**

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**SCHEDULE F - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

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**F - DANGEROUS & UNSIGHTLY PREMISES**

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**REVENUE**

Municipal contributions (refund)	\$	-	\$ (169,963)	\$	168,072
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**OPERATING EXPENSES**

		-		-	-
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Excess of revenues over expenses  
(excess of expenses over revenues)

	\$	-	\$ (169,963)	\$	168,072
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**SOUTHEAST REGIONAL SERVICE COMMISSION**

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**SCHEDULE G - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

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**G - REGIONAL DESTINATION MARKETING ORGANIZATION**

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**REVENUE**

Municipal contributions	\$	112,500	\$	<b>112,500</b>	\$	-
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**OPERATING EXPENSES**

Professional services		45,930		<b>51,925</b>		-
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Wages and benefits		66,570		<b>582</b>		-
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		112,500	-	<b>52,507</b>		-
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Excess of revenues over expenses	\$	-	\$	<b>59,993</b>	\$	-
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**FUND ACCOUNTING**

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## SOUTHEAST REGIONAL SERVICE COMMISSION

### SCHEDULE H - OTHER INFORMATION

Year ended December 31,

	2018 Budget (note 3)	2018 Actual	2017 Actual
<b>H - SOLID WASTE FUND</b>			
<b>REVENUE</b>			
Municipal waste	\$ 3,729,544	\$ 3,729,544	\$ 3,707,200
Municipal transport	168,642	168,642	167,146
Municipal education	168,642	168,642	167,146
Solid waste treatment	8,599,391	8,796,338	7,514,344
Construction & demolition waste treatment	225,000	167,617	225,684
Recycling	1,743,409	1,033,702	1,462,190
Rental income	128,320	129,028	126,468
Equipment rental income	30,600	25,700	20,870
Third party materials processing	93,423	93,085	113,157
Grants	-	108,330	20,000
Interest revenue	10,568	105,644	52,101
Other income	10,000	43,801	132,409
Second previous year's surplus	139,773	139,773	301,935
	15,047,312	14,709,846	14,010,650
<b>OPERATING EXPENSES</b>			
Advertising	35,100	30,707	9,996
Bad debts	2,400	604	13,420
Bank charges and collection fees	26,600	22,577	16,995
Computer maintenance	175,000	79,784	212,130
Education events	95,000	80,284	141,207
Electricity	400,279	401,920	374,283
Equipment rental and leasing	5,050	23,473	11,621
Equipment washing	3,030	3,525	1,765
Fuel	461,594	522,532	407,406
Insurance	132,144	132,201	124,345
Legal fees	8,489	9,787	20,098
Maintenance	931,281	1,022,007	927,384
Meals and entertainment	7,020	11,055	7,039
Meetings	1,010	2,832	1,949
Memberships and subscriptions	6,182	8,479	4,292
Miscellaneous (recovery)	2,020	(2,011)	8,939
Monitoring	100,800	71,646	83,985
Office supplies	43,430	29,769	35,392
	\$ 2,436,429	\$ 2,451,171	\$ 2,402,246

## ***SOUTHEAST REGIONAL SERVICE COMMISSION***

### **SCHEDULE H - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

#### **H - SOLID WASTE FUND (continued)**

##### **OPERATING EXPENSES (continued)**

Carried forward	\$ 2,436,429	\$ <b>2,451,171</b>	\$ 2,402,246
Postage and courier	4,848	<b>3,926</b>	5,323
Professional services	137,870	<b>106,052</b>	98,669
Property taxes	211,370	<b>199,955</b>	199,405
Purchases of fibre (recovery)	3,030	<b>(28,796)</b>	(50,543)
Repairs and maintenance - roads	152,732	<b>136,526</b>	82,684
Supplies	446,644	<b>374,332</b>	380,969
Telephone	52,000	<b>51,828</b>	53,144
Training and development	33,514	<b>32,484</b>	25,074
Translation	6,264	-	2,062
Transport subsidy	130,501	<b>130,501</b>	129,814
Vehicle registration	1,134	<b>1,029</b>	1,247
Waste disposal costs	312,317	<b>234,046</b>	272,704
Waste without charge	1,854	<b>1,279</b>	1,261
Wages and benefits	5,817,168	<b>5,478,987</b>	4,860,690
Contracted staffing	1,573,189	<b>1,231,442</b>	1,464,601
Interest on long-term debt	305,000	<b>208,620</b>	201,663
Discount on debentures	42,000	<b>7,065</b>	7,081
Long-term debt repayment	1,050,000	<b>961,800</b>	1,041,500
Allocation of corporate services	669,448	<b>663,109</b>	588,653
Capital expenditures contributed by operating fund	1,500,000	<b>863,201</b>	1,155,053
Transfer to capital reserve	-	<b>675,000</b>	470,155
Transfer to operating reserve	-	-	51,000
Transfer to post-closure reserve	160,000	<b>160,000</b>	140,000
	15,047,312	<b>13,943,557</b>	13,584,455
Excess of revenues over expenses	\$ -	\$ <b>766,289</b>	\$ 426,195

## SOUTHEAST REGIONAL SERVICE COMMISSION

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### SCHEDULE I - OTHER INFORMATION

Year ended December 31,

	2018 Budget (note 3)	2018 Actual	2017 Actual
<b>I - LOCAL PLANNING FUND</b>			
<b>REVENUE</b>			
Local planning municipal contributions	\$ 1,806,714	\$ 1,806,712	\$ 1,789,552
Second previous year's surplus	43,917	43,917	35,063
	1,850,631	1,850,629	1,824,615
<b>OPERATING EXPENSES</b>			
Advertising	3,821	1,790	361
Computer maintenance	43,200	40,089	38,462
GIS Planet fees	1,500	1,655	1,518
Insurance	14,205	11,835	12,858
Leasing	14,216	14,516	11,988
Legal fees	6,000	8,930	6,195
Memberships and subscriptions	7,660	7,882	7,075
Miscellaneous	558	694	-
Office supplies	20,800	26,306	32,287
Per diems	13,950	11,475	11,449
Postage and courier	2,874	2,990	3,063
Rent	125,040	126,308	115,006
Telephone	24,200	26,903	23,778
Training	21,000	22,353	23,101
Translation and meeting expenses	22,845	12,449	23,573
Travel	39,705	37,805	34,972
Wages and benefits	1,408,401	1,398,148	1,296,279
Allocation of corporate services	80,656	79,726	76,449
Transfer to operating reserve	-	-	30,000
	1,850,631	1,831,854	1,748,414
Excess of revenues over expenses	\$ -	\$ 18,775	\$ 76,201

**SOUTHEAST REGIONAL SERVICE COMMISSION**

**SCHEDULE J - OTHER INFORMATION**

Year ended December 31,

	2018 Budget (note 3)	2018 <b>Actual</b>	2017 Actual
<b>J - REGIONAL PLANNING FUND</b>			
<b>REVENUE</b>			
Regional planning municipal contributions	\$ 130,816	\$ <b>130,816</b>	\$ 106,815
Grants	45,000	<b>41,360</b>	-
Other income	-	<b>69,305</b>	148,844
Second previous year's surplus	14,638	<b>14,638</b>	16,124
	190,454	<b>256,119</b>	271,783
<b>OPERATING EXPENSES</b>			
Climate change and public transportation projects	3,000	<b>62,082</b>	48,777
Miscellaneous	6,000	<b>3,621</b>	-
Recreation asset mapping and connectivity	88,000	-	87,086
Wages and benefits	69,257	<b>123,254</b>	87,200
Allocation of corporate services	24,197	<b>23,946</b>	22,934
	190,454	<b>212,903</b>	245,997
Excess of revenues over expenses	\$ -	\$ <b>43,216</b>	\$ 25,786



## **SOUTHEAST REGIONAL SERVICE COMMISSION**

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### **SCHEDULE K - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

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#### **K - CORPORATE OPERATING FUND**

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##### **REVENUE**

Contributions from other funds	\$	806,564	\$	<b>798,210</b>	\$	764,485
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##### **OPERATING EXPENSES**

Advertising		1,000		-		2,338
Computer maintenance		40,000		<b>33,526</b>		30,576
Insurance		4,735		<b>3,945</b>		4,286
Legal fees		500		<b>472</b>		600
Office supplies		12,500		<b>12,557</b>		12,500
Per diems		61,000		<b>41,455</b>		59,342
Professional services		25,000		<b>42,809</b>		37,794
Rent		21,840		<b>21,840</b>		19,318
Telephone		6,000		<b>6,040</b>		4,761
Training and memberships		26,500		<b>12,339</b>		15,402
Translation and meeting expenses		16,000		<b>14,042</b>		21,543
Travel		13,900		<b>8,749</b>		11,675
Wages and benefits		577,589		<b>600,436</b>		544,350

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		806,564		<b>798,210</b>		764,485
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Excess of revenues over expenses	\$	-	\$	-	\$	-
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**SOUTHEAST REGIONAL SERVICE COMMISSION**

**SCHEDULE L - OTHER INFORMATION**

Year ended December 31,

	2018 Budget (note 3)	<b>2018 Actual</b>	2017 Actual
<b>L - ELECTRICITY FUND</b>			
<b>REVENUE</b>			
Sale of electricity	\$ 806,294	\$ <b>823,399</b>	\$ 224,147
<b>OPERATING EXPENSES</b>			
Electricity	2,000	<b>10,828</b>	7,311
Insurance	4,969	<b>20,549</b>	3,637
Maintenance	180,000	<b>191,335</b>	37,259
Monitoring	10,000	<b>978</b>	1,779
Professional services	-	-	3,214
Supplies	35,000	<b>7,299</b>	24,490
Training	4,000	<b>795</b>	3,064
Wages and benefits	56,042	<b>56,964</b>	27,340
Interest on long-term debt	65,289	<b>65,289</b>	66,656
Allocation of corporate services	32,263	<b>31,429</b>	76,449
Second previous year's deficit	59,637	<b>65,027</b>	41,474
Long-term debt repayment	357,200	<b>357,200</b>	355,500
	806,400	<b>807,693</b>	648,173
Excess of revenues over expenses (expenses over revenues)	\$ (106)	\$ <b>15,706</b>	\$ (424,026)

**SOUTHEAST REGIONAL SERVICE COMMISSION**

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**SCHEDULE N - OTHER INFORMATION**

Year ended December 31,

2018  
Budget  
(note 3)

**2018  
Actual**

2017  
Actual

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**N - REGIONAL DESTINATION MARKETING ORGANIZATION FUND**

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**REVENUE**

Municipal contributions	\$	112,500	\$	<b>112,500</b>	\$	-
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**OPERATING EXPENSES**

Professional services		45,930		<b>51,925</b>		-
Wages and benefits		66,570		<b>582</b>		-
Transfer to operating reserve		-		<b>49,000</b>		-

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		112,500		<b>101,507</b>		-
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Excess of revenues over expenses	\$	-	\$	<b>10,993</b>	\$	-
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