

REGIONAL SERVICE COMMISSION 6

Consolidated Financial Statements

December 31, 2013



Paul L. Bourque & CIE / CO.

Comptables Agréés / Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Regional Service Commission 6

We have audited the accompanying consolidated financial statements of the Regional Service Commission 6, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Regional Service Commission 6 as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The budget figures are presented for comparison purposes. They have been prepared and approved by the Board of Directors. These figures have not been audited or reviewed.



Chartered Accountants

June 26, 2014
Dieppe, NB

REGIONAL SERVICE COMMISSION 6

Consolidated Statement of Operations

Year ended December 31, 2013

	Budget (Unaudited) (Note 16)	Actual
REVENUES		
Member charges	\$ 1,824,606	\$ 1,662,625
Sale of services	40,000	26,486
Government transfers	-	28,556
Interest	2,000	3,654
Other revenue	449,743	462,530
	<u>2,316,349</u>	<u>2,183,851</u>
EXPENDITURES		
Governance	39,000	59,951
Administration	342,711	336,845
Regional planning	1,000	952
Regional policing collaboration	2,000	1,860
Regional emergency measures planning	2,000	1,939
Regional sport, recreation & culture infrastructure planning and cost-sharing	1,000	917
Planning and building inspection services	513,156	583,841
Operations - Solid waste service	1,453,574	1,362,801
Fiscal services	2,000	38,032
	<u>2,356,441</u>	<u>2,387,138</u>
Annual deficit (note 13)	<u>\$ (40,092)</u>	(203,287)
Accumulated surplus, beginning of year		<u>370,644</u>
Accumulated surplus, end of year		<u>\$ 167,357</u>

REGIONAL SERVICE COMMISSION 6
Consolidated Statement of Financial Position
December 31, 2013

FINANCIAL ASSETS

Cash	\$	31,847
Receivables		
General		140,058
Federal government and its agencies (note 3)		62,950
Investments (note 5)		<u>232,555</u>
	\$	<u>467,410</u>

LIABILITIES

Payables and accruals	\$	203,183
Post employment benefits payable (note 7)		<u>173,679</u>
		<u>376,862</u>

NET ASSETS

90,548

NON-FINANCIAL ASSETS

Tangible capital assets (note 4)		64,604
Accumulated amortization		<u>30,368</u>
		34,236
Prepaid expenses		<u>42,573</u>
		<u>76,809</u>

ACCUMULATED SURPLUS

\$ 167,357

APPROVED BY

_____, President

_____, Treasurer

REGIONAL SERVICE COMMISSION 6
Consolidated Statement of Change in Net Assets
Year ended December 31, 2013

Transfer of accumulated surplus after the transition	\$ 370,644
Annual deficit	(203,287)
Acquisition of tangible capital assets	(42,796)
Amortization of tangible capital assets	8,560
	<hr/>
	133,121
	<hr/>
Acquisition of prepaid assets	(42,573)
	<hr/>
Increase in Net Assets	90,548
Net Assets, beginning of the year	-
	<hr/>
Net Assets, end of the year	\$ 90,548

REGIONAL SERVICE COMMISSION 6
Consolidated Statement of Cash Flow
Year ended December 31, 2013

Increase (decrease) in cash and cash equivalents

Operating transactions

Transfer of accumulated surplus after the transition	\$ 370,644
Annual deficit	(203,287)
Amortization of tangible capital assets	8,560
Receivable - General	(140,058)
Receivable - Federal government and its agencies	(62,950)
Payables and accruals	203,183
Post employment benefits payable	173,679
Change in prepaid expenses	<u>(42,573)</u>
	<u>307,198</u>

Capital transactions

Acquisition of tangible capital assets	<u>(42,796)</u>
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Investing transactions

Investments	<u>(232,555)</u>
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Net increase in cash and cash equivalents 31,847

Cash and cash equivalents
Beginning of year

-

End of year

\$ 31,847

1. Purpose of the organization

The Regional Service Commission 6 is governed by the NB Regional Service Delivery Act and Regulations. The Regional Service Commission 6 is exempt from income tax under section 149(1)(c) of the Canadian Income Tax Act. The Commission's mandate is to deliver, or facilitate the delivery of mandated services to communities, facilitate voluntary service arrangements among interested communities, and act as a regional forum for collaboration among communities on regional issues.

2. Summary of significant accounting policies

The consolidated financial statements of the Regional Service Commission 6 are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSA financial statements is on the financial position of the Commission and the changes thereto. The Consolidated Statement of Financial Position includes all of the assets and liabilities of the Commission.

Significant aspects of the accounting policies adopted by the Commission are as follows:

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net assets and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Commission and which are owned or controlled by the Commission.

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these financial statements were approved by the Board of Directors on November 15, 2012 and the Transition Leader on November 25, 2012.

Revenue recognition

- (a) Unrestricted revenue is recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.
- (b) Other revenue is recorded when it is earned.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results may differ from those estimates.

2. Summary of significant accounting policies (continued)

Financial instruments

The Commission's financial instruments consist of cash, short-term investments, accounts receivable, due from the Federal Government, due from own funds, payables and accruals. Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Commission is subject to credit risk through accounts receivable. The Commission minimizes credit risk through ongoing credit management.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Tangible capital assets

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

Asset type	<u>Years</u>
Furniture and equipment	5-10years

Segmented information

The Regional Service Commission 6 provides mandated services. For management reporting purposes, the Commission's operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. The following services are provided:

Regional planning

The Commission is responsible for the development of a Regional Plan, the aim of which would be to better coordinate and manage development and land use within its respective region.

Local planning in Local Service Districts

This department includes the development of rural plans, the administration and enforcement of the plans, the issuance of building permits, conducting building inspections, and the approval of subdivisions.

Solid waste management

The Commission provides solid waste disposal services to the Municipalities, Rural Communities and Local Service Districts within its respective region which includes the operation of the landfills and transfer station, as well the coordination of recycling programs, the handling of hazardous waste and the promotion of composting.

Regional policing collaboration

The Commission serves as a forum through which the effectiveness and efficiency of policing services is reviewed and evaluated on a regional basis. The Commission identifies issues of common concern within its region and provide direction on priorities for policing services.

Regional emergency measures planning

The Commission serves as the vehicle through which Municipalities, Rural Communities and Local Service Districts plan, coordinate and pool resources on a regional basis in order to enable more effective responses to emergency situations.

2. Summary of significant accounting policies (continued)

Regional sport, recreational and cultural infrastructure planning and cost-sharing

The Commission is responsible for facilitating the planning and cost-sharing of major sport, recreational and cultural facilities within its respective region. It is the entity through which Municipalities, Rural Communities and Local Service Districts come together to identify and reach consensus on the need, the scope and the financing required for new facilities.

Post employment benefits

The Commission provides sick leave that can accumulate to a set maximum amount and that can be paid out upon termination of employment. A liability is recognized based on an actuarial valuation.

3. Due from Federal government and its agencies

	<u>2013</u>
Canada Revenue Agency (HST refund)	\$ <u>62,950</u>

4. Tangible capital assets

	<u>2013</u>
Cost	
Balance, beginning of year	\$ 64,604
Additions during the year	-
Disposal during the year	-
Balance, end of year	<u>64,604</u>
Accumulated amortization	
Balance, beginning of year	21,808
Amortization during the year	8,560
Accumulated amortization on disposal	-
Balance, end of year	<u>30,368</u>
Net book value	<u>\$ 34,236</u>
Consists of:	
Planning services	\$ 32,873
Solid Waste services	<u>1,363</u>
	<u>\$ 34,236</u>

Tangible capital assets consists of furniture and equipment.

5. Investments

The investments consist of term deposits with maturity dates ranging from January 19, 2014 to December 17, 2014 and an interest rate of 0.65%.

6. Bank loan

The Commission has an authorized line of credit of \$100,000, bearing interest at prime rate (3%) and renewable annually, to finance operating funds.

7. Post employment benefits payable

(a) Retirement allowance or severance benefits

Employees of the Commission are eligible for a retirement allowance or severance benefits equivalent to the accumulated sick leave, up to a maximum of 90 days, calculated on the basis of the hourly rate of pay of the employee on the date of his or her termination of employment. These accrued benefits are payable in the year in which the employee terminated his or her employment with the Commission, either for retirement or on good terms with the employer. The sum paid to the employee will only be paid as a contribution to an RRSP.

An actuarial valuation was performed on the 9 employee plan in accordance with PSA 3250 and 3255. As at December 31, 2013, the retirement plan had a liability of \$173,679. The actuarial valuation was based on a number of assumptions about future events, such as wage and salary increase, employee turnover and retirement, and the discount rate. The assumptions used reflect the Commission's best estimates.

The major assumptions in the valuation are the following:

- 1) annual salary increase is 3.5%
 - 2) the discount rate used to determine the accrued benefit obligation is 3.75%
 - 3) the staff turnover rate is 1.5%
-

8. Contingencies

In the normal course of operations, the Commission becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 2013 cannot be predicted with certainty, it is the opinion of management and council that resolution of these matters will not have a material adverse effect as the Commission maintains insurance coverage in amounts considered appropriate.

9. Transfers to and from reserves

The transfer from the General reserve fund was approved by the Board on October 16, 2013 by resolution.

10. Commitments

The Commission leases an office under a lease expiring on October 1, 2016. Future minimum lease payments total \$84,271 and include the following payments over the next three years: 2014, \$30,644; 2015, \$30,644; 2016, \$22,983.

The Commission is committed to a lease as of November 1, 2013 until November 30, 2018 for the rental of office located in Richibucto. Future minimum lease payments total \$72,806 and include the following payments over the next five years: 2014, \$14,808; 2015, \$14,808; 2016, \$14,808; 2017, \$14,808; 2018, \$13,574.

The Commission may at any point in time buyout Rebutts Solides Canadiens Inc. by purchasing the land, building, equipment, vehicles, and all other capital assets as follows:

a) Land, buildings and all other capital assets used at the transfer station (except for all equipment and vehicles) at a value of \$848,000 as at January 1, 1995 amortized over a period of 20 years at the same rate of interest that Rebutts Solides Canadiens Inc. obtained to finance the transfer station. Should the purchase take place after January 1, 2000, the initial value will be reduced by \$95,000.

b) Equipment and vehicles owned by Rebutts Solides Canadiens Inc. at the fair market value at the time of the said buyout.

c) Future income loss at the present value of \$40,000 per year for the remainder of the contract discounted at a rate which is 3% lower than the rate of interest defined in 10(a) above.

The contract expires on December 31, 2014. At that time, the Commission may exercise the option to purchase the site, transfer station and equipment at a cost of \$1.

11. Contractual obligations

The Commission has a contractual obligation to pay Rebutts Solides Canadiens Inc. the following:

- a basic annual fee which is to be adjusted yearly by 75% of the Consumer Price Index;
- a fee per tonne of municipal solid waste delivered to the transfer station, which is to be adjusted yearly by 75% of the Consumer Price Index.

The Commission has a contractual obligation to pay Westmorland-Albert Solid Waste Corporation a fee per tonne of municipal solid waste delivered to the Solid Waste Management Facility. This fee will be adjusted yearly, but shall not exceed the user fees paid by the municipal users from the counties of Westmorland and Albert, providing that there is a minimum of 8,400 tonnes delivered.

12. Inter-fund borrowing

The Financial Reporting Manual requires that short-term inter-fund borrowings be repaid in the next year unless the borrowing is for a capital project. The amounts payable between funds are in not in compliance with the requirements.

REGIONAL SERVICE COMMISSION 6
Notes to the Consolidated Financial Statements
December 31, 2013

13. Schedule of Segment Disclosure

	Corporate Services	Cooperative & Regional Planning Services	Local Planning Services	Solid Waste Services	Consolidated
Revenues					
Member charges	\$ -	\$ 47,720	\$ 606,763	\$ 1,008,142	\$ 1,662,625
Sale of services	-	-	26,486	-	26,486
Government transfers	8,788	-	-	19,768	28,556
Interest	-	-	1,957	1,697	3,654
Other revenue	-	-	3,842	458,688	462,530
	8,788	47,720	639,048	1,488,295	2,183,851
Expenses					
Salaries and benefits	147,759	5,668	556,497	63,548	773,472
Goods and services	78,929	-	91,509	1,397,267	1,567,705
Amortization	-	-	8,219	341	8,560
Other	-	-	37,401	-	37,401
	226,688	5,668	693,626	1,461,156	2,387,138
Surplus (deficit) for the year	\$ (217,900)	\$ 42,052	\$ (54,578)	\$ 27,139	\$ (203,287)

REGIONAL SERVICE COMMISSION 6
Notes to the Consolidated Financial Statements
December 31, 2013

14. Reconciliation of annual surplus

	Corporate services	Cooperative & Regional Planning Operating	Local Planning Operating Fund	Planning Services Capital Fund	Solid Waste Operating Fund	Solid Waste Capital Fund	Operating Reserve Fund	Capital Reserve Fund	Total
2013 annual surplus (deficit)	\$ (217,900)	\$ 42,052	\$ (46,360)	\$ (8,219)	\$ 25,784	\$ (341)	\$ 664	\$ 1,033	\$ (203,287)
Adjustments to annual surplus (deficit) for funding requirements									
Second previous year's surplus	-	-	37,401	-	(5,869)	-	-	-	31,532
Transfers between funds									
Transfer from general reserve fund to solid waste operating fund	-	-	-	-	29,353	-	(29,353)	-	-
Allocation from corporate services	216,851	(43,370)	(99,642)	-	(73,839)	-	-	-	-
Amortization expense	-	-	-	8,219	-	341	-	-	8,560
Change in amount recorded under PSA for defined benefit liability	1,049	-	67,963	-	3,851	-	-	-	72,863
Total adjustments to 2013 annual surplus (deficit)	217,900	(43,370)	5,722	8,219	(46,504)	341	(29,353)	-	112,955
2013 annual fund surplus (deficit)	\$ -	\$ (1,318)	\$ (40,638)	\$ -	\$ (20,720)	\$ -	\$ (28,689)	\$ 1,033	\$ (90,332)

REGIONAL SERVICE COMMISSION 6
Notes to the Consolidated Financial Statements
December 31, 2013

15. Statement of Reserves

	Operating Reserve	Capital Reserve	2013 Total
Assets			
Investments	\$ 101,014	\$ 131,540	\$ 232,554
Accrued interest receivable	102	337	439
Payables	(29,655)	(408)	(30,063)
Accumulated Surplus	<u>\$ 71,461</u>	<u>\$ 131,469</u>	<u>\$ 202,930</u>
Revenue			
Interest	<u>\$ 664</u>	<u>\$ 1,033</u>	<u>\$ 1,697</u>
Expenditures			
Transfert to solid waste operating fund	<u>29,353</u>	-	-
	<u>29,353</u>	-	-
Annual Surplus (Deficit)	<u>\$ (28,689)</u>	<u>\$ 1,033</u>	<u>\$ 1,697</u>

REGIONAL SERVICE COMMISSION 6
Notes to the Consolidated Financial Statements
December 31, 2013

16. Operating Budget to PSA Budget

	Corporate Services	Cooperative & Regional Planning Services	Local Planning Services	Solid Waste Services	Amortization TCA	Transfers	Total
Revenue							
Member charges	\$ -	\$ 47,720	\$ 606,763	\$ 1,170,123	\$ -	\$ -	\$ 1,824,606
Sale of services	-	-	40,000	-	-	-	40,000
Transfers from own and other funds	208,600	-	-	-	-	(208,600)	-
Interest	-	-	2,000	-	-	-	2,000
Surplus of second previous year	-	-	37,401	-	-	(37,401)	-
Other revenue	-	-	3,024	446,719	-	-	449,743
	208,600	47,720	689,188	1,616,842	-	(246,001)	2,316,349
Expenditures							
Governance	39,000	-	-	-	-	-	39,000
Administration	169,600	41,720	182,251	157,740	-	(208,600)	342,711
Regional planning	-	1,000	-	-	-	-	1,000
Regional policing collaboration	-	2,000	-	-	-	-	2,000
Regional emergency measures planning	-	2,000	-	-	-	-	2,000
Regional sport, recreation & culture infrastructure planning and cost-sharing	-	1,000	-	-	-	-	1,000
Planning and building inspection services	-	-	504,937	-	8,219	-	513,156
Operations - Solid waste service	-	-	-	1,453,233	341	-	1,453,574
Fiscal services	-	-	2,000	-	-	-	2,000
Interest	-	-	-	-	-	-	-
Other fiscal services	-	-	-	5,869	-	(5,869)	-
Deficit of second previous year	-	-	-	-	-	-	-
	208,600	47,720	689,188	1,616,842	8,560	(214,469)	2,356,441
Surplus (Deficit)	\$ -	\$ -	\$ -	\$ -	\$ (8,560)	\$ (31,532)	\$ (40,092)

REGIONAL SERVICE COMMISSION 6
Notes to the Consolidated Financial Statements
December 31, 2013

17. Expense support	Budget 2013	Actual 2013
Governance		
Corporate services		
Board members		
Honorariums	\$ 28,500	\$ 41,083
Travel	7,500	12,197
Training and development	-	4,538
Other	3,000	2,133
	\$ 39,000	\$ 59,951
Administration		
Corporate services		
Executive Director's office		
Salaries and benefits	\$ 113,400	\$ 90,498
Travel	5,000	1,848
Training and development	4,000	8,760
Financial management		
External audit and accounting fees	23,500	37,878
Other administration services		
Advertising and public relations	-	4,446
Liability insurance	10,300	2,369
Professional services	8,000	6,593
Office building	3,000	6,129
Office equipment and supplies	1,200	5,043
Telecommunications	1,200	3,173
	169,600	166,737
Local planning services		
Other administration services		
Advertising and public relations	13,000	4,106
Professional services	1,000	1,342
Office building	34,000	37,872
Office equipment and supplies	15,500	7,787
Telecommunications	11,500	13,277
Other	11,400	7,368
	86,400	71,752
Solid waste services		
Director's office		
Salaries and benefits	52,495	59,464
Travel	1,600	3,357
Training and development	1,000	3,921
WorkSafe NB	400	727
Insurance	-	2,620
Other administration services		
Office building	3,696	3,388
Office equipment and supplies	4,700	1,476
Telecommunications	2,000	2,325
Other	-	1,982
Public education		
Advertising, tours, promotional	13,800	13,140
Travel	1,020	85
Technical committee	6,000	5,871
	86,711	98,356
	\$ 342,711	\$ 336,845

REGIONAL SERVICE COMMISSION 6
Notes to the Consolidated Financial Statements
December 31, 2013

17. Expense support	Budget 2013	Actual 2013
Regional planning		
Travel	\$ 1,000	\$ 952
Regional policing collaboration		
Travel	\$ 2,000	\$ 1,860
Regional emergency measures planning		
Travel	\$ 2,000	\$ 1,939
Regional sport, recreation & culture infrastructure planning and cost-sharing		
Travel	\$ 1,000	\$ 917
Planning and building inspection services		
Planning services		
Salaries and benefits	\$ 322,992	\$ 421,892
Travel	13,000	13,055
Training and development	9,400	8,019
Planning review and adjustment committee	11,900	6,071
Other	1,500	-
Amortization	8,219	8,219
	<u>367,011</u>	<u>457,256</u>
Inspection services		
Salaries and benefits	121,195	109,155
Travel	22,000	12,396
Training and development	2,750	5,034
Other	200	-
	<u>146,145</u>	<u>126,585</u>
	<u>\$ 513,156</u>	<u>\$ 583,841</u>
Solid waste services		
Landfill operations		
Half-ton day	\$ 2,000	\$ 3,034
Albert-Westmorland landfill	1,050,117	1,031,909
Fee for construction and demolition	45,161	45,466
Tiru - Residential fee	50,150	46,565
Tiru - Base fee	138,014	31,975
	<u>1,285,442</u>	<u>1,158,949</u>
Transfer station operations		
Separation costs	51,000	51,628
Feasibility study	-	47,490
	<u>51,000</u>	<u>99,118</u>
Waste diversion		
Agreement Nepisiguit-Chaleur	40,275	41,978
Agreement Northumberland recycling	17,141	13,996
Waste transportation costs	34,500	30,403
	<u>91,916</u>	<u>86,377</u>
Composting program		
Residential compostors	4,875	2,256
Hazardous household waste		
Contract Albert-Westmorland	20,000	15,760
Amortization	341	341
	<u>\$ 1,453,574</u>	<u>\$ 1,362,801</u>

REGIONAL SERVICE COMMISSION 6
Notes to the Consolidated Financial Statements
December 31, 2013

17. Expense support

	Budget 2013	Actual 2013
Fiscal services		
Local planning services		
Banking service charge	\$ 2,000	\$ 631
Other fiscal services	-	37,401
	<u>\$ 2,000</u>	<u>\$ 38,032</u>