
**VALLEY REGION SOLID WASTE-RESOURCE
MANAGEMENT AUTHORITY**

FINANCIAL STATEMENTS
MARCH 31, 2017

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VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

MANAGEMENT'S REPORT MARCH 31, 2017

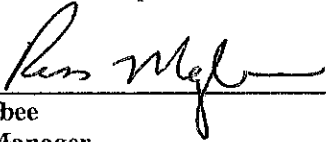
Management's Responsibility for the Financial Statements

The accompanying financial statements of the Valley Region Solid Waste-Resource Management Authority (the "Authority") are the responsibility of the Authority's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies are described in Note 3 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

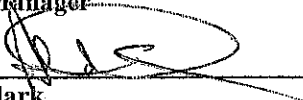
The Authority maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Levy Casey Carter MacLean Chartered Professional Accountants, independent external auditors appointed by the Authority. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.



Ross Maybee
General Manager



Glenda Clark
Accountant

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY:

We have audited the accompanying financial statements, which comprise the statement of financial position of the Valley Region Solid Waste-Resource Management Authority as at March 31, 2017 and the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 financial statements present fairly, in all material respects, the financial position of the Valley Region Solid Waste-Resource Management Authority as at March 31, 2017, and the results of its operations, changes in its net financial debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halifax, Nova Scotia
July 12, 2017

Levy Casey Carter MacLean
Chartered Professional Accountants
Licensed Public Accountants

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Financial assets		
Cash and cash equivalents	\$ 1,228,603	\$ 1,177,240
Cash and equivalents - capital reserve	49,683	49,387
Accounts receivable (note 4)	518,358	441,070
Portfolio investments - capital reserve (note 5)	<u>911,668</u>	<u>710,905</u>
	<u>2,708,312</u>	<u>2,378,602</u>
Financial liabilities		
Trade payables	638,246	653,303
Accrued liabilities	218,652	190,160
Allowance for vacation pay	35,381	23,515
Surplus payable to municipal partners (note 6)	704,682	648,158
Deferred contributions	-	194
Term financing and demand loan (note 8)	<u>3,242,111</u>	<u>3,092,048</u>
	<u>4,839,072</u>	<u>4,607,378</u>
Net financial debt	<u>(2,130,760)</u>	<u>(2,228,776)</u>
Non-financial assets		
Tangible capital assets (note 9)	5,662,563	5,862,439
Prepaid expenditures	<u>85,231</u>	<u>112,397</u>
	<u>5,747,794</u>	<u>5,974,836</u>
Accumulated surplus	\$ <u>3,617,034</u>	\$ <u>3,746,060</u>
Accumulated surplus is comprised of:		
Accumulated surplus (page 4)	\$ 3,605,964	\$ 3,765,335
Accumulated rereasurement gains (losses) (page 5)	<u>11,070</u>	<u>(19,275)</u>
	\$ <u>3,617,034</u>	\$ <u>3,746,060</u>
Contractual obligations and commitments (note 10)		

On Behalf of the Valley Region Solid Waste Resource Management Authority

Chairman

General Manager

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2017

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
Revenues			
Municipal contributions	\$ 7,452,756	\$ 7,452,756	\$ 7,683,087
West management centre	438,100	493,688	464,728
East management centre	1,582,600	1,889,954	1,591,741
Return on investment	10,000	32,057	29,193
Administration	426,300	448,398	505,142
Communications and enforcement	237,500	229,467	236,508
Divert NS approved programs	85,000	81,473	85,358
Wind turbine	<u>70,000</u>	<u>42,001</u>	<u>17,591</u>
	<u>10,302,256</u>	<u>10,669,794</u>	<u>10,613,348</u>
Expenditures			
General administration	455,944	511,434	437,741
Fiscal services	200,740	79,667	67,171
West management centre	615,514	648,638	681,272
East management centre	1,096,005	1,060,779	1,064,124
Residential collection	2,972,900	2,838,216	2,790,555
Construction and demolition debris processing	110,150	157,770	139,793
Recyclable processing and transportation	860,400	825,441	862,982
Organics processing and transportation	978,900	981,605	1,000,933
Residuals processing and transportation	1,930,300	1,822,840	1,862,983
Communications and enforcement	588,915	593,738	488,824
Wind turbine	7,950	35,979	1,686
Information technology	<u>33,150</u>	<u>33,235</u>	<u>35,054</u>
	<u>9,850,868</u>	<u>9,589,342</u>	<u>9,433,118</u>
Net revenues before other expenditures (note 12)	\$ <u>451,388</u>	1,080,452	1,180,230
Other income (expenditures)			
Amortization		(532,152)	(514,882)
Gain on disposal of tangible capital assets		-	28,000
Loss on disposal of portfolio investments		<u>(2,989)</u>	<u>(827)</u>
Annual surplus		545,311	692,521
Transfers to municipal partners (note 6)		(704,682)	(648,158)
Accumulated surplus, beginning of year		<u>3,765,335</u>	<u>3,720,972</u>
Accumulated surplus, end of year		\$ <u>3,605,964</u>	\$ <u>3,765,335</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Unrealized gains (losses) attributable to:		
Portfolio investments in equity instruments traded in an active market	\$ 27,356	\$ (22,436)
Amounts reclassified to the statement of operations:		
Portfolio investments in equity instruments traded in an active market	<u>2,989</u>	<u>827</u>
Net remeasurement gains (losses)	30,345	(21,609)
Accumulated remeasurement gains (losses), beginning of the year	<u>(19,275)</u>	<u>2,334</u>
Accumulated remeasurement gains (losses), end of year	<u>\$ 11,070</u>	<u>\$ (19,275)</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

STATEMENT OF CHANGES IN NET FINANCIAL DEBT
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus	\$ 545,311	\$ 692,521
Transfers to municipal partners	<u>(704,682)</u>	<u>(648,158)</u>
	<u>(159,371)</u>	<u>44,363</u>
Change in tangible capital assets		
Acquisition of tangible capital assets	(332,276)	(882,835)
Amortization of tangible capital assets	532,152	514,882
Gain on disposal of tangible capital assets	-	(28,000)
Proceeds on sale of tangible capital assets	<u>-</u>	<u>28,000</u>
Increase (decrease) in tangible capital assets	<u>199,876</u>	<u>(367,953)</u>
Change in other non-financial assets		
Increase in prepaid expenditures	<u>27,166</u>	<u>(34,754)</u>
Net remeasurement gains (losses) (page 5)	<u>30,345</u>	<u>(21,609)</u>
Increase (decrease) in net financial debt	98,016	(379,953)
Net financial debt, beginning of year	<u>(2,228,776)</u>	<u>(1,848,823)</u>
Net financial debt, end of year	<u>\$ (2,130,760)</u>	<u>\$ (2,228,776)</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Operating activities		
Annual surplus	\$ 545,311	\$ 692,521
Items not involving cash:		
Amortization	532,152	514,882
Gain on disposal of tangible capital assets	-	(28,000)
Loss on disposal of investments	<u>2,989</u>	<u>827</u>
	<u>1,080,452</u>	<u>1,180,230</u>
Net change in non-cash working capital balances related to operations (note 13)	<u>(25,015)</u>	<u>131,359</u>
Net cash generated from operations	<u>1,055,437</u>	<u>1,311,589</u>
Financing activities		
Repayment of term financing and demand loan	(1,108,937)	(248,504)
Proceeds from term financing and demand loan	1,259,000	860,000
Surplus repayments to municipal partners	<u>(648,158)</u>	<u>(399,882)</u>
Net cash generated (used) in financing activities	<u>(498,095)</u>	<u>211,614</u>
Investing activities		
Purchase of portfolio investments	(483,699)	(53,046)
Proceeds on disposal of portfolio investments	62,875	48,207
Decrease (increase) in accrued investment income receivable	<u>(658)</u>	<u>305</u>
Net cash used in investing activities	<u>(421,482)</u>	<u>(4,534)</u>
Capital activities		
Acquisition of tangible capital assets	(332,276)	(882,835)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>28,000</u>
Net cash used in capital activities	<u>(332,276)</u>	<u>(854,835)</u>
Net cash generated (used) during the year	<u>(196,416)</u>	<u>663,834</u>
Cash and cash equivalents, beginning of year	<u>1,479,425</u>	<u>815,591</u>
Cash and cash equivalents, end of year	<u>\$ 1,283,009</u>	<u>\$ 1,479,425</u>
Represented by:		
Cash and cash equivalents	\$ 1,228,603	\$ 1,177,240
Cash and cash equivalents - capital reserve	49,683	49,387
Investment cash and equivalents (note 5)	<u>4,723</u>	<u>252,798</u>
	<u>\$ 1,283,009</u>	<u>\$ 1,479,425</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

1. Purpose of organization

The Valley Region Solid Waste-Resource Management Authority (the "Authority") is an inter-municipal services corporation made up of the Municipalities of the Counties of Kings and Annapolis, and the Towns of Berwick, Kentville, Middleton, Annapolis Royal, and Wolfville, and the Hantsport community within the Municipality of the District of West Hants. It was created for the purpose of managing all solid waste resources in the Valley Region.

The percentage of contributions by each member are based on population and uniform assessment. The following table summarizes each members' percentage of interest for the years ended March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Municipality of the County of Kings	58.13 %	58.15 %
Municipality of the County of Annapolis	20.85 %	20.85 %
Municipality of the District of West Hants (Community of Hantsport)	1.33 %	1.35 %
Town of Kentville	7.76 %	7.74 %
Town of Wolfville	6.51 %	6.47 %
Town of Berwick	2.70 %	2.71 %
Town of Middleton	1.95 %	1.96 %
Town of Annapolis Royal	0.77 %	0.77 %

The Authority is required under its by-laws to redistribute any surplus operating funds to its members' and likewise the members' are required to fund any operating deficits. This funding agreement is discussed in further detail in note 6.

During the year, the Authority was notified that the Municipality of the District of West Hants has decided to withdraw the Community of Hantsport from the inter-municipal agreement effective March 31, 2018.

2. Economic dependence

As described in note 1, the Authority is an inter-municipal service corporation dependant on funding from its partners so its ability to continue as a viable operation is dependant on maintaining this funding.

3. Significant accounting policies

The Authority has applied the following significant accounting policies:

(a) Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for government agencies established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

3. Significant accounting policies (continued)

(b) Basis of accounting

Revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with financial institutions and highly liquid investments.

(d) Interest capitalization

The Authority does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

(e) Fund accounting

The resources and operations of the Authority are comprised of the operating, capital reserve and equipment reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(f) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are initially recorded at fair market value and subsequently recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method.

Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses until such time that the financial instrument is unrecognized. When the financial instrument is unrecognized the accumulated remeasurement gain or loss is reversed and recognized on the statement of operations. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, trade payables, accrued liabilities, surplus payable to municipal partners, and term financing are recorded using the cost method. Cash and portfolio investments are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

(g) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the operating surplus or deficit and the net remeasurement gains or losses, provides the change in net financial debt for the year.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

3. Significant accounting policies (continued)

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes all costs directly attributable to the acquisition, construction, development, installation or betterment of the assets. The cost, less residual value of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives, as disclosed in note 9. Amortization is calculated at one-half the annual rate in the years of acquisition and disposal. Assets under construction are not amortized until the asset is put to use.

(i) Impairment of tangible capital assets

Service producing tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate there is a change in their ability to provide future services. An impairment loss is recognized on service providing assets when the asset no longer contributes to the Authority's ability to provide services resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its future service potential.

Income producing tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(j) Municipal transfers

Municipal transfers and Divert NS funding are recognized in the financial statements when the transfer is authorized and eligibility criteria have been met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

(k) Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

4. Accounts receivable

	<u>2017</u>	<u>2016</u>
Tipping fees and other trade receivables	\$ 361,410	\$ 275,852
Municipal partner receivables	774	358
Divert NS receivable	25,312	25,344
Federal government HST receivable	134,629	143,283
Allowance for doubtful accounts	<u>(3,767)</u>	<u>(3,767)</u>
	<u>\$ 518,358</u>	<u>\$ 441,070</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

5. Portfolio investments - capital reserve

	<u>2017</u>	<u>2016</u>
Investments, at cost	\$ 893,583	\$ 475,748
Accumulated remeasurement gains (losses)	11,070	(19,275)
Accrued investment income	2,292	1,634
Investment cash and cash equivalents	<u>4,723</u>	<u>252,798</u>
	<u>\$ 911,668</u>	<u>\$ 710,905</u>

6. Surplus payable to municipal partners

For the purpose of the Authority's surplus disbursement policy, the operating fund surplus owing to the municipal partners for fiscal 2017 is \$704,682, as calculated below.

	<u>2017</u>	<u>2016</u>
Annual surplus	\$ 545,311	\$ 692,521
Add: Amortization (note 9)	532,152	514,882
Less: Budgeted principal repayment of debts (note 12)	(248,937)	(248,504)
Less: Budgeted capital reserve fund transfer (note 12)	(161,051)	(146,410)
Less: Budgeted expenditures not yet incurred	(41,400)	(126,547)
Less: Unfinanced capital asset acquisitions	(38,276)	(22,835)
Less: Net revenues of the capital and equipment reserve funds	(9,664)	(41,957)
Add: Prior year budgeted expenditures incurred in current year	<u>126,547</u>	<u>27,008</u>
	<u>\$ 704,682</u>	<u>\$ 648,158</u>

7. Classification of expenses by object

The statement of operations and accumulated surplus represents the expenses by function; the following classifies those same expenses by object:

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
Debt financing costs	\$ 200,740	\$ 79,667	\$ 67,172
Office, supplies and other operating	567,648	576,175	544,284
Professional services	146,630	201,913	155,421
Salaries, wages and benefits	1,941,908	2,042,177	1,938,786
Significant contract services	6,748,150	6,523,003	6,559,923
Utilities	<u>243,792</u>	<u>166,407</u>	<u>167,532</u>
	<u>\$ 9,848,868</u>	<u>9,589,342</u>	<u>9,433,118</u>
Amortization		<u>532,152</u>	<u>514,882</u>
Total expenditures		<u>\$ 10,121,494</u>	<u>\$ 9,948,000</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

8. Term financing and demand loan

	<u>2017</u>	<u>2016</u>
4.00% term loan amortized to and maturing in April 2023, repayable in equal annual installments of principal and interest of \$14,605. Secured by a guarantee from the Municipal Partners.	\$ 90,938	\$ 101,976
Debenture 32-A-1, amortized to November 2027 and maturing in November 2017. Repayable with a lump sum payment of \$1,483,092 in November 2017 unless replaced by a new debenture. Interest is paid semi-annually at a rate of 2.25% Secured by a guarantee from the Municipal Partners.	1,483,092	1,617,919
Debenture 33-A-1, amortized to May 2021 and maturing in May 2018, repayable in equal annual installments of \$51,533 plus interest paid semi-annually at rates varying from 1.85% to 2.05%. Secured by a guarantee from the Municipal Partners.	290,401	341,934
Debenture 34-A-1, amortized to and maturing in June 2019, repayable in equal annual installments of \$39,560 plus interest paid semi-annually at rates varying from 1.62% to 2.24%. Secured by a guarantee from the Municipal Partners.	118,680	158,240
Debenture 36-A-1, amortized to May 2027 and maturing in May 2021, repayable in equal annual installments of \$79,454 plus interest paid semi-annually at rates varying from 1.15% to 2.0%. Secured by a guarantee from the Municipal Partners.	860,000	-
Non-revolving demand loan with no set terms of repayment, bearing interest at prime minus 0.5% with interest payable monthly. Secured by all present and future assets of the Authority and a guarantee from the Municipal Partners.	399,000	-
Loans repaid during the year	<u>-</u>	<u>871,979</u>
	<u>\$ 3,242,111</u>	<u>\$ 3,092,048</u>

Minimum principal repayments required assuming consistency in interest rates and repayment terms are as follows:

2018	\$ 2,064,119
2019	369,839
2020	131,459
2021	92,407
2022	555,662
Thereafter	<u>28,625</u>
Total	<u>\$ 3,242,111</u>

The Authority also has access to a credit card with a limit of \$20,000 bearing interest at 18.5%. At March 31, 2017 this credit card had a balance of \$2,755 (2016 - \$3,369).

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

9. Tangible capital assets

	Rate (in years)	COST			
		Opening	Additions	Disposals	Ending
Land:					
Eastern management centre		\$ 252,907	\$ -	\$ -	\$ 252,907
Western management centre		41,246	-	-	41,246
Buildings:					
Eastern management centre	25	3,856,359	-	-	3,856,359
Western management centre	25	2,630,025	48,123	-	2,678,148
Administration building	25	2,036,375	-	-	2,036,375
Cart storage building	25	284,139	-	-	284,139
Computer system upgrade	5	10,535	-	-	10,535
Carts	10	3,204,503	-	-	3,204,503
Scales	10	196,853	78,654	(41,143)	234,364
Seasonal drop off bins	10	100,144	-	-	100,144
Utility trailer	10	12,114	-	-	12,114
HHW depots	10	69,627	-	-	69,627
Digesters (green cones)	10	8,089	-	-	8,089
Signage	10	7,366	-	(3,512)	3,854
Retaining walls	50	3,707	-	-	3,707
Trucks	5-10	800,846	205,499	-	1,006,345
Loader	10	757,687	-	-	757,687
Compaction equipment	10	134,878	-	-	134,878
Wind turbine	20	571,816	-	-	571,816
		<u>\$ 14,979,216</u>	<u>\$ 332,276</u>	<u>\$ (44,655)</u>	<u>\$ 15,266,837</u>

	ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening	Disposals	Amortization	Ending	2017	2016
Land:						
Eastern management centre	\$ -	\$ -	\$ -	\$ -	\$ 252,907	\$ 252,907
Western management centre	-	-	-	-	41,246	41,246
Buildings:						
Eastern management centre	2,472,384	-	154,254	2,626,638	1,229,721	1,383,975
Western management centre	1,755,699	-	106,163	1,861,862	816,286	874,326
Administration building	284,421	-	81,455	365,876	1,670,499	1,751,954
Cart storage building	23,678	-	9,471	33,149	250,990	260,461
Computer system upgrade	3,161	-	2,107	5,268	5,267	7,374
Carts	3,158,214	-	20,306	3,178,520	25,983	46,289
Scales	124,252	(41,143)	11,575	94,684	139,680	72,601
Seasonal drop off bins	100,144	-	-	100,144	-	-
Utility trailer	7,072	-	1,008	8,080	4,034	5,042
HHW depots	69,627	-	-	69,627	-	-
Digesters (green cones)	8,089	-	-	8,089	-	-
Signage	3,705	(3,512)	385	578	3,276	3,661
Retaining walls	1,149	-	74	1,223	2,484	2,558
Trucks	644,207	-	54,796	699,003	307,342	156,639
Loader	357,545	-	52,935	410,480	347,207	400,142
Compaction equipment	89,135	-	9,032	98,167	36,711	45,743
Wind turbine	14,295	-	28,591	42,886	528,930	557,521
	<u>\$ 9,116,777</u>	<u>\$ (44,655)</u>	<u>\$ 532,152</u>	<u>\$ 9,604,274</u>	<u>\$ 5,662,563</u>	<u>\$ 5,862,439</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

10. Contractual obligations and commitments

The Authority has entered into the following long term agreements to meet their mandate of providing solid waste management services to residents of the municipal partners:

(a) Disposal of residual solid waste

The Authority has entered into a twenty year contract, expiring March 31, 2036, with the Municipality of the District of Chester (the "Municipality") for the disposal of residual solid waste at its Kaizer Meadow landfill. The contract stipulates the Authority shall pay a per tonne tipping fee in an amount equal to the Authority's proportionate share of the net per tonne operating cost of the landfill's operations. These per tonne operating costs include an allowance for the closure and post-closure costs associated with the landfill. During the year the Authority paid \$1,572,309 (2016 - \$1,483,128) in tipping fees to the Municipality.

It is the responsibility of the Municipality to maintain a landfill closure reserve to fund the landfill closure and post-closure liabilities. At March 31, 2016 the Municipality had a landfill closure reserve of \$4,172,779 to fund an estimated closure and post-closure liability of \$3,763,618. Deficiencies in the Municipality's landfill reserves could result in an increase in the cost of future tipping fees.

(b) Collection and transportation of source separated solid waste

The Authority has entered into a five year contract for the collection and transportation of source separated solid waste. The contract includes the monthly cost of curb side collection and transportation and the per ton cost of spring and fall clean up and leaf collection and is set to expire on March 31, 2019. During the year the Authority paid \$3,007,961 (2016 - \$2,973,544) in relation to this contract.

(c) Organics composting

The Authority has entered into a five year contract for the composting of organic solid waste collected through its source separated curbside program. The contract stipulates that the Authority will provide a minimum of 4,750 metric tonnes of organic feedstock annually and is set to expire on March 31, 2018. During the year the Authority paid \$1,080,318 (2016 - \$1,093,567) in relation to this contract.

(d) Recyclables processing

The Authority has entered into a ten year contract for the processing of recyclable solid waste at the Eastern and Western Management Centres. This contract is set to expire on March 31, 2018. During the year the Authority paid \$908,637 (2016 - \$945,615) in relation to this contract.

(e) Transportation of source separated solid waste

The Authority has entered into a five year contract for the transportation of source separated solid waste. The contract includes the per ton cost of transporting compacted solid waste from the Eastern and Western Management Centres and is set to expire on March 31, 2020. During the year the Authority paid \$455,760 (2016 - \$454,253) in relation to this contract.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

11. Pension

Certain employees of the Authority are members of the Municipality of the County of Kings defined contribution pension plan. During the year the Authority contributed \$93,696 (2016 - \$85,750) to the pension plan.

12. Budget information

The Authority's budget is prepared on a break-even basis even though the statement of operations and accumulated surplus shows a budgeted surplus. This is due to certain budgeted items that are not presented on the statement of operations and accumulated surplus. These budgeted items are as follows:

	<u>2017</u>	<u>2016</u>
Term financing principal repayments	\$ 248,937	\$ 248,504
Tangible capital asset additions	-	20,138
Transfers to the capital reserve fund	161,051	146,410
Budgeted items rolled forward to next year	<u>41,400</u>	<u>87,932</u>
	<u>\$ 451,388</u>	<u>\$ 502,984</u>

The budget figures presented are for comparison purposes and are unaudited.

13. Net change in non-cash working capital balances related to operations

	<u>2017</u>	<u>2016</u>
Increase (decrease) in cash from changes in:		
Tipping fees and other trade receivables	\$ (85,558)	\$ (21,002)
Municipal partner receivables	(416)	(22)
Divert NS receivable	32	4,701
Federal government HST receivable	8,654	(20,833)
Prepaid expenses	27,166	(34,753)
Trade payables	(15,057)	86,920
Accrued liabilities	28,492	121,018
Allowance for vacation pay	11,866	6,128
Deferred contributions	<u>(194)</u>	<u>(10,798)</u>
	<u>\$ (25,015)</u>	<u>\$ 131,359</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

14. Internally restricted reserve funds

Capital reserve fund

The Authority has committed to fund a capital reserve for the purpose of financing future significant repairs or replacement of the eastern and western management centres, as agreed to by the municipal partners. This agreement stipulates estimated annual contributions from 2011 to 2025. There was \$161,051 contributed to the capital reserve fund during 2017 with estimated contributions over the next five years per the agreement as follows:

2018	\$	177,156
2019	\$	194,872
2020	\$	214,359
2021	\$	235,795
2022	\$	259,374

The capital reserve fund agreement outlines contributions to continue through to 2025 with an annual increase of 10%. The capital reserve fund cash is restricted for this purpose. The funds in the capital reserve are held in an interest bearing account with the CIBC and in investments with Scotia MacLeod.

Equipment reserve fund

The Authority has established an equipment reserve fund for the purpose of financing the cost of future equipment replacements. The funds are held in the capital reserve fund's interest bearing account with the CIBC.

15. Financial risks

The following are the significant risks that the Authority is exposed to through its financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's main credit risks relate to its tipping fees and other trade receivables. In order to reduce its credit risk, the Authority has adopted credit policies which include credit checks on specified customers. The Authority does not have a significant exposure to any individual customer or counterpart.

(b) Interest rate risk

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 bank demand loan bears interest at the bank prime rate minus 0.5%. Changes in the bank's prime lending rate can cause fluctuation in interest payments and cash flows. The Authority does not use derivative financial instruments to alter the effects of this risk.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority's investments in publicly traded securities expose the Authority to market risk as such investments are subject to price changes in the open market. The Authority does not use derivative financial instruments to alter the effects of this risk.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

16. Accumulated surplus

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Equity in Capital Assets</u>	<u>2017 Total</u>	<u>2016 Total</u>
Opening balance	\$ 215,376	\$ 730,409	\$ 49,158	\$ 2,770,392	\$ 3,765,335	\$ 3,720,972
Annual surplus (deficit)	1,067,798	9,368	297	(532,152)	545,311	692,521
Transfers to partners	(704,682)	-	-	-	(704,682)	(648,158)
Purchase of capital assets	(332,276)	-	-	332,276	-	-
Proceeds from term financing	1,259,000	-	-	(1,259,000)	-	-
Repayment of term financing	(1,108,937)	-	-	1,108,937	-	-
Interfund transfers	<u>(161,051)</u>	<u>161,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ 235,228</u>	<u>\$ 900,828</u>	<u>\$ 49,455</u>	<u>\$ 2,420,453</u>	<u>\$ 3,605,964</u>	<u>\$ 3,765,335</u>