
VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2018



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VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

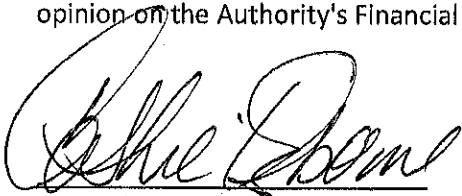
Management's Responsibility for the Financial Statements

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 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.



General Manager



Finance Manager

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, 2018 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, 2018, 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
September 19, 2018


Chartered Professional Accountants
Licensed Public Accountants

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VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31

2018 2017

Financial assets

Cash and cash equivalents	\$ 576,095	\$ 1,228,603
Cash and cash equivalents - capital reserve	50,101	49,683
Accounts receivable (note 4)	576,443	518,358
Receivable from municipal parties (note 6)	23,544	-
Portfolio investments - capital reserve (note 5)	1,095,449	911,668
	<u>2,321,632</u>	<u>2,708,312</u>

Financial liabilities

Trade payables	818,495	638,245
Accrued liabilities	355,798	136,200
Accrued employee liabilities	109,910	117,833
Payable to municipal parties (note 6)	-	704,682
Payable to the Municipality of the District of Chester (note 10a)	997,901	-
Terms financing and demand loan (note 8)	2,925,257	3,242,111
	<u>5,207,361</u>	<u>4,839,071</u>

Net financial debt

(2,885,729) (2,130,759)

Non-financial assets

Tangible capital assets (note 9)	5,348,672	5,662,564
Prepaid expenditures	90,853	85,231
	<u>5,439,525</u>	<u>5,747,795</u>

Accumulated surplus

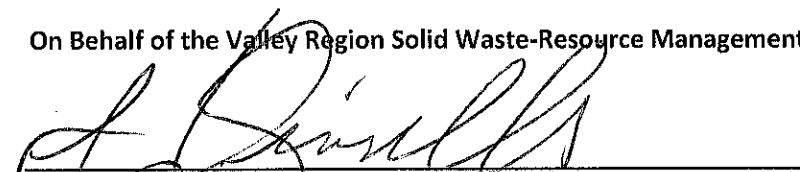
\$ 2,553,796 \$ 3,617,036

Comprised of


Realized surplus (page 4)	\$ 2,526,735	\$ 3,605,966
Accumulated remeasurement gains (page 5)	27,061	11,070
	<u>\$ 2,553,796</u>	<u>\$ 3,617,036</u>

Contractual obligations and commitments (note 10)

On Behalf of the Valley Region Solid Waste-Resource Management Authority



 Chair



 General Manager

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

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**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31**

	Budget (note 12)	2018	2017
Revenues			
Municipal contributions	\$ 7,452,400	\$ 7,452,400	\$ 7,452,756
West management centre	474,000	516,379	493,688
East management centre	1,835,300	2,026,763	1,889,954
Return on investment	10,000	38,751	32,056
Administration	494,300	503,138	448,397
Communications and enforcement	220,500	215,630	229,467
Divert NS approved programs	80,000	86,875	81,473
Wind turbine	50,000	45,922	42,001
	<u>10,616,500</u>	<u>10,885,858</u>	<u>10,669,792</u>
Expenditures			
General administration	534,595	559,478	511,432
Fiscal services	114,745	94,596	79,667
West management centre	657,452	686,547	648,638
East management centre	1,176,361	1,121,473	1,060,779
Residential collection	2,939,770	2,965,802	2,838,216
Construction and demolition debris processing	199,750	162,786	157,770
Recyclable processing and transportation	838,700	814,839	825,441
Organics processing and transportation	1,026,040	1,021,683	981,605
Residuals processing and transportation	1,954,900	3,254,928	1,822,840
Communications and enforcement	621,827	691,688	593,738
Wind turbine	9,200	14,477	35,979
Information technology	33,150	30,587	33,235
	<u>10,106,490</u>	<u>11,418,884</u>	<u>9,589,340</u>
Net operating revenue over expenditures	<u>\$ 510,010</u>	<u>(533,026)</u>	<u>1,080,452</u>
Other items			
Amortization		(541,844)	(532,152)
Loss on disposal of portfolio investments		(27,905)	(2,989)
Annual surplus (deficit)		(1,102,775)	545,311
Transfers from (to) municipal parties (note 6)		23,544	(704,682)
Accumulated surplus			
Beginning of year		<u>3,605,966</u>	<u>3,765,337</u>
End of year		<u>\$ 2,526,735</u>	<u>\$ 3,605,966</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
MARCH 31

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	2018	2017
Accumulated remeasurement gains (losses), beginning of year		
Market value of portfolio investments	\$ 911,668	\$ 710,905
Cost of portfolio investments	<u>900,598</u>	<u>730,180</u>
	<u>11,070</u>	<u>(19,275)</u>
Losses realized during the year, reclassified to statement of operations	27,905	2,989
Changes in market value of portfolio investments traded in an active market	<u>(11,914)</u>	<u>27,356</u>
Net remeasurement gains during year	<u>15,991</u>	<u>30,345</u>
Accumulated remeasurement gains, end of year		
Market value of portfolio investments	1,095,449	911,668
Cost of portfolio investments	<u>1,068,388</u>	<u>900,598</u>
	<u>\$ 27,061</u>	<u>\$ 11,070</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT
FOR THE YEAR ENDED MARCH 31

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	2018	2017
Annual surplus (deficit)	\$ (1,102,775)	\$ 545,311
Transfers (to) from municipal partners	<u>23,544</u>	<u>(704,682)</u>
	<u>(1,079,231)</u>	<u>(159,371)</u>
Change in tangible capital assets		
Acquisition of tangible capital assets	(230,038)	(332,276)
Disposal of tangible capital assets	2,086	-
Amortization of tangible capital assets	<u>541,844</u>	<u>532,152</u>
	<u>313,892</u>	<u>199,876</u>
Change in other non-financial assets		
Decrease (increase) in prepaid expenditures	<u>(5,622)</u>	<u>27,166</u>
Net remeasurement gains (page 5)	<u>15,991</u>	<u>30,345</u>
Decrease (increase) in net financial debt	(754,970)	98,016
Net financial debt		
Beginning of year	<u>(2,130,759)</u>	<u>(2,228,775)</u>
End of year	<u>\$ (2,885,729)</u>	<u>\$ (2,130,759)</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

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	2018	2017
Operating activities		
Annual surplus (deficit)	\$ (1,102,775)	\$ 545,311
Non-cash Items		
Amortization	541,844	532,152
Loss on disposal of investments	27,905	2,989
	<u>(533,026)</u>	1,080,452
Net change in non-cash operating working capital (note 13)	<u>1,326,119</u>	<u>(25,015)</u>
	<u>793,093</u>	1,055,437
Financing activities		
Repayment of term financing and demand loan	(1,665,118)	(1,108,937)
Issuance of term financing and demand loan	1,348,265	1,259,000
Surplus repayments to municipal partners	(704,682)	(648,158)
	<u>(1,021,535)</u>	<u>(498,095)</u>
Investing activities		
Increase in accrued interest on investments	(1,307)	(658)
Purchase of portfolio investments	(375,114)	(483,699)
Proceeds on disposal of portfolio investments	200,912	62,875
	<u>(175,509)</u>	<u>(421,482)</u>
Capital activities		
Acquisition of tangible capital assets	(230,039)	(332,276)
Disposal of tangible capital assets	2,086	-
	<u>(227,953)</u>	<u>(332,276)</u>
Net cash used during the year	(631,904)	(196,416)
Cash and cash equivalents		
Beginning of year	<u>1,283,009</u>	<u>1,479,425</u>
End of Year	<u>\$ 651,105</u>	<u>\$ 1,283,009</u>
Represented by:		
Cash and cash equivalents	\$ 576,095	\$ 1,228,603
Cash and cash equivalents - capital reserve	50,101	49,683
Investment cash and equivalents (note 5)	24,909	4,723
	<u>\$ 651,105</u>	<u>\$ 1,283,009</u>

1. Purpose of organization

The Valley Region Solid Waste-Resource Management Authority (the "Authority") is an inter-municipal services corporation made up of several municipal governments within the Valley region. It was created for the purpose of managing all solid waste resources in the Region.

The percentage of contributions by each member are based on population and uniform assessment. The following table summarizes each member's percentage of interest for the years ended March 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Municipality of the County of Kings	58.13%	58.13%
Municipality of the County of Annapolis	20.71%	20.85%
Town of Kentville	7.84%	7.76%
Town of Wolfville	6.46%	6.51%
Town of Berwick	2.74%	2.70%
Town of Middleton	2.00%	1.95%
Municipality of the District of West Hants (Community of Hantsport)	1.33%	1.33%
Town of Annapolis Royal	0.79%	0.77%

The Authority is required under its policies to redistribute any surplus operating funds to its members, and likewise the members are required to fund any operating deficits. This funding agreement is further discussed in note 7.

During the prior 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

The Authority is dependent on funding from its members in note 1 to continue as a viable operation.

3. Significant accounting policies

The Authority has applied the following significant accounting policies:

a) Basis of presentation

These consolidated 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.

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; expenditures are recognized as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

c) Cash and cash equivalents

Cash and cash equivalents consist 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

These financial statements consolidate the operations and financial position of the operating, capital and reserve funds of the Authority. Inter fund balances and transfers have been eliminated.

f) 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.

g) 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 the 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 in use.

3. Significant accounting policies (continued)

h) 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 in 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.

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 tangible capital 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 value 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 value of the 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.

3. Significant accounting policies (continued)

k) Use of estimates

The preparation of the consolidated 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 revenue 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>2018</u>	<u>2017</u>
Tipping fees and other trade receivables	\$ 417,761	\$ 361,410
Municipal parties receivables	1,243	774
Divert NS receivable	22,713	25,312
Federal Government (HST)	150,556	134,629
Allowance for doubtful accounts	<u>(15,830)</u>	<u>(3,767)</u>
	<u>\$ 576,443</u>	<u>\$ 518,358</u>

5. Portfolio investments - capital reserve

	<u>2018</u>	<u>2017</u>
Investments, at cost	\$ 1,039,880	\$ 893,584
Accrued interest on investments	3,599	2,292
Accumulated remeasurement gains	27,061	11,070
Investment cash and cash equivalents	<u>24,909</u>	<u>4,722</u>
	<u>\$ 1,095,449</u>	<u>\$ 911,668</u>

6. Surplus payable to (deficit receivable from) municipal partners

For the purpose of the Authority's surplus disbursement policy, the operating fund surplus owing to (from) the municipal partners is calculated as follows:

	<u>2018</u>	<u>2017</u>
Annual surplus (deficit)	\$ (1,102,775)	\$ 545,311
Add: Amortization (note 9)	541,844	532,152
Less: Budgeted principal repayment of debt (note 12)	(316,854)	(248,937)
Less: Budgeted capital reserve fund transfer (note 12)	(177,156)	(161,051)
Less: Budgeted expenditures not yet incurred	-	(41,400)
Less: Unfinanced capital expenditures	(16,000)	(38,276)
Less: Net revenues of the capital and equipment reserve funds	8,096	(9,664)
Add: Prior year budgeted expenditures incurred in the current year	41,400	126,547
Add: Provision for closure/post-closure costs at Kaizer Meadow landfill	997,901	-
	<u>\$ (23,544)</u>	<u>\$ 704,682</u>

7. Classification of expenditures by object

The consolidated statement of operations and accumulated surplus represents the expenditures by function. The following classifies those expenditures by object:

	<u>2018</u>	<u>2017</u>
Debt financing costs	\$ 94,596	\$ 79,667
Office, supplies and other operating	593,818	576,173
Professional services	197,844	201,913
Salaries, wages and benefits	2,270,016	2,042,177
Significant contracted services	8,092,760	6,523,003
Utilities	169,850	166,407
	<u>11,418,884</u>	<u>9,589,340</u>
Amortization	541,844	532,152
	<u>\$ 11,960,728</u>	<u>\$ 10,121,492</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

8. Term financing and demand loan	<u>2018</u>	<u>2017</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.	\$ 79,458	\$ 90,938
MFC debenture 32-A-1, amortized to November 2027 and matured in November 2017. Refinanced as 37-A-1	-	1,483,092
MFC 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.	238,868	290,401
MFC 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.	79,120	118,680
MFC 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.	780,546	860,000
MFC debenture 37-A-1, amortized to and maturing in November 2027, repayable in equal annual installments of \$134,827 plus interest paid semi-annually at rates varying from 1.734% to 3.073%. Secured by a guarantee from the Municipal Partners.	1,348,265	-
Non-revolving demand loan due June 30, 2018, 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.	<u>399,000</u>	<u>399,000</u>
	<u>\$ 2,925,257</u>	<u>\$ 3,242,111</u>

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

2019	\$ 903,666
2020	266,286
2021	227,234
2022	690,489
2023	148,858
thereafter	<u>688,724</u>
	<u>\$ 2,925,257</u>

The Authority also has access to a credit card with a limit of \$20,000 bearing interest at 19.99%. At March 31, 2018 this credit card had a balance owing of \$2,662 (2017- \$2,755).

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018**

9. Tangible capital assets

	Amortization Period	Cost			March 31 2018
		March 31 2017	Additions	Disposals	
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	2,678,148	-	-	2,678,148
Administration building	25	2,036,375	-	2,086	2,034,289
Cart storage building	25	284,139	-	-	284,139
Computer systems	5	10,535	5,435	-	15,970
Carts	10	3,204,503	-	-	3,204,503
Scales	10	234,364	71,568	39,644	266,288
Seasonal drop off bins	10	100,144	-	-	100,144
Utility trailers	10	12,114	-	-	12,114
HHW Depots	10	69,627	-	-	69,627
Digesters (green cones)	10	8,089	-	-	8,089
Signage	10	3,854	-	-	3,854
Retaining walls	50	3,707	-	-	3,707
Trucks	6-10	1,006,345	153,036	4,390	1,154,991
Loader	10	757,687	-	-	757,687
Compaction equipment	10	134,878	-	-	134,878
Wind turbine	20	571,816	-	-	571,816
		<u>\$ 15,266,837</u>	<u>\$ 230,039</u>	<u>\$ 46,120</u>	<u>\$ 15,460,756</u>

	Accumulated Amortization			Net Book Value		
	March 31 2017	Disposals	Amortization	March 31 2018	2018	2017
Land						
Eastern management centre	\$ -	\$ -	\$ -	\$ -	\$ 252,907	\$ 252,907
Western management centre	-	-	-	-	41,246	41,246
Buildings						
Eastern management centre	2,626,638	-	154,254	2,780,892	1,075,467	1,229,721
Western management centre	1,861,862	-	107,126	1,968,988	709,160	816,286
Administration building	365,876	-	80,996	446,872	1,587,417	1,670,499
Cart storage building	33,149	-	9,471	42,620	241,519	250,990
Computer systems	5,268	-	2,651	7,919	8,051	5,267
Carts	3,178,520	-	14,770	3,193,290	11,213	25,983
Scales	94,684	39,644	19,086	74,126	192,162	139,680
Seasonal drop off bins	100,144	-	-	100,144	-	-
Utility trailers	8,080	-	1,008	9,088	3,026	4,035
HHW Depots	69,627	-	-	69,627	-	-
Digesters (green cones)	8,089	-	-	8,089	-	-
Signage	578	-	385	963	2,891	3,276
Retaining walls	1,223	-	74	1,297	2,410	2,484
Trucks	699,003	4,390	61,465	756,078	398,913	307,342
Loader	410,480	-	52,935	463,415	294,272	347,207
Compaction equipment	98,167	-	9,032	107,199	27,679	36,711
Wind turbine	42,886	-	28,591	71,477	500,339	528,930
	<u>\$ 9,604,274</u>	<u>\$ 44,034</u>	<u>\$ 541,844</u>	<u>\$ 10,102,084</u>	<u>\$ 5,348,672</u>	<u>\$ 5,662,564</u>

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 \$1,727,188 (2017 - \$1,572,309) 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. Deficiencies in the Municipality's landfill reserves could result in an increase in the cost of future tipping fees. The Authority is required on an annual basis over the life of the contract to pay its proportionate share of any deficiencies in the landfill closure reserve, which has been identified to be \$1,193,836 of which the Authority's proportional share is \$997,901. The terms of repayment relating to this liability have not yet been settled.

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 curbside collection and transportation and the per tonne cost of spring and fall cleanup and leaf collection, and is set to expire on March 31, 2019. During the year, the Authority paid \$3,119,122 (2017 - \$3,007,961) 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 tonnes of organic feedstock annually and expired on March 31, 2018. During the year, the Authority paid \$1,139,445 (2017 - \$1,080,318) in relation to this contract. Effective April 1, 2018, the Authority entered into a new five year contract for the provision of these services with a different contractor.

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 expired on March 31, 2018. During the year, the Authority paid \$910,194 (2017 - \$908,637) in relation to this contract. Effective April 1, 2018, the Authority was continuing to acquire the service from the existing contractor on a month to month basis.

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 tonne 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 \$498,315 (2017 - \$455,760) in relation to this contract.

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 \$111,094 (2017 - \$93,696) to the pension plan.

12. Budget Information

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

	<u>2018</u>	<u>2017</u>
Term financing principal repayments	\$ 316,854	\$ 248,937
Tangible capital asset additions	16,000	-
Transfers to the capital reserve fund	177,156	161,051
Budgeted items rolled forward to the next year	-	41,400
	<u>\$ 510,010</u>	<u>\$ 451,388</u>

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

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

Increase (decrease) in cash from changes in:	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ (58,085)	\$ (77,288)
Prepaid expenses	(5,622)	27,166
Trade payables	180,250	(15,057)
Accrued liabilities	219,598	28,492
Accrued employee liabilities	(7,923)	11,866
Payable to the Municipality of the District of Chester	997,901	-
Deferred contributions	-	(194)
	<u>\$ 1,326,119</u>	<u>\$ (25,015)</u>

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 by the municipal partners. This agreement stipulates estimated annual contributions from 2011 to 2025. \$177,156 was contributed to the capital reserve in in 2018. This will increase by 10% each subsequent year as follows:

2019	\$ 194,872
2020	214,359
2021	235,795
2022	259,374
2023	285,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

14. Internally restricted reserve funds (continued)

The capital reserve fund cash and investments are restricted for this purpose, and are held in accounts administered by Scotia McLeod.

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 an interest bearing CIBC account.

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.

16. Accumulated surplus

	Operating Fund	Capital Reserve Fund	Equipment Reserve Fund	Equity in Capital Assets	2018 Total	2017 Total
Opening balance	\$ 130,230	\$ 1,005,828	\$ 49,455	\$ 2,420,453	\$ 3,605,966	\$ 3,765,337
Annual surplus (deficit)	(552,835)	(8,742)	646	(541,844)	(1,102,775)	545,311
Unfinanced capital additions	(16,000)	-	(35,385)	51,385	-	-
Transfers from (to) partners	23,544	-	-	-	23,544	(704,682)
Repayment of term financing	(316,853)	-	-	316,853	-	-
Interfund transfers	(177,156)	72,156	-	105,000	-	-
	<u>\$ (909,070)</u>	<u>\$ 1,069,242</u>	<u>\$ 14,716</u>	<u>\$ 2,351,847</u>	<u>\$ 2,526,735</u>	<u>\$ 3,605,966</u>

17. Public sector compensation

Under the provisions of the Nova Scotia Public Sector Compensation Disclosure Act ("the Act") the Authority is required to report the name and amount of compensation for employees paid \$100,000 or more per year. For purposes of the Act, compensation means the total amount or value of all cash and non-cash salary, wages, payments, allowances, bonuses, commissions and perquisites, other than a pension, pursuant to any arrangement, including an employment contract.

For the year ended March 31, 2018, the Authority did not have any employees with compensation of \$100,000 or more.

18. Comparative figures

In some cases, the comparative figures have been reclassified to conform with the current year's presentation.

19. Subsequent events

Subsequent to year end the Municipality of the County of Annapolis has withdrawn from the Intermunicipal Services Agreement and is no longer a party in Valley Region Solid Waste-Resource Management Authority. As a result the Authority has discontinued services to the Municipality of the County of Annapolis commencing in August 2018. The financial effect of the withdrawal cannot be determined at this time.

In addition, the Municipality of the County of Annapolis has filed a motion to expropriate the Authority's western management centre. The outcome of this event is unknown and the financial effect cannot be estimated at this time.