

---

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

**CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2019**

---

---

## INDEX

---

	<u>Page</u>
<b>Management's Report</b>	<b>1</b>
<b>Independent Auditor's Report</b>	<b>2</b>
<b>Consolidated Statement of Financial Position</b>	<b>4</b>
<b>Consolidated Statement of Operations and Accumulated Surplus</b>	<b>5</b>
<b>Consolidated Statement of Remeasurement Gains and Losses</b>	<b>6</b>
<b>Consolidated Statement of Changes in Net Financial Debt</b>	<b>7</b>
<b>Consolidated Statement of Cash Flows</b>	<b>8</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>9</b>

---

---

# VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

## MANAGEMENT'S REPORT MARCH 31, 2019

---

### Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated 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 4 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 consolidated financial statements. These systems are monitored and evaluated by management.

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

The consolidated 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 consolidated financial statements.



---

Andrew Wort  
General Manager



---

Geoff McCain  
Finance Manager

---

## INDEPENDENT AUDITOR'S REPORT

---

### TO THE MUNICIPAL PARTIES OF THE VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY:

#### Opinion

We have audited the consolidated financial statements of the Valley Region Solid Waste-Resource Management Authority (the "Authority"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Valley Region Solid Waste-Resource Management Authority as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Emphasis of Matter

We draw attention to Note 2 of the consolidated financial statements, which explains that one of the Municipal Parties is withdrawing from the intermunicipal agreement. Our opinion is not modified in respect of this matter.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these consolidated financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

**Levy  
Casey  
Carter  
MacLean**  
Chartered Professional  
Accountants

Stuart S. MacLean Inc.  
J.E. Melvin Inc.  
Greg T. Strange Inc.  
Tracey Wright Inc.  
Angela Kinley Inc.

---

211 Horseshoe Lake Drive  
Suite 310  
Halifax, NS B3S 0B9  
Canada  
Phone: (902) 445-4446  
Fax: (902) 443-4846  
www.lccm.ca

---

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

---

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Nova Scotia  
September 25, 2019

  
Chartered Professional Accountants

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Financial assets</b>		
Cash and cash equivalents - operating fund	\$ 526,495	\$ 576,095
Cash and cash equivalents - equipment reserve fund	15,126	50,101
Accounts receivable (note 5)	2,153,521	576,443
Deficit receivable from municipal parties (note 10)	-	23,544
Portfolio investments - capital reserve fund (note 6)	<u>749,650</u>	<u>1,095,449</u>
	<u>3,444,792</u>	<u>2,321,632</u>
<b>Financial liabilities</b>		
Trade payables	840,539	818,496
Accrued liabilities	199,913	355,801
Accrued employee liabilities	118,364	109,910
Surplus payable to municipal parties (note 10)	1,108,445	-
Payable to the Municipality of the District of Chester (note 9(a))	-	997,901
Term financing and demand loan (note 7)	<u>2,443,562</u>	<u>2,925,257</u>
	<u>4,710,823</u>	<u>5,207,365</u>
<b>Net financial debt</b>	<u>(1,266,031)</u>	<u>(2,885,733)</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 8)	4,816,534	5,348,669
Prepaid expenditures	<u>5,093</u>	<u>90,853</u>
	<u>4,821,627</u>	<u>5,439,522</u>
<b>Accumulated surplus</b>	\$ <u>3,555,596</u>	\$ <u>2,553,789</u>
<b>Comprised of:</b>		
Accumulated surplus (page 5)	\$ 3,498,481	\$ 2,526,728
Accumulated remeasurement gains (page 6)	<u>57,115</u>	<u>27,061</u>
	\$ <u>3,555,596</u>	\$ <u>2,553,789</u>

**Contractual obligations and commitments (note 9)**

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

Chairman

General Manager

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

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>			
Municipal contributions	\$ 7,811,486	\$ 6,985,225	\$ 7,452,400
West management centre	544,552	494,895	516,379
East management centre	2,223,216	2,003,248	2,026,763
Investment income	3,500	49,190	38,753
Administration	480,648	538,261	503,138
Communications and enforcement	222,928	226,214	215,630
Divert NS approved programs	84,000	78,823	86,875
Wind turbine	<u>46,000</u>	<u>44,012</u>	<u>45,922</u>
	<u>11,416,330</u>	<u>10,419,868</u>	<u>10,885,860</u>
<b>Expenditures</b>			
General administration	426,979	498,364	559,478
Fiscal services	78,756	107,905	94,596
West management centre	689,497	726,429	686,547
East management centre	1,273,878	1,237,293	1,121,473
Residential collection	3,013,824	2,414,750	2,965,802
Construction and demolition debris processing	103,676	185,091	162,786
Recyclable processing and transportation	728,977	705,783	814,839
Organics processing and transportation	966,988	806,076	1,021,683
Residuals processing and transportation	2,726,015	474,470	3,254,928
Communications and enforcement	628,286	586,626	691,688
Wind turbine	11,977	15,080	14,477
Information technology	<u>37,205</u>	<u>35,326</u>	<u>30,587</u>
	<u>10,686,058</u>	<u>7,793,193</u>	<u>11,418,884</u>
<b>Net revenues before other items (note 12)</b>	\$ <u>730,272</u>	2,626,675	(533,024)
<b>Other income (expenditures)</b>			
Amortization of tangible capital assets		(532,135)	(541,844)
Gain (loss) on disposal of portfolio investments		<u>9,202</u>	<u>(27,905)</u>
<b>Annual surplus (deficit)</b>		2,103,742	(1,102,773)
<b>Transfers from (to) municipal parties</b>		(1,131,989)	23,544
<b>Accumulated surplus, beginning of year</b>		<u>2,526,728</u>	<u>3,605,957</u>
<b>Accumulated surplus, end of year</b>		\$ <u>3,498,481</u>	\$ <u>2,526,728</u>

---

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

**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES  
FOR THE YEAR ENDED MARCH 31, 2019**

---

	<u>2019</u>	<u>2018</u>
<b>Accumulated remeasurement gains, beginning of year</b>	\$ <u>27,061</u>	\$ <u>11,070</u>
<b>Net remeasurement losses (gains) during year</b>		
Losses (gains) realized during the year, reclassified to the statement of operations	(9,202)	27,905
Changes in market value of portfolio investments traded in an active market	<u>39,256</u>	<u>(11,914)</u>
	<u>30,054</u>	<u>15,991</u>
<b>Accumulated remeasurement gains, end of year</b>	\$ <u>57,115</u>	\$ <u>27,061</u>
<b>Comprised of:</b>		
Market value of portfolio investments	\$ 749,650	\$ 1,095,450
Cost of portfolio investments	<u>(692,535)</u>	<u>(1,068,389)</u>
	<u>\$ 57,115</u>	<u>\$ 27,061</u>



---

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

**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT  
FOR THE YEAR ENDED MARCH 31, 2019**

---

	<u>2019</u>	<u>2018</u>
<b>Annual surplus (deficit)</b>	<b>\$ 2,103,742</b>	<b>\$ (1,102,773)</b>
<b>Transfers from (to) municipal parties</b>	<b><u>(1,131,989)</u></b>	<b><u>23,544</u></b>
	<b><u>971,753</u></b>	<b><u>(1,079,229)</u></b>
<b>Change in tangible capital assets</b>		
Acquisition of tangible capital assets	-	(227,953)
Amortization of tangible capital assets	<u>532,135</u>	<u>541,844</u>
<b>Net decrease in tangible capital assets</b>	<b><u>532,135</u></b>	<b><u>313,891</u></b>
<b>Change in other non-financial assets</b>		
Decrease (increase) in prepaid expenditures	<u>85,760</u>	<u>(5,627)</u>
<b>Net remeasurement gains during the year (page 6)</b>	<b><u>30,054</u></b>	<b><u>15,991</u></b>
<b>Decrease (increase) in net financial debt during the year</b>	<b>1,619,702</b>	<b>(754,974)</b>
<b>Net financial debt, beginning of year</b>	<b><u>(2,885,733)</u></b>	<b><u>(2,130,759)</u></b>
<b>Net financial debt, end of year</b>	<b><u>\$ (1,266,031)</u></b>	<b><u>\$ (2,885,733)</u></b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Operating activities</b>		
Annual surplus (deficit)	\$ 2,103,742	\$ (1,102,773)
Items not involving cash:		
Amortization of tangible capital assets	532,135	541,844
Loss (gain) on disposal of investments	<u>(9,202)</u>	<u>27,905</u>
	2,626,675	(533,024)
Net change in non-cash working capital balances related to operations (note 11)	<u>(2,614,609)</u>	<u>1,326,118</u>
<b>Net cash generated from operations</b>	<u>12,066</u>	<u>793,094</u>
<b>Financing activities</b>		
Repayment of term financing and demand loan	(939,056)	(1,665,119)
Proceeds from term financing and demand loan	457,362	1,348,265
Surplus repayments to municipal parties	<u>-</u>	<u>(704,682)</u>
<b>Net cash used in financing activities</b>	<u>(481,694)</u>	<u>(1,021,536)</u>
<b>Investing activities</b>		
Purchase of portfolio investments	(69,698)	(375,114)
Proceeds on disposal of portfolio investments	444,873	200,912
Decrease (increase) in accrued investment income receivable	<u>1,027</u>	<u>(1,307)</u>
<b>Net cash generated (used) in investing activities</b>	<u>376,202</u>	<u>(175,509)</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	<u>-</u>	<u>(227,953)</u>
<b>Net cash used during the year</b>	(93,426)	(631,904)
<b>Cash and cash equivalents, beginning of year</b>	<u>651,105</u>	<u>1,283,009</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u>557,679</u>	\$ <u>651,105</u>
<b>Represented by:</b>		
Cash and cash equivalents	\$ 526,495	\$ 576,095
Cash and cash equivalents - equipment reserve	15,126	50,101
Investment cash and cash equivalents - capital reserve (note 6)	<u>16,058</u>	<u>24,909</u>
	\$ <u>557,679</u>	\$ <u>651,105</u>

---

# VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

---

### 1. Purpose of organization

The Valley Region Solid Waste-Resource Management Authority (the "Authority") has been established through an intermunicipal services agreement, by the Municipalities of the Counties of Kings and Annapolis, and the Towns of Berwick, Kentville, Middleton, Annapolis Royal, and Wolfville (the "Municipal Parties"). It was created for the purpose of managing all solid waste resources in the Valley Region.

The percentage of contributions by each municipal party are based on population and uniform assessment. The following table summarizes each municipal parties' percentage of interest for the years ended March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Municipality of the County of Kings	59.00 %	58.13 %
Municipality of the County of Annapolis (note 2)	21.02 %	20.71 %
Municipality of the District of West Hants (Community of Hantsport)	- %	1.33 %
Town of Kentville	7.86 %	7.84 %
Town of Wolfville	6.55 %	6.46 %
Town of Berwick	2.78 %	2.74 %
Town of Middleton	2.00 %	2.00 %
Town of Annapolis Royal	0.79 %	0.79 %

The Authority is required under its surplus disbursement policy to redistribute any surplus operating funds to its municipal parties' and likewise the municipal parties' are required to fund any operating deficits.

Subsequent to year end, the remaining municipal parties (note 2) entered into a new intermunicipal services agreement that became effective April 30, 2019.

---

### 2. Withdrawal from the intermunicipal agreement

The Municipality of the County of Annapolis (the "County") has withdrawn from the intermunicipal services agreement. The County received solid waste-resource services from the Authority for a period of time during fiscal 2019. As of March 31, 2019, unpaid invoices issued to the County for these services totalled \$854,661. The Authority has engaged legal council to assist in the collection of this receivable. Subsequent to year end, the County filed a counterclaim against the Authority. The overall financial impact of the County's withdrawal from the intermunicipal services agreement, as well as their counterclaim has not yet been determined.

---

### 3. Economic dependence

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

---

---

# VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

---

### 4. Significant accounting policies

The Authority has applied the following significant accounting policies:

(a) Basis of presentation

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

(b) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, changes in fund balances and changes in financial position of the reporting entity. Interfund and organizational transactions and balances are eliminated on consolidation. The funds that are consolidated are:

General Operating Fund  
Capital Reserve Fund  
Equipment Reserve Fund

(c) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenditures 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.

(d) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with financial institutions and highly liquid investments with original maturities of three months or less.

(e) Interest capitalization

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

(f) 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.

(g) 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.

---

# VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

---

### 4. 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 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 parties, 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) 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, the net remeasurement gains or losses, and transfers with the municipal parties provides for the change in net financial debt for the year.

(j) 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 8. 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.

(k) 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.

---

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

---

**4. Significant accounting policies (continued)**

(l) 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, and the disclosure of contingent 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 actual results will differ from those estimates.

(m) Revenue recognition

The east and west management centre revenues are made up of tipping fees, scale rentals, the sale of materials such as metals, and other miscellaneous revenues. Tipping fees are recognized as revenues as solid waste is dropped off at either management centre. Scale rental revenues are recognized as the scales are used by the leasee. The sale of materials are recognized as revenues when the materials are received by the purchaser.

---

**5. Accounts receivable**

	<u>2019</u>	<u>2018</u>
Tipping fees and other trade receivables	\$ 175,671	\$ 254,579
Municipal party receivables	855,155	1,243
Chester landfill net operating receivable	1,165,241	163,183
Divert NS receivable	22,576	22,713
Public service bodies' rebate receivable	104,949	150,556
Allowance for doubtful accounts	<u>(170,071)</u>	<u>(15,831)</u>
	<u>\$ 2,153,521</u>	<u>\$ 576,443</u>

---

**6. Portfolio investments - capital reserve fund**

	<u>2019</u>	<u>2018</u>
Investments, at cost	\$ 673,905	\$ 1,039,880
Accumulated remeasurement gains (page 6)	57,115	27,061
Accrued investment income	2,572	3,599
Investment cash and cash equivalents	<u>16,058</u>	<u>24,909</u>
	<u>\$ 749,650</u>	<u>\$ 1,095,449</u>

---

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2019

**7. Term financing and demand loan**

	<u>2019</u>	<u>2018</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 parties.	\$ 67,501	\$ 79,458
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 1.92% to 2.24%. Secured by a guarantee from the municipal parties.	39,034	79,120
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 1.44% to 2.00%. Secured by a guarantee from the municipal parties.	691,767	780,546
Debenture 37-A-1, amortized and maturing in November 2027, repayable in equal annual installments of \$133,034 plus interest paid semi-annually at rates varying from 1.73% to 3.07%. Secured by a guarantee from the municipal parties.	1,197,299	1,348,265
Debenture 38-A-1, amortized to and maturing in May 2028, repayable in equal annual installments of principal of \$96,038 plus interest to May 2023 and \$18,273 plus interest thereafter. Interest rates vary from 2.06% to 3.30%. Secured by a guarantee from the municipal parties. There is an additional \$123,587 in funds yet to be advanced relating to this debenture.	447,961	-
Loans and debentures repaid during the year	<u>-</u>	<u>637,868</u>
	<u>\$ 2,443,562</u>	<u>\$ 2,925,257</u>

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

2020	\$ 360,004
2021	321,478
2022	775,409
2023	243,103
2024	243,666
Thereafter	<u>499,902</u>
Total	<u>\$ 2,443,562</u>

The Authority also has access to a credit card with a limit of \$20,000 bearing interest at 18.5%. At March 31, 2019 this credit card had a balance of \$2,895 (2018 - \$2,662).

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2019**

**8. 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	2,678,148	-	-	2,678,148
Administration building	25	2,034,290	-	-	2,034,290
Cart storage building	25	284,139	-	-	284,139
Computer system upgrade	5	15,970	-	-	15,970
Carts	10	3,204,503	-	-	3,204,503
Scales	10	266,289	-	-	266,289
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	3,853	-	-	3,853
Retaining walls	50	3,707	-	-	3,707
Trucks	5-10	1,154,991	-	-	1,154,991
Loader	10	757,687	-	-	757,687
Compaction equipment	10	134,878	-	-	134,878
Wind turbine	20	571,816	-	-	571,816
		<u>\$ 15,450,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,450,757</u>

	ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening	Disposals	Amortization	Ending	2019	2018
Land:						
Eastern management centre	\$ -	\$ -	\$ -	\$ -	\$ 252,907	\$ 252,907
Western management centre	-	-	-	-	41,246	41,246
Buildings:						
Eastern management centre	2,780,892	-	154,254	2,935,146	921,213	1,075,467
Western management centre	1,968,989	-	107,126	2,076,115	602,033	709,159
Administration building	446,873	-	81,372	528,245	1,506,045	1,587,417
Cart storage building	42,621	-	9,471	52,092	232,047	241,518
Computer system upgrade	7,918	-	3,194	11,112	4,858	8,052
Carts	3,193,290	-	8,804	3,202,094	2,409	11,213
Scales	74,126	-	22,664	96,790	169,499	192,163
Seasonal drop off bins	100,144	-	-	100,144	-	-
Utility trailer	9,089	-	1,008	10,097	2,017	3,025
HHW depots	69,627	-	-	69,627	-	-
Digesters (green cones)	8,089	-	-	8,089	-	-
Signage	963	-	385	1,348	2,505	2,890
Retaining walls	1,298	-	74	1,372	2,335	2,409
Trucks	756,078	-	64,749	820,827	334,164	398,913
Loader	463,415	-	43,997	507,412	250,275	294,272
Compaction equipment	107,199	-	6,446	113,645	21,233	27,679
Wind turbine	71,477	-	28,591	100,068	471,748	500,339
	<u>\$ 10,102,088</u>	<u>\$ -</u>	<u>\$ 532,135</u>	<u>\$ 10,634,223</u>	<u>\$ 4,816,534</u>	<u>\$ 5,348,669</u>



---

# VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

---

### 9. 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 parties:

(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 \$2,253,974 (2018 - \$1,727,188) 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, although deficiencies in the Municipality's landfill reserves could result in an increase in the Authority's future cost of tipping fees.

The Authority is entitled to its proportionate share of any annual operating surpluses experienced by the Municipality's landfill. The calculation of the surplus has a high degree of estimate uncertainty due to large fluctuations in the Municipality's landfill's closure and post-closure liabilities.

(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 has been extended to now expire on March 31, 2020. During the year the Authority paid \$2,711,311 (2018 - \$3,119,122) 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 is set to expire March 31, 2023 and requires for all organics to be sent exclusively to this contractor. During the year the Authority paid \$835,213 (2018 - \$1,139,445) 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, 2028. During the year the Authority paid \$793,350 (2018 - \$910,194) 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 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 \$555,439 (2018 - \$498,315) in relation to this contract.

---

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2019

---

**10. Surplus payable to the municipal parties**

For the purpose of the Authority's surplus disbursement policy, the operating fund surplus owing to the municipal parties for fiscal 2019 is as calculated below.

	<u>2019</u>	<u>2018</u>
Annual surplus (deficit)	\$ 2,103,742	\$ (1,102,773)
Add: Amortization of tangible capital assets	532,135	541,844
Less: Principal repayment of debts	(481,694)	(316,854)
Less: Budgeted capital reserve fund transfer	-	(177,156)
Less: Unfinanced capital asset acquisitions	-	(16,000)
Less: Deficit (surplus) of the capital and equipment reserve funds	(24,293)	8,094
Add: Provision for (payment of) closure/post-closure costs at the Kaizer Meadow landfill	(997,901)	997,901
Add: Prior year budgeted expenditures incurred in current year	<u>-</u>	<u>41,400</u>
	1,131,989	(23,544)
Less: Previous periods uncollected deficits from parties	<u>(23,544)</u>	<u>-</u>
	<u>\$ 1,108,445</u>	<u>\$ (23,544)</u>

---

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

	<u>2019</u>	<u>2018</u>
<b>Increase (decrease) in cash from changes in:</b>		
Accounts receivable	\$ (1,577,078)	\$ (58,084)
Trade payables	22,044	180,246
Accrued liabilities	(155,888)	219,600
Accrued employee liabilities	8,454	(7,923)
Payable to the Municipality of the District of Chester	(997,901)	997,901
Prepaid expenses	<u>85,760</u>	<u>(5,622)</u>
	<u>\$ (2,614,609)</u>	<u>\$ 1,326,118</u>

---

**12. Budget information**

The Authority's budget is prepared on a break-even basis even though the statement of operations and accumulated surplus reflect 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>2019</u>	<u>2018</u>
Term financing principal repayments	\$ 434,200	\$ 316,854
Tangible capital asset additions	101,200	16,000
Transfers to the capital reserve fund	<u>194,872</u>	<u>177,156</u>
	<u>\$ 730,272</u>	<u>\$ 510,010</u>

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

---

---

# VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

---

### 13. 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 parties. This agreement stipulates estimated annual contributions from 2011 to 2025. The estimated contributions over the next five years per the agreement as follows:

2020	\$	214,359
2021	\$	235,795
2022	\$	259,374
2023	\$	285,311
2024	\$	313,842

The capital reserve fund agreement outlines contributions to continue through to 2025 with an annual increase of 10%, although in fiscal 2019 the municipal parties agreed not to make a contribution to the capital reserve fund. 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 Wealth Management.

#### Equipment reserve fund

The Authority has established an equipment reserve fund for the purpose of financing the cost of future equipment replacements. There are no budgeted annual transfers to the equipment reserve fund. The funds are held in the capital reserve fund's interest bearing account with the CIBC.

---

### 14. 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 has significant exposure to credit risk through its accounts receivable from the Municipality of the County of Annapolis.

(b) 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 portfolio investments in publicly traded securities expose the Authority to market risk as such investments are subject to price changes in the open market.

---

---

# VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

---

### 15. Pension

Certain employees of the Authority are members of the Municipality of the County of Kings defined contribution pension plan. The Authority matches employee contributions equal to 8% of gross wages to the pension plan. During the year the Authority contributed \$126,201 (2018 - \$111,094) to the pension plan.

---

### 16. 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 in excess of \$100,000 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, 2019, the Authority did not have any employees with compensation in excess of \$100,000.

---

### 17. Comparative figures

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

---

### 18. Classification of expenditures by object

The consolidated statement of operations and accumulated surplus presents expenditures by function; the following classifies those same expenditures by object:

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
Debt financing costs	\$ 78,756	\$ 107,905	\$ 94,597
Office, supplies and other operating	797,162	765,017	764,569
Professional services	64,934	231,266	132,785
Salaries, wages and benefits	2,215,593	2,057,543	2,270,016
Significant contract services	7,460,380	4,565,751	8,092,760
Utilities	<u>69,233</u>	<u>65,711</u>	<u>64,157</u>
	<u>\$ 10,686,058</u>	<u>7,793,193</u>	<u>11,418,884</u>
Amortization of tangible capital assets		<u>532,135</u>	<u>541,844</u>
Total expenditures		<u>\$ 8,325,328</u>	<u>\$ 11,960,728</u>

---

---

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2019

---

**19. Accumulated surplus**

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Investment in Capital Assets</u>	<u>2019 Total</u>	<u>2018 Total</u>
Opening balance	\$ (909,075)	\$ 997,674	\$ 14,716	\$ 2,423,413	<b>\$ 2,526,728</b>	\$ 3,605,957
Annual surplus (deficit)	2,611,584	23,883	410	(532,135)	<b>2,103,742</b>	(1,102,773)
Transfers from (to)						
the municipal parties	(1,131,989)	-	-	-	<b>(1,131,989)</b>	23,544
Proceeds from term financing	457,362	-	-	(457,362)	-	-
Repayment of term financing	<u>(939,056)</u>	<u>-</u>	<u>-</u>	<u>939,056</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ 88,826</u>	<u>\$ 1,021,557</u>	<u>\$ 15,126</u>	<u>\$ 2,372,972</u>	<b><u>\$ 3,498,481</u></b>	<b><u>\$ 2,526,728</u></b>