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

**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020**

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VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

MANAGEMENT'S REPORT MARCH 31, 2020

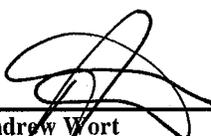
Management's Responsibility for the Consolidated Financial Statements

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 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.

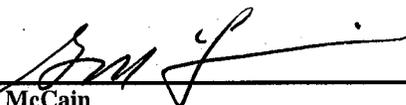
The Authority maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the 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, 2020, 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, 2020, 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.

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.

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.

**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)

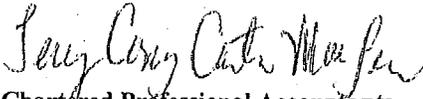
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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
June 30, 2020

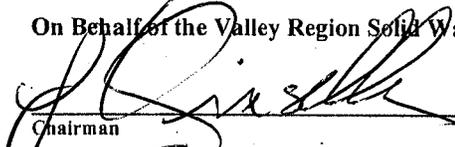

Chartered Professional Accountants

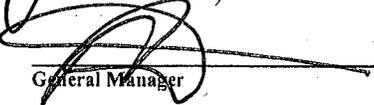
VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents - operating fund	\$ 456,495	\$ 526,495
Cash and cash equivalents - operating fund - restricted (note 4)	1,114,535	-
Cash and cash equivalents - equipment reserve fund	18,303	15,126
Accounts receivable (note 5)	1,569,453	2,153,521
Portfolio investments - capital reserve fund (note 6)	<u>1,428,503</u>	<u>749,650</u>
	<u>4,587,289</u>	<u>3,444,792</u>
Financial liabilities		
Trade payables	555,671	840,536
Accrued liabilities	333,512	199,913
Accrued employee liabilities	99,792	118,364
Surplus payable to municipal parties (note 8)	2,080,574	1,108,445
Term financing (note 7)	<u>2,141,978</u>	<u>2,443,562</u>
	<u>5,211,527</u>	<u>4,710,820</u>
Net financial debt	<u>(624,238)</u>	<u>(1,266,028)</u>
Non-financial assets		
Tangible capital assets (note 9)	4,306,878	4,816,531
Prepaid expenditures	<u>1,308</u>	<u>5,093</u>
	<u>4,308,186</u>	<u>4,821,624</u>
Accumulated surplus	\$ <u>3,683,948</u>	\$ <u>3,555,596</u>
Comprised of:		
Accumulated surplus (page 5)	\$ 3,649,980	\$ 3,498,481
Accumulated remeasurement gains (page 6)	<u>33,968</u>	<u>57,115</u>
	\$ <u>3,683,948</u>	\$ <u>3,555,596</u>
Contractual obligations and commitments (note 10)		
Contingent liability (note 17)		

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, 2020**

	<u>Budget</u>	<u>2020</u>	<u>2019</u>
Revenues			
Municipal contributions	\$ 6,561,818	\$ 6,562,728	\$ 6,985,225
West management centre	433,000	424,130	494,895
East management centre	2,053,154	2,187,824	2,003,248
Investment income	-	35,018	22,257
Administration	381,696	598,797	565,194
Communications and enforcement	230,401	239,778	226,214
Divert NS approved programs	90,600	53,099	78,823
Wind turbine	<u>48,000</u>	<u>42,066</u>	<u>44,012</u>
	<u>9,798,669</u>	<u>10,143,440</u>	<u>10,419,868</u>
Expenditures			
General administration	601,396	666,713	498,364
Fiscal services	133,171	119,867	107,905
West management centre	356,816	376,190	726,429
East management centre	1,297,222	1,324,447	1,237,293
Residential collection	2,198,212	2,145,519	2,414,750
Construction and demolition debris processing	187,368	219,285	185,091
Recyclable processing and transportation	580,006	598,819	705,783
Organics processing and transportation	802,440	744,286	806,076
Residuals processing and transportation	2,287,307	1,744,763	474,470
Communications and enforcement	514,041	513,062	586,626
Wind turbine	15,197	14,657	15,080
Information technology	<u>54,235</u>	<u>47,107</u>	<u>35,326</u>
	<u>9,027,411</u>	<u>8,514,715</u>	<u>7,793,193</u>
Annual surplus before other items (note 12)	<u>\$ 771,258</u>	<u>1,628,725</u>	<u>2,626,675</u>
Other income (expenditures)			
Amortization of tangible capital assets		(516,781)	(532,136)
Gain on disposal of tangible capital assets		2,836	-
Gain on disposal of portfolio investments		<u>2,758</u>	<u>9,202</u>
Annual surplus		<u>1,117,538</u>	<u>2,103,741</u>
Annual surplus payable to municipal parties (note 8)		<u>(966,039)</u>	<u>(1,131,989)</u>
Accumulated surplus, beginning of year		<u>3,498,481</u>	<u>2,526,729</u>
Accumulated surplus, end of year		<u>\$ 3,649,980</u>	<u>\$ 3,498,481</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
Accumulated remeasurement gains, beginning of year	\$ <u>57,115</u>	\$ <u>27,061</u>
Net remeasurement losses (gains) during year		
Gains realized during the year, reclassified to the statement of operations	(2,758)	(9,202)
Changes in market value of portfolio investments traded in an active market	<u>(20,389)</u>	<u>39,256</u>
	<u>(23,147)</u>	<u>30,054</u>
Accumulated remeasurement gains, end of year	\$ <u><u>33,968</u></u>	\$ <u><u>57,115</u></u>
Comprised of:		
Market value of portfolio investments	\$ 1,428,502	\$ 749,650
Cost of portfolio investments	<u>(1,394,534)</u>	<u>(692,535)</u>
	\$ <u><u>33,968</u></u>	\$ <u><u>57,115</u></u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT
FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
Annual surplus	\$ 1,117,538	\$ 2,103,741
Annual surplus payable to municipal parties (note 8)	<u>(966,039)</u>	<u>(1,131,989)</u>
Change in tangible capital assets	<u>151,499</u>	<u>971,752</u>
Acquisition of tangible capital assets	(7,128)	-
Amortization of tangible capital assets	516,781	532,136
Gain on disposal of tangible capital assets	(2,836)	-
Proceeds on sale of tangible capital assets	<u>2,836</u>	<u>-</u>
Net decrease in tangible capital assets	<u>509,653</u>	<u>532,136</u>
Change in other non-financial assets		
Decrease in prepaid expenditures	<u>3,785</u>	<u>85,763</u>
Net remeasurement gains (losses) during the year (page 6)	<u>(23,147)</u>	<u>30,054</u>
Decrease in net financial debt during the year	641,790	1,619,705
Net financial debt, beginning of year	<u>(1,266,028)</u>	<u>(2,885,733)</u>
Net financial debt, end of year	<u>\$ (624,238)</u>	<u>\$ (1,266,028)</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
Operating activities		
Annual surplus	\$ 1,117,538	\$ 2,103,741
Items not involving cash:		
Amortization of tangible capital assets	516,781	532,136
Gain on disposal of tangible capital assets	(2,836)	-
Gain on disposal of investments	<u>(2,758)</u>	<u>(9,202)</u>
	1,628,725	2,626,675
Net change in non-cash working capital balances related to operations (note 11)	<u>418,018</u>	<u>(2,614,610)</u>
Net cash generated from operations	<u>2,046,743</u>	<u>12,065</u>
Financing activities		
Repayment of term financing	(356,567)	(481,694)
Proceeds from term financing	54,982	-
Interest payable to municipal parties on restricted cash	<u>6,090</u>	<u>-</u>
Net cash used in financing activities	<u>(295,495)</u>	<u>(481,694)</u>
Investing activities		
Purchase of portfolio investments	(272,674)	(69,698)
Proceeds on disposal of portfolio investments	114,603	444,873
Decrease (increase) in accrued investment income receivable	<u>(1,385)</u>	<u>1,027</u>
Net cash generated (used) in investing activities	<u>(159,456)</u>	<u>376,202</u>
Capital activities		
Acquisition of tangible capital assets	(7,128)	-
Proceeds on disposal of tangible capital assets	<u>2,836</u>	<u>-</u>
Net cash used in capital activities	<u>(4,292)</u>	<u>-</u>
Net cash generated (used) during the year	1,587,500	(93,427)
Cash and cash equivalents, beginning of year	<u>557,679</u>	<u>651,106</u>
Cash and cash equivalents, end of year	<u>\$ 2,145,179</u>	<u>\$ 557,679</u>
Represented by:		
Cash and cash equivalents - operating fund	\$ 456,495	\$ 526,495
Cash and cash equivalents - operating fund - restricted (note 4)	1,114,535	-
Cash and cash equivalents - equipment reserve	18,303	15,126
Investment cash and cash equivalents - capital reserve (note 6)	<u>555,846</u>	<u>16,058</u>
	<u>\$ 2,145,179</u>	<u>\$ 557,679</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

1. Purpose of organization

The Valley Region Solid Waste-Resource Management Authority (the "Authority") was established through an intermunicipal services agreement by the Municipality of the County of Kings 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Municipality of the County of Kings	74.71 %	59.00 %
Municipality of the County of Annapolis	- %	21.02 %
Town of Kentville	9.95 %	7.86 %
Town of Wolfville	8.26 %	6.55 %
Town of Berwick	3.53 %	2.78 %
Town of Middleton	2.55 %	2.00 %
Town of Annapolis Royal	1.00 %	0.79 %

The Authority is required under its surplus disbursement policy to redistribute any surplus operating funds to its municipal parties unless the board permits the retention of the surplus by motion, and likewise the municipal parties are required to fund any operating deficits. The Authority's annual surplus payable to the municipal parties is detailed in note 8.

2. 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.

3. 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.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

3. Significant accounting policies (continued)

(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 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. Restricted cash is disclosed in note 4.

(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 general 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 the funds be used only 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.

(h) 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.

The Authority is exposed to uncertainty with estimates involved in the Municipality of the District of Chester's surplus calculation as described in note 9(a).

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

3. Significant accounting policies (continued)

(i) 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.

(j) 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.

(k) 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 available for use.

(l) 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, 2020

3. Significant accounting policies (continued)

(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.

4. Restricted cash

Cash has been internally restricted as security for the fiscal 2019 surplus retained from the municipal parties, as disclosed in note 8. The funds are held in an interest bearing account at a financial institution. Any interest earned on the funds is payable to the municipal parties.

5. Accounts receivable

	<u>2020</u>	<u>2019</u>
Tipping fees and other trade receivables	\$ 199,415	\$ 175,671
Municipal party receivables	1,019,343	855,155
Chester landfill net operating receivable	401,413	1,165,241
Divert NS receivable	23,666	22,576
Public service bodies' rebate receivable	113,264	104,949
Allowance for doubtful accounts	<u>(187,648)</u>	<u>(170,071)</u>
	<u>\$ 1,569,453</u>	<u>\$ 2,153,521</u>

6. Portfolio investments - capital reserve fund

	<u>2020</u>	<u>2019</u>
Investments, at cost	\$ 834,732	\$ 673,905
Accrued investment income	3,957	2,572
Accumulated remeasurement gains (page 6)	<u>33,968</u>	<u>57,115</u>
	872,657	733,592
Investment cash and cash equivalents	<u>555,846</u>	<u>16,058</u>
	<u>\$ 1,428,503</u>	<u>\$ 749,650</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

7. Term financing

	<u>2020</u>	<u>2019</u>
4.00% term loan amortized to and maturing in April 2023, repayable in equal annual installments of principal and interest of \$14,605.	\$ 55,057	\$ 67,501
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 1.60% to 2.00%. Secured by a guarantee from the municipal parties as detailed below.	613,370	691,767
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 1.93% to 3.07%. Secured by a guarantee from the municipal parties as detailed below.	1,064,265	1,197,299
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 2.37% to 3.30%. Secured by a guarantee from the municipal parties as detailed below. There was an additional \$121,207 in funds that were advanced relating to this debenture subsequent to year end.	354,304	447,961
Debenture 39-A-1, amortized and maturing in May 2022, repayable in equal annual installments of \$23,236 plus interest paid semi-annually at rates varying from 1.98% to 2.04%. Secured by a guarantee from the municipal parties as detailed below. There was an additional \$14,725 in funds that were advanced relating to this debenture subsequent to year end.	54,982	-
Debentures repaid during the year	-	39,034
	<u>\$ 2,141,978</u>	<u>\$ 2,443,562</u>

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

2021	\$	343,657
2022		800,758
2023		266,338
2024		243,666
2025		151,307
Thereafter		<u>336,252</u>
Total	\$	<u>2,141,978</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

7. Term financing (continued)

The outstanding debentures are guaranteed in the following proportions by the municipal parties:

	<u>36-A-1</u>	<u>37-A-1</u>	<u>38-A-1</u>	<u>39-A-1</u>
Municipality of the County of Kings	58.15%	58.14%	74.71%	74.71%
Municipality of the County of Annapolis	20.85%	20.71%	0.00%	0.00%
Town of Kentville	7.74%	7.84%	9.95%	9.95%
Town of Wolfville	6.47%	6.46%	8.26%	8.26%
Town of Berwick	2.71%	2.74%	3.53%	3.53%
Town of Middleton	1.96%	2.00%	2.55%	2.55%
Municipality of the District of West Hants	1.35%	1.33%	0.00%	0.00%
Town of Annapolis Royal	0.77%	0.79%	1.00%	1.00%

The Authority also has access to a credit card with a limit of \$20,000 bearing interest at 18.5%. At March 31, 2020 this credit card had a balance of \$2,184 (2019 - \$2,895).

8. 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 is calculated as follows:

	<u>2020</u>	<u>2019</u>
Annual surplus	\$ 1,117,538	\$ 2,103,741
Add: Amortization of tangible capital assets	516,781	532,136
Less: Principal repayment of debts	(356,567)	(481,694)
Less: Capital reserve fund transfer	(272,028)	-
Less: Unfinanced capital asset acquisitions	(7,128)	-
Less: Surplus of the capital and equipment reserve funds	(32,557)	(24,293)
Less: Payment of closure/post-closure costs at the Kaizer Meadow landfill	-	<u>(997,901)</u>
Annual surplus payable to the municipal parties	<u>966,039</u>	1,131,989
Interest earned on restricted cash (note 4)	6,090	-
Retention of prior period surplus (deficit)	<u>1,108,445</u>	<u>(23,544)</u>
Total surplus payable to municipal parties	<u>\$ 2,080,574</u>	<u>\$ 1,108,445</u>

In unusual or extenuating circumstances the Authority's operating surplus/deficit policy allows it to retain its annual surplus when it is in the best interest of the Authority and a motion is passed with a majority vote. If the Authority retains the surplus in a subsequent fiscal year, the retention must be reapproved. When a surplus is retained the funds cannot be used for normal operational or capital expenditures.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

9. Tangible capital assets

	COST				
	Rate (in years)	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	2,033,005	-	-	2,033,005
Cart storage building	25	284,139	-	-	284,139
Computer system upgrade	5	15,970	7,128	-	23,098
Carts	10	3,204,503	-	-	3,204,503
Scales	10	266,289	-	-	266,289
Seasonal drop off bins	10	114,117	-	-	114,117
Utility trailer	10	12,114	-	-	12,114
HHW depots	10	69,627	-	-	69,627
Digesters (green cones)	10	8,089	-	-	8,089
Signage	10	5,138	-	-	5,138
Retaining walls	20	3,707	-	-	3,707
Trucks	5-10	1,141,017	-	(93,357)	1,047,660
Loader	10	757,687	-	-	757,687
Compaction equipment	10	134,878	-	-	134,878
Wind turbine	20	571,816	-	-	571,816
		<u>\$ 15,450,756</u>	<u>\$ 7,128</u>	<u>\$ (93,357)</u>	<u>\$ 15,364,527</u>

	ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening	Disposals	Amortization	Ending	2020	2019
Land:						
Eastern management centre	\$ -	\$ -	\$ -	\$ -	\$ 252,907	\$ 252,907
Western management centre	-	-	-	-	41,246	41,246
Buildings:						
Eastern management centre	2,935,147	-	154,254	3,089,401	766,958	921,212
Western management centre	2,076,115	-	107,126	2,183,241	494,907	602,033
Administration building	528,064	-	81,320	609,384	1,423,621	1,504,941
Cart storage building	52,092	-	11,900	63,992	220,147	232,047
Computer system upgrade	11,112	-	2,853	13,965	9,133	4,858
Carts	3,202,094	-	2,409	3,204,503	-	2,409
Scales	96,791	-	22,664	119,455	146,834	169,498
Seasonal drop off bins	102,240	-	1,397	103,637	10,480	11,877
Utility trailer	10,097	-	1,008	11,105	1,009	2,017
HHW depots	69,627	-	-	69,627	-	-
Digesters (green cones)	8,089	-	-	8,089	-	-
Signage	1,529	-	784	2,313	2,825	3,609
Retaining walls	1,372	-	203	1,575	2,132	2,335
Trucks	818,731	(93,357)	63,352	788,726	258,934	322,286
Loader	507,412	-	35,059	542,471	215,216	250,275
Compaction equipment	113,645	-	3,861	117,506	17,372	21,233
Wind turbine	100,068	-	28,591	128,659	443,157	471,748
	<u>\$ 10,634,225</u>	<u>\$ (93,357)</u>	<u>\$ 516,781</u>	<u>\$ 11,057,649</u>	<u>\$ 4,306,878</u>	<u>\$ 4,816,531</u>

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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 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 \$1,730,986 (2019 - \$2,253,974) 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 expired on March 31, 2020. During the year a new contract was signed with this contractor which begins April 1, 2020 and is set to expire March 31, 2025. For the year ended March 31, 2020 the Authority paid \$2,342,924 (2019 - \$2,711,311) 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. For the year ended March 31, 2020 the Authority paid \$814,936 (2019 - \$835,213) 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. For the year ended March 31, 2020 the Authority paid \$652,527 (2019 - \$793,350) 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 expired on March 31, 2020. During the year the Authority entered into a new contract for these services which starts April 1, 2020 and is set to expire on March 31, 2025. For the year ended March 31, 2020 the Authority paid \$497,828 (2019 - \$555,439) in relation to this contract.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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

	<u>2020</u>	<u>2019</u>
Increase (decrease) in cash from changes in:		
Accounts receivable	\$ 584,068	\$ (1,577,078)
Trade payables	(284,862)	22,042
Accrued liabilities	133,599	(155,887)
Accrued employee liabilities	(18,572)	8,454
Payable to the Municipality of the District of Chester	-	(997,901)
Prepaid expenses	<u>3,785</u>	<u>85,760</u>
	<u>\$ 418,018</u>	<u>\$ (2,614,610)</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>2020</u>	<u>2019</u>
Term financing principal repayments	\$ 467,706	\$ 434,200
Tangible capital asset additions	-	101,200
Transfers to the capital reserve fund	280,008	194,872
Payment of prior period deficit receivable	<u>23,544</u>	<u>-</u>
	<u>\$ 771,258</u>	<u>\$ 730,272</u>

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

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 are as follows:

2021	\$ 264,359
2022	\$ 285,795
2023	\$ 259,374
2024	\$ 285,311
2025	\$ 313,842

The capital reserve fund agreement outlines contributions to continue through to 2025 with an annual increase of 10%. An additional \$50,000 is planned to be contributed in fiscal 2021 and 2022 to make up for an absence of contributions in fiscal 2019. 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.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

13. Internally restricted reserve funds (continued)

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. 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 \$123,272 (2019 - \$126,272) to the pension plan.

15. Financial risks

The following are the significant risks 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.

(c) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The Authority is exposed to liquidity risks mainly from its trade payables and surplus payable to the municipal parties. The Authority's ability to meet its obligations depends on the receipt of funds whether in the form of revenue, advances from municipal parties and the deferral of the surplus payable.

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

16. 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>2020</u>	<u>2019</u>
Debt financing costs	\$ 133,171	\$ 119,867	\$ 107,905
Office, supplies and other operating	639,903	767,719	765,017
Professional services	133,330	212,567	231,266
Salaries, wages and benefits	2,039,968	1,916,725	2,057,543
Significant contract services	6,020,283	5,434,286	4,565,751
Utilities	<u>60,756</u>	<u>63,551</u>	<u>65,711</u>
	\$ <u>9,027,411</u>	8,514,715	7,793,193
Amortization of tangible capital assets		<u>516,781</u>	<u>532,136</u>
Total expenditures		\$ <u>9,031,496</u>	\$ <u>8,325,329</u>

17. Contingent liability

The Authority has engaged legal counsel to assist in the collection of a receivable from the Municipality of the County of Annapolis. The Municipality of the County of Annapolis has filed a counterclaim against the Authority. The overall financial impact of the claim can not yet be determined.

18. Subsequent event

During March of 2020 the Province of Nova Scotia declared a state of emergency in relation to the COVID-19 pandemic. The Authority has made changes to its operations to continue to operate within these imposed restrictions. It is not possible to reliably estimate the impact, if any, the pandemic may have on the financial position and future results of the Authority.

19. Comparative figures

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

VALLEY REGION SOLID WASTE-RESOURCE MANAGEMENT AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

20. Accumulated surplus

	<u>General Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Investment in Capital Assets</u>	<u>2020 Total</u>	<u>2019 Total</u>
Opening balance	\$ 88,828	\$ 1,021,557	\$ 15,126	\$ 2,372,970	\$ 3,498,481	\$ 2,526,729
Annual surplus (deficit)	1,601,762	32,217	340	(516,781)	1,117,538	2,103,741
Surplus payable to the municipal parties	(966,039)	-	-	-	(966,039)	(1,131,989)
Purchase of capital assets	(7,128)	-	-	7,128	-	-
Proceeds from term financing	-	54,982	-	(54,982)	-	-
Repayment of term financing	(356,567)	-	-	356,567	-	-
Interfund transfers	<u>(272,028)</u>	<u>269,192</u>	<u>2,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ 88,828</u>	<u>\$ 1,377,948</u>	<u>\$ 18,302</u>	<u>\$ 2,164,902</u>	<u>\$ 3,649,980</u>	<u>\$ 3,498,481</u>