

**Valley Region Solid Waste-Resource
Management Authority
Consolidated Financial Statements**

March 31, 2021

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, 2021, 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 consolidated financial position of the Authority as at March 31, 2021, and the results of its financial performance 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 audit 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 opinion.

Other Matter

The consolidated financial statements of the Authority for the year ended March 31, 2020 were audited by Levy Casey Carter MacLean of Halifax, Nova Scotia, Canada, who expressed an unmodified opinion on those consolidated financial statements on June 30, 2020.

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

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to 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.

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 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 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.

Sydney, Nova Scotia
July 30, 2021

MNP LLP
Chartered Professional Accountants

MNP

Valley Region Solid Waste-Resource Management Authority
Consolidated Financial Statements

For the year ended March 31, 2021

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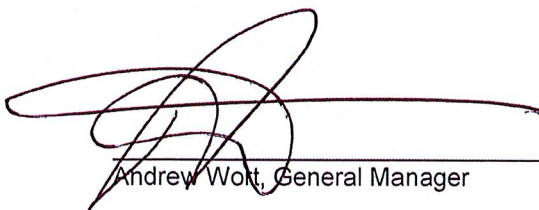
Management's Responsibility for the Consolidated Financial Statements

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. A summary of the significant accounting policies is described in Note 2 to the consolidated 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's management 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 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 MNP LLP, independent external auditors appointed by the Authority. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's consolidated financial statements.



Andrew Wort, General Manager

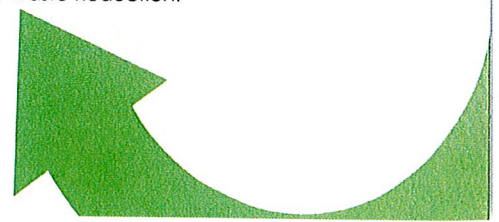


Doug Armstrong, Finance Director

Redefining Our Resources

The Municipality of Kings and the Towns of Annapolis Royal, Berwick, Kentville, Middleton and Wolfville:
Partners in Waste Reduction.

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P.O. Box 895, Kentville, NS B4N 4H8
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Valley Region Solid Waste-Resource Management Authority

Consolidated Statement of Financial Position


As at March 31, 2021

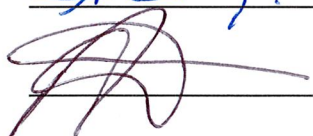
	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents – operating fund	\$ 351,353	\$ 456,495
Cash and cash equivalents – operating fund – restricted (note 3)	1,123,105	1,114,535
Cash and cash equivalents – equipment reserve fund	18,444	18,303
Accounts receivable (note 4)	2,258,135	1,569,453
Portfolio investments – capital reserve fund (note 5)	1,804,275	1,428,503
	<u>5,555,312</u>	<u>4,587,289</u>
FINANCIAL LIABILITIES		
Bank indebtedness (note 6)	18,472	–
Trade payables	1,036,014	555,671
Accrued liabilities	324,009	333,512
Accrued employee liabilities	133,086	99,792
Term financing (note 7)	1,934,253	2,141,978
Surplus payable to municipal parties (note 9)	2,149,815	2,080,574
	<u>5,595,649</u>	<u>5,211,527</u>
NET FINANCIAL DEBT	<u>(40,337)</u>	<u>(624,238)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	3,805,567	4,306,878
Prepaid expenses	14,528	1,308
	<u>3,820,095</u>	<u>4,308,186</u>
ACCUMULATED SURPLUS	<u>\$ 3,779,758</u>	<u>\$ 3,683,948</u>
Comprised of:		
Accumulated surplus (note 21)	\$ 3,647,513	\$ 3,649,980
Accumulated remeasurement gains	132,245	33,968
	<u>\$ 3,779,758</u>	<u>\$ 3,683,948</u>

Contractual obligations and commitments (note 10)
Subsequent event (note 18)
Covid-19 (note 19)

See accompanying notes to consolidated financial statements.

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, 2021

	Budget (Unaudited)	2021	2020
REVENUES			
Municipal contributions	\$ 6,130,233	\$ 6,130,233	\$ 6,562,728
West management centre	365,470	442,930	424,130
East management centre	2,161,602	2,246,744	2,187,824
Investment income	24,000	23,998	35,018
Administration	650,499	683,765	684,044
Communications and enforcement	243,462	202,218	239,778
Divert NS approved programs	94,632	68,621	53,099
Wind turbine	44,217	37,512	42,066
	9,714,115	9,836,021	10,228,687
EXPENSES			
General administration	639,457	683,706	666,713
Fiscal services	116,567	88,651	119,867
West management centre	453,967	334,425	360,350
East management centre	1,258,765	1,158,339	1,223,822
Residential collection	2,054,067	2,131,261	2,145,519
Construction and demolition debris processing	155,142	404,597	219,285
Recyclable processing and transportation	539,213	547,901	598,819
Organics processing and transportation	676,011	778,793	744,286
Residuals processing and transportation	2,252,484	1,832,586	1,744,763
Communications and enforcement	522,995	400,174	513,062
Wind turbine	13,978	21,610	14,657
Information technology	37,549	49,968	47,107
Household hazardous waste	191,034	227,554	116,465
Divert NS allocations	194,870	—	85,247
	9,106,099	8,659,565	8,599,962
Annual surplus before other items (note 13)	608,016	1,176,456	1,628,725
OTHER INCOME (EXPENSES)			
Amortization of tangible capital assets		(514,133)	(516,781)
Gain on disposal of tangible capital assets		9,987	2,836
Gain on disposal of portfolio investments		1,413	2,758
Settlement recoveries (note 18)		350,520	—
ANNUAL SURPLUS		1,024,243	1,117,538
ANNUAL SURPLUS PAYABLE TO MUNICIPAL PARTIES		(1,026,710)	(966,039)
ANNUAL SURPLUS, BEGINNING OF YEAR		3,649,980	3,498,481
ACCUMULATED SURPLUS, END OF YEAR		\$ 3,647,513	\$ 3,649,980

See accompanying notes to consolidated financial statements.

Valley Region Solid Waste-Resource Management Authority
Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2021

	2021	2020
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 33,968	\$ 57,115
Net remeasurements during the year		
Gains realized during the year, reclassified to the statement of operations	(1,413)	(2,758)
Changes in market value of portfolio investments traded in an active market	99,690	(20,389)
	98,277	(23,147)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 132,245	\$ 33,968
Comprised of:		
Market value of portfolio investments	\$ 1,804,275	\$ 1,428,503
Cost of portfolio investments	(1,672,030)	(1,394,535)
	\$ 132,245	\$ 33,968

See accompanying notes to consolidated financial statements.

Valley Region Solid Waste-Resource Management Authority
Consolidated Statement of Changes in Net Financial Debt
For the year ended March 31, 2021

	2021	2020
ANNUAL SURPLUS	\$ 1,024,243	\$ 1,117,538
Annual surplus payable to municipal parties (note 9)	(1,026,710)	(966,039)
	(2,467)	151,499
Change in tangible capital assets		
Acquisition of tangible capital assets	(12,821)	(7,128)
Amortization of tangible capital assets	514,133	516,781
Gain on disposal of tangible capital assets	(9,987)	(2,836)
Proceeds on sale of tangible capital assets	9,987	2,836
NET DECREASE IN TANGIBLE CAPITAL ASSETS	498,845	509,653
Change in other non-financial assets		
Decrease in prepaid expenses	(13,221)	3,785
Net remeasurement gains (losses), during the year	98,277	(23,147)
DECREASE IN NET FINANCIAL DEBT DURING THE YEAR	583,901	641,790
NET FINANCIAL DEBT, BEGINNING OF YEAR	(624,238)	(1,266,028)
NET FINANCIAL DEBT, END OF YEAR	\$ (40,337)	\$ (624,238)

See accompanying notes to consolidated financial statements.

Valley Region Solid Waste-Resource Management Authority
Consolidated Statement of Cash Flows

For the year ended March 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 1,024,243	\$ 1,117,538
Items not involving cash		
Amortization of tangible capital assets	514,133	516,781
Gain on disposal of tangible capital assets	(9,987)	(2,836)
Gain on disposal of investments	(1,413)	(2,758)
	1,526,976	1,628,725
Net change in non-cash working capital balances related to operations (note 12)	(197,762)	418,018
Net cash generated from operations	1,329,214	2,046,743
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term financing	(343,657)	(356,567)
Proceeds from term financing	135,932	54,982
Proceeds from bank indebtedness	18,472	—
Interest payable to municipal parties on restricted cash	8,570	6,090
	(180,685)	(295,495)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of portfolio investments	(186,780)	(272,674)
Proceeds on disposal of portfolio investments	16,694	114,603
Decrease (increase) in accrued investment income receivable	(1,056)	(1,385)
Repayment of surplus to related parties	(966,041)	—
	(1,137,183)	(159,456)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(12,821)	(7,128)
Proceeds on disposal of tangible capital assets	9,987	2,836
	(2,834)	(4,292)
INCREASE IN CASH AND CASH EQUIVALENTS	8,512	1,587,500
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,145,179	557,679
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,153,691	\$ 2,145,179
Represented by		
Cash and cash equivalents – operating fund	\$ 351,353	\$ 456,495
Cash and cash equivalents – operating fund – restricted (note 3)	1,123,105	1,114,535
Cash and cash equivalents – equipment reserve	18,444	18,303
Investment cash and cash equivalents – capital reserve (note 5)	660,789	555,846
	\$ 2,153,691	\$ 2,145,179

See accompanying notes to consolidated financial statements.

Valley Region Solid Waste-Resource Management Authority

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

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, 2021 and 2020:

	2021	2020
Municipality of the County of Kings	74.69%	74.71%
Town of Kentville	9.99%	9.95%
Town of Wolfville	8.24%	8.26%
Town of Berwick	3.53%	3.53%
Town of Middleton	2.51%	2.55%
Town of Annapolis Royal	1.04%	1.00%

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 9.

1. ECONOMIC DEPENDENCE

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements of the Valley Region Solid Waste-Resource Management Authority have been prepared, in all material respects, in accordance with Canadian public sector accounting standards.

Valley Region Solid Waste-Resource Management Authority
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues, expenses, 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. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(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 3.

(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.

Valley Region Solid Waste-Resource Management Authority

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses 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 10 (a).

(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 assets (debt) for the year.

Valley Region Solid Waste-Resource Management Authority

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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 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.

(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 is recognized as revenues when the materials are received by the purchaser.

3. RESTRICTED CASH

Cash has been internally restricted as security for the fiscal 2019 surplus retained from the municipal parties, as disclosed in Note 9. 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.

Valley Region Solid Waste-Resource Management Authority
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

4. ACCOUNTS RECEIVABLE

	2021	2020
Tipping fees and other trade receivables	\$ 380,032	\$ 199,415
Municipal party receivables (note 11)	1,283,929	1,019,343
Chester landfill net operating receivable	450,048	401,413
Divert NS receivable	25,423	23,666
Public service bodies' rebate receivable	128,361	113,264
Allowance for doubtful accounts	(9,658)	(187,648)
	\$ 2,258,135	\$ 1,569,453

5. PORTFOLIO INVESTMENTS – CAPITAL RESERVE FUND

	2021	2020
Investments, at cost	\$ 1,008,340	\$ 834,732
Accrued investment income	2,901	3,957
Accumulated remeasurement gains	132,245	33,968
	1,143,496	872,657
Investment cash and cash equivalents	660,789	555,846
	\$ 1,804,275	\$ 1,428,503

6. BANK INDEBTEDNESS

As at March 31, 2021, the Authority had an available, non-revolving, bridge loan in the amount of \$945,000 of which \$18,472 has been drawn down on. Repayable in monthly payments of interest only. The bridge loan bears interest at the bank's prime rate minus 0.75% per annum, is secured by a security agreement granting a first security in all present and after acquired personal property, and is guaranteed by the following municipal partners with supporting corporate or other resolution in an amount that is limited to the following:

Town of Berwick	\$ 33,358
Town of Wolfville	77,868
Town of Middleton	23,719
Town of Annapolis Royal	9,828
The Municipality of the County of Kings	705,821
Town of Kentville	94,406

Other security includes a Temporary Borrowing Resolution with Ministerial Approval.

The prime rate of interest as at March 31, 2021 was 2.45%.

Valley Region Solid Waste-Resource Management Authority
Notes to Consolidated Financial Statements

For the year ended March 31, 2021

7. LONG-TERM DEBT

	2021	2020
Municipality of the County of Kings - 4.00% term loan amortized to and maturing in April 2023, repayable in equal annual instalments of principal and interest of \$14,605.	\$ 42,105	\$ 55,057
Municipal Finance Corporation Debenture 36-A-1, amortized to May 2027 and maturing in May 2021, repayable in equal annual instalments of \$79,454 plus interest paid semi-annually at rates varying from 1.60% to 2.00%. The remaining balance of \$462,731 was refinanced subsequent to year end, repayable in equal annual installments of \$35,943 of until May 2026 and \$28,301 until May 2036, plus interest paid semi-annually at varying rates from .40% to 2.809%. Secured by a guarantee from the municipal parties as detailed below.	534,973	613,370
Debenture 37-A-1, amortized and maturing in November 2027, repayable in equal annual instalments 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.	931,231	1,064,265
Debenture 38-A-1, amortized to and maturing in May 2028, repayable in equal annual instalments 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.	379,473	354,304
Debenture 39-A-1, amortized and maturing in May 2022, repayable in equal annual instalments 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.	46,471	54,982
	\$ 1,934,253	\$ 2,141,978

Principal payments required in each of the next five years on debt held as at March 31, 2021 are as follows:

2022	\$ 338,647
2023	302,902
2024	279,609
2025	187,250
2026	186,629
Thereafter	639,216
Total	\$ 1,934,253

Valley Region Solid Waste-Resource Management Authority

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

7. LONG-TERM DEBT (CONTINUED)

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

	36-A-1	37-A-1	38-A-1	39-A-1
Municipality of the County of Kings	58.15%	58.14%	74.71%	74.71%
Municipality of the County of Annapolis	20.85	20.71	—	—
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	—	—
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, 2021 this credit card had a balance of \$3,779 (2020 - \$2,184).

Valley Region Solid Waste-Resource Management Authority
Consolidated Statement of Financial Position
As at March 31, 2021

8. TANGIBLE CAPITAL ASSETS

	Rate (in years)	COST		ACCUMULATED AMORTIZATION			NET BOOK VALUE	
		Opening	Additions (Disposals)	Ending	Opening	Additions (Disposals)	Amortization	Ending
Land		\$ 252,907	\$ -	\$ 252,907	\$ -	\$ -	\$ -	\$ 252,907
Eastern management centre	25	41,246	-	41,246	-	-	-	41,246
Buildings								
Western management centre	25	3,856,359	12,821	3,869,180	3,089,401	-	154,625	3,244,026
Eastern management centre	25	2,678,148	-	2,678,148	2,183,240	-	107,127	2,290,367
Administration building	25	2,033,005	-	2,033,005	609,385	-	81,320	690,705
Cart storage building	25	284,139	-	284,139	63,992	-	11,900	75,892
Computer system upgrade	5	23,097	-	23,097	13,965	-	2,512	16,477
Carts	10	3,204,503	(3,204,503)	-	3,204,503	(3,204,503)	-	-
Scales	10	266,289	(39,644)	226,645	119,455	(39,644)	22,665	102,476
Seasonal drop off bins	10	114,117	-	114,117	103,637	-	1,397	105,034
Utility trailer	10	12,114	-	12,114	11,106	-	1,008	12,114
HHW depots	10	69,627	-	69,627	69,627	-	-	69,627
Digesters (green cones)	10	8,089	(8,089)	-	8,089	(8,089)	-	-
Signage	10	5,138	-	5,138	2,312	-	514	2,826
Trucks	5-10	1,047,660	(33,897)	1,013,763	788,726	(33,897)	63,352	818,181
Loader	10	757,687	-	757,687	542,470	-	35,059	577,529
Retaining walls	20	3,707	-	3,707	1,575	-	203	1,778
Compaction equipment	10	134,878	-	134,878	117,506	-	3,860	121,366
Wind turbine	20	571,816	-	571,816	128,658	-	28,591	157,249
		\$ 15,364,526	\$(3,273,312)	\$ 12,091,214	\$ 11,057,647	\$(3,286,133)	\$ 514,133	\$ 8,285,647
								\$ 3,805,567
								\$ 4,306,878

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9. 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:

	2021	2020
Annual surplus	\$ 1,024,243	\$ 1,117,538
Add amortization of tangible capital assets	514,133	516,781
Less:		
Principal repayment of debts	(343,657)	(356,567)
Capital reserve fund transfer	(144,754)	(272,028)
Unfinanced capital asset acquisition	—	(7,128)
Surplus of the capital and equipment reserve funds	(23,255)	(32,557)
Annual surplus payable to the municipal parties	1,026,710	966,039
Interest earned on restricted cash (note 3)	14,660	6,090
Retention of prior period surplus	1,108,445	1,108,445
Total surplus payable to municipal parties	\$ 2,149,815	\$ 2,080,574

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.

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 ton tipping fee in an amount equal to the Authority's proportionate share of the net per ton operating cost of the landfill's operations. These per ton operating costs include an allowance for the closure and post-closure costs associated with the landfill. During the year, the Authority paid \$1,759,865 (2020 - \$1,730,986) 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.

Valley Region Solid Waste-Resource Management Authority
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For the year ended March 31, 2021

10. CONTRACTUAL OBLIGATIONS AND COMMITMENTS (CONTINUED)

The Authority shares in the surpluses and deficits of the landfill, based on its proportional share of the operating costs. If landfill revenues exceed the actual net operating costs (surplus), then the Municipality shall reimburse the Authority for its portion of the surplus. If there was a short fall of revenues to cover the actual net operating costs (deficit), then the Authority shall reimburse the Municipality for its proportional share of the deficit. 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 curbside collection and transportation and the per ton cost of spring and fall clean up and leaf collection. The contract expires on March 31, 2025. For the year ended March 31, 2021, the Authority paid \$2,102,259 (2020 - \$2,127,042) in relation to this contract. The amounts reported are net of HST rebates.

(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, 2021, the Authority paid \$778,793 (2020 - \$744,286) in relation to this contract. The amounts reported are net of HST rebates.

(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, 2021, the Authority paid \$547,901 (2020 - \$598,819) in relation to this contract. The amounts reported are net of HST rebates.

(e) Transportation of source separated solid waste

The Authority has entered into a five-year contract for the transportation of source separated solid waste. The contract includes the per ton cost of transporting compacted solid waste from the eastern and western management centres and expired on March 31, 2025. For the year ended March 31, 2021, the Authority paid \$402,768 (2020 - \$443,309) in relation to this contract. The amounts reported are net of HST rebates.

Valley Region Solid Waste-Resource Management Authority

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

11. RELATED PARTY BALANCES & TRANSACTIONS

Included in revenues for the current period are \$6,130,233 (2020 - \$6,562,728) of contributions and \$43,686 (2020 - \$8,953) of tipping fees from controlling entities. The contributions and sales were in the normal course of operations and measured at the exchange amount, which is the amount consideration established and agreed to by the related parties.

At the end of the year, included in accounts receivable are amounts due from related parties as follows:

The Municipality of the County of Annapolis	\$ 1,258,341
The Municipality of the County of Kings	25,588
Total amounts due from related parties	\$ 1,283,929

At the end of the year, included in accounts payable and accrued liabilities are amounts due to related parties as follows:

The Municipality of the County of Annapolis	\$ 258,341
The Municipality of the County of Kings	356,698
Total amounts due to related parties	\$ 615,309

12. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	2021	2020
Increase (decrease) in cash from changes in:		
Accounts receivable	\$ (688,682)	\$ 584,068
Trade payables	480,349	(284,862)
Accrued liabilities	(9,503)	133,599
Accrued employee liabilities	33,294	(18,572)
Prepaid expenses	(13,220)	3,785
	\$ (197,762)	\$ 418,018

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13. 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:

	2021	2020
Term financing principal repayments	\$ 343,657	\$ 467,706
Transfers to the capital reserve fund	264,359	280,008
Payment of prior period deficit	—	23,544
	<u>\$ 608,016</u>	<u>\$ 771,258</u>

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

14. INTERNALLY RESTRICTED RESERVE FUNDS

Capital reserve fund

The Authority has committed to fund a capital reserve for the purpose of financing future significant repairs or replacement of the eastern and western management centres, as agreed to by the municipal parties. This agreement stipulates estimated annual contributions from 2011 to 2025. The estimated contributions over the next four years are as follows:

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 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.

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.

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For the year ended March 31, 2021

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 \$109,549 (2020 - \$123,272) to the pension plan.

16. FINANCIAL INSTRUMENTS

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.

(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

For the year ended March 31, 2021

17. CLASSIFICATION OF EXPENDITURES BY OBJECT

	Budget	2021	2020
Debt financing costs	\$ 116,567	\$ 88,651	\$ 119,867
Office, supplies and other operating	923,598	907,599	767,719
Professional services	132,367	160,996	212,567
Salaries, wages and benefits	2,221,318	1,774,897	1,916,725
Significant contract services	5,652,718	5,666,136	5,519,533
Utilities	59,531	61,286	63,551
	9,106,099	8,659,565	8,599,962
Amortization of tangible capital assets		514,133	516,781
Total expenditures		\$ 9,173,698	\$ 9,116,743

18. SUBSEQUENT EVENT

Subsequent to year end, the Authority and the Municipality of the County of Annapolis reached a settlement in their legal matter. The balances outstanding at March 31, 2021 between the Authority and the Municipality of the County of Annapolis have been adjusted to reflect the settlement of \$1,000,000. A recovery on the settlement is included in the consolidated statement of operations and accumulated surplus. As part of the settlement, the Municipality of the County of Annapolis has entered a waste services management agreement effective May 17, 2021 to May 17, 2022.

19. COVID-19

On March 11, 2020 the World Health Organization characterized the outbreak of the strain of the novel coronavirus ("Covid-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus, including the announcement of a state of emergency in the Province of Nova Scotia on March 22, 2020. As of the date of issuing the financial statements, the ongoing duration and impact of COVID-19 is unknown and it is not possible to reliably estimate the impact the length and severity of these developments will have on the financial results and condition of the Authority in future fiscal years.

20. COMPARATIVE FIGURES

Certain 2020 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Valley Region Solid Waste-Resource Management Authority
Notes to Consolidated Financial Statements

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21. ACCUMULATED SURPLUS

	General Operating Fund	Capital Reserve Fund	Equipment Reserve Fund	Investment in Capital Assets	2021 Total	2020 Total
Opening balance	\$ 88,828	\$ 1,377,948	\$ 18,302	\$ 2,164,902	\$ 3,649,980	\$ 3,498,481
Annual surplus (deficit)	1,515,121	23,113	142	(514,133)	1,024,243	1,117,538
Surplus payable to the municipal parties	(1,026,710)	—	—		(1,026,710)	(966,039)
Repayment of term financing	(343,657)	—	—	343,657	—	—
Interfund transfers	(144,754)	264,359	—	(119,605)	—	—
Closing balance	\$ 88,828	\$ 1,665,420	\$ 18,444	\$ 1,874,821	\$ 3,647,513	\$ 3,649,980