

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

March 31, 2022

Valley Region Solid Waste-Resource Management Authority
Financial Statements

For the year ended March 31, 2022

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To the municipal parties of Valley Waste Resource Management Authority:

Opinion

We have audited the financial statements of Valley Waste Resource Management Authority (the "Authority"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated surplus, remeasurement gains and losses changes in net financial debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2022, 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 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 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.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 27, 2022

MNP LLP
Chartered Professional Accountants

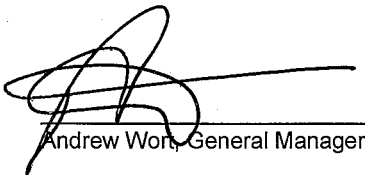
Management's Responsibility for the Financial Statements

The accompanying financial statements of the Valley Region Solid Waste-Resource Management Authority (the "Authority") are the responsibility of the Authority's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is described in Note 2 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'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 financial statements. These systems are monitored and evaluated by management.

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

The financial statements have been audited by 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 financial statements.



Andrew Worn, General Manager



Valley Region Solid Waste-Resource Management Authority
Statement of Financial Position

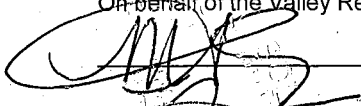
As at March 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents – operating fund	\$ 1,510,209	\$ 351,353
Cash and cash equivalents – operating fund – restricted (note 3)	–	1,123,105
Cash and cash equivalents – equipment reserve fund	90,304	18,444
Accounts receivable (note 4)	528,417	2,258,135
Portfolio investments – capital reserve fund (note 5)	2,132,252	1,804,275
	4,261,182	5,555,312
FINANCIAL LIABILITIES		
Bank indebtedness (note 6)	684,877	18,472
Trade payables	1,526,035	1,036,014
Accrued liabilities	152,910	324,009
Accrued employee liabilities	211,584	133,086
Term financing (note 7)	1,596,226	1,934,253
Surplus payable to municipal parties (note 8)	188,829	2,149,815
	4,360,461	5,595,649
NET FINANCIAL DEBT	(99,279)	(40,337)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	4,060,622	3,805,567
Prepaid expenses	9,866	14,528
	4,070,488	3,820,095
ACCUMULATED SURPLUS	\$ 3,971,209	\$ 3,779,758
Comprised of:		
Accumulated surplus (note 20)	\$ 3,825,378	\$ 3,647,513
Accumulated remeasurement gains	145,831	132,245
	\$ 3,971,209	\$ 3,779,758

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

See accompanying notes to financial statements.

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

 _____ Chairman

 _____ General Manager



Valley Region Solid Waste-Resource Management Authority
Statement of Operations and Accumulated Surplus

For the year ended March 31, 2022

	Budget (Unaudited)	2022	2021
REVENUES			
Municipal contributions	\$ 6,219,900	\$ 6,219,900	\$ 6,130,233
West management centre	380,880	493,693	442,930
East management centre	2,203,150	2,552,750	2,246,744
Investment income	20,100	13,909	23,998
Administration	666,760	484,739	683,765
Communications and enforcement	201,260	201,294	202,218
Divert NS approved programs	85,000	66,758	68,621
Wind turbine	45,000	42,662	37,512
Municipal service agreement	-	748,109	-
	9,822,050	10,823,814	9,836,021
EXPENSES			
General administration	727,830	704,142	683,706
Fiscal services	131,940	85,074	88,651
West management centre	497,370	656,129	334,425
East management centre	1,144,460	1,323,099	1,158,339
Residential collection	2,367,480	2,422,068	2,131,261
Construction and demolition debris processing	317,240	122,210	404,597
Recyclable processing and transportation	593,490	699,323	547,901
Organics processing and transportation	757,850	977,903	778,793
Residuals processing and transportation	1,782,650	2,327,937	1,832,586
Communications and enforcement	478,840	453,625	400,174
Wind turbine	15,500	12,784	21,610
Information technology	43,240	37,862	49,968
Household hazardous waste	155,550	180,855	227,554
Divert NS allocations	180,000	-	-
	9,193,440	10,003,011	8,659,565
Annual surplus before other items	628,610	820,803	1,176,456
OTHER INCOME (EXPENSES)			
Amortization of tangible capital assets		(553,254)	(514,133)
Gain on disposal of tangible capital assets		70,666	9,987
Gain on disposal of portfolio investments		28,479	1,413
Settlement recoveries		-	350,520
ANNUAL SURPLUS		366,694	1,024,243
ANNUAL SURPLUS PAYABLE TO MUNICIPAL PARTIES		(188,829)	(1,026,710)
ANNUAL SURPLUS, BEGINNING OF YEAR		3,647,513	3,649,980
ACCUMULATED SURPLUS, END OF YEAR		\$ 3,825,378	\$ 3,647,513

See accompanying notes to financial statements.

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

For the year ended March 31, 2022

	2022	2021
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 132,245	\$ 33,968
Net remeasurements during the year		
Gains realized during the year, reclassified to the statement of operations	(28,479)	(1,413)
Changes in market value of portfolio investments traded in an active market	42,065	99,690
	13,586	98,277
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 145,831	\$ 132,245
Comprised of:		
Market value of portfolio investments	\$ 2,132,252	\$ 1,804,275
Cost of portfolio investments	(1,986,421)	(1,672,030)
	\$ 145,831	\$ 132,245

See accompanying notes to financial statements.

Valley Region Solid Waste-Resource Management Authority
Statement of Changes in Net Financial Debt
For the year ended March 31, 2022

	2022	2021
ANNUAL SURPLUS	\$ 366,694	\$ 1,024,243
Annual surplus payable to municipal parties (note 8)	(188,829)	(1,026,710)
	177,865	(2,467)
Change in tangible capital assets		
Acquisition of tangible capital assets	(808,309)	(12,821)
Amortization of tangible capital assets	553,254	514,133
Gain on disposal of tangible capital assets	(70,666)	(9,987)
Proceeds on sale of tangible capital assets	70,666	9,987
NET (INCREASE) DECREASE IN TANGIBLE CAPITAL ASSETS	(77,190)	498,845
Change in other non-financial assets		
Decrease in prepaid expenses	4,662	(13,221)
Net remeasurement gains, during the year	13,586	98,277
DECREASE (INCREASE) IN NET FINANCIAL DEBT DURING THE YEAR	(58,942)	583,901
NET FINANCIAL DEBT, BEGINNING OF YEAR	(40,337)	(624,238)
NET FINANCIAL DEBT, END OF YEAR	\$ (99,279)	\$ (40,337)

See accompanying notes to financial statements.

Valley Region Solid Waste-Resource Management Authority
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 366,694	\$ 1,024,243
Items not involving cash		
Amortization of tangible capital assets	553,254	514,133
Gain on disposal of tangible capital assets	(70,666)	(9,987)
Gain on disposal of investments	(28,479)	(1,413)
Non-cash dividends received	(2,370)	-
	818,855	1,526,976
Net change in non-cash working capital balances related to operations (note 12)	2,132,222	(197,762)
Net cash generated from operations	2,950,655	1,329,214
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term financing	(800,758)	(343,659)
Proceeds from term financing	462,731	135,932
Proceeds from bank indebtedness	666,405	18,472
Interest payable to municipal parties on restricted cash	(14,658)	8,570
	313,720	(180,685)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of portfolio investments	(451,656)	(186,780)
Proceeds on disposal of portfolio investments	309,272	16,694
Increase in accrued investment income receivable	(1,218)	(1,056)
Repayment of surplus to related parties	(2,135,157)	(966,041)
	(2,278,759)	(1,137,183)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Net acquisitions of tangible capital assets	(808,309)	(12,821)
Proceeds on disposal of tangible capital assets	70,244	9,987
	(738,065)	(2,834)
INCREASE IN CASH AND CASH EQUIVALENTS	247,551	8,512
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,153,691	2,145,179
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,401,242	\$ 2,153,691
Represented by		
Cash and cash equivalents – operating fund	\$ 1,510,209	\$ 351,353
Cash and cash equivalents – operating fund – restricted (note 3)	-	1,123,105
Cash and cash equivalents – equipment reserve	90,304	18,444
Investment cash and cash equivalents – capital reserve (note 5)	800,729	660,789
	\$ 2,401,242	\$ 2,153,691

See accompanying notes to financial statements.

Valley Region Solid Waste-Resource Management Authority

Notes to Financial Statements

For the year ended March 31, 2022

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, 2022 and 2021:

	2022	2021
Municipality of the County of Kings	74.56%	74.69%
Town of Kentville	10.05%	9.99%
Town of Wolfville	8.31%	8.24%
Town of Berwick	3.53%	3.53%
Town of Middleton	2.50%	2.51%
Town of Annapolis Royal	1.05%	1.04%

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.

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 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.

(b) Basis of fund accounting

These 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. The funds are:

- General Operating Fund
- Capital Reserve Fund
- Equipment Reserve Fund

Valley Region Solid Waste-Resource Management Authority

Notes to Financial Statements

For the year ended March 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of accounting

The 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.

(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).

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

For the year ended March 31, 2022

2. 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.

Valley Region Solid Waste-Resource Management Authority
Notes to Financial Statements
For the year ended March 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 8. The funds were held in an interest-bearing account at a financial institution. Any interest earned on the funds was payable to the municipal parties. The 2019 surplus was repaid during the year; the funds are no longer restricted or held in an interest-bearing account.

4. ACCOUNTS RECEIVABLE

	2022	2021
Tipping fees and other trade receivables	\$ 385,927	\$ 380,032
Municipal party receivables (note 11)	863	1,283,929
Chester landfill net operating receivable	5,219	450,048
Divert NS receivable	25,248	25,423
Public service bodies' rebate receivable	139,005	128,361
Allowance for doubtful accounts	(27,845)	(9,658)
	\$ 528,417	\$ 2,258,135

Valley Region Solid Waste-Resource Management Authority
Notes to Financial Statements
For the year ended March 31, 2022

5. PORTFOLIO INVESTMENTS – CAPITAL RESERVE FUND

	2022	2021
Investments, at cost	\$ 1,181,573	\$ 1,008,340
Accrued investment income	4,119	2,901
Accumulated remeasurement gains	145,831	132,245
	<u>1,331,523</u>	<u>1,143,486</u>
Investment cash and cash equivalents	800,729	660,789
	<u>\$ 2,132,252</u>	<u>\$ 1,804,275</u>

6. BANK INDEBTEDNESS

As at March 31, 2022, the Authority had an available, non-revolving, bridge loan A in the amount of \$670,920 of which \$393,576 (2021 - \$18,470) 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:

The Municipality of the County of Kings	\$ 501,110
Town of Kentville	67,025
Town of Wolfville	55,284
Town of Berwick	23,683
Town of Middleton	16,840
Town of Annapolis Royal	6,978

Other security includes a Temporary Borrowing Resolution with Ministerial Approval.

As at March 31, 2022, the Authority had an available, non-revolving, bridge loan B in the amount of \$950,750 of which \$291,301 (2021 - \$Nil) 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:

The Municipality of the County of Kings	\$ 708,879
Town of Kentville	95,550
Town of Wolfville	79,007
Town of Berwick	33,562
Town of Middleton	23,769
Town of Annapolis Royal	9,983

Other security includes a Temporary Borrowing Resolution with Ministerial Approval.

The prime rate of interest as at March 31, 2022 was 2.7%.

Valley Region Solid Waste-Resource Management Authority
Notes to Financial Statements
For the year ended March 31, 2022

7. TERM FINANCING

	2022	2021
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.	\$ 28,626	\$ 42,105
Municipal Finance Corporation Debenture 36-A-1, matured in May 2021 and refinanced through debenture 41-A-1 in the amount of \$462,731.	-	534,973
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 2.13% to 3.07%. Secured by a guarantee from the municipal parties as detailed below.	798,198	931,231
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.	283,435	379,473
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 1.95% to 2.04%. Secured by a guarantee from the municipal parties as detailed below.	23,236	46,471
Debenture 41-A-1, amortized and maturing in May 2036 repayable in equal annual installments of \$35,943 until May 2026 and \$28,301 until May 2036, plus interest paid semi-annually at varying rates from .40% to 2.81%. Secured by a guarantee from the municipal parties as detailed below.	462,731	-
	\$ 1,596,226	\$ 1,934,253

Principal payments required in each of the next five years on debt held as at March 31, 2022 are as follows:

2023	\$ 302,281
2024	279,609
2025	187,250
2026	187,250
2027	187,252
Thereafter	452,584
Total	\$ 1,596,226

Valley Region Solid Waste-Resource Management Authority
Notes to Financial Statements
For the year ended March 31, 2022

7. TERM FINANCING (CONTINUED)

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

	37-A-1	38-A-1	39-A-1	41-A-1
Municipality of the County of Kings	58.14%	74.71%	74.71%	74.56%
Municipality of the County of Annapolis	20.71	—	—	—
Town of Kentville	7.84	9.95	9.95	10.05
Town of Wolfville	6.46	8.26	8.26	8.31
Town of Berwick	2.74	3.53	3.53	3.53
Town of Middleton	2.00	2.55	2.55	2.50
Municipality of the District of West Hants	1.33	—	—	—
Town of Annapolis Royal	0.79	1.00	1.00	1.05

The Authority also has access to a credit card with a limit of \$20,000 bearing interest at 19.99%. At March 31, 2022 this credit card had a balance of \$3,400 (2021 - \$3,779).

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:

	2022	2021
Annual surplus	\$ 366,694	\$ 1,024,243
Add amortization of tangible capital assets	553,254	514,133
Less:		
Principal repayment of debts	(338,027)	(343,657)
Capital reserve fund transfer	(285,795)	(144,754)
Unfinanced capital asset acquisition	(8,152)	—
Surplus of the capital and equipment reserve funds	(99,145)	(23,255)
Annual surplus payable to the municipal parties	188,829	1,026,710
Interest earned on restricted cash (note 3)	—	14,660
Retention of prior period surplus	—	1,108,445
Total surplus payable to municipal parties	\$ 188,829	\$ 2,149,815

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
Consolidated Statement of Financial Position
As at March 31, 2022

	Rate (in years)	COST		ACCUMULATED AMORTIZATION				NET BOOK VALUE		
		Opening	Additions (Disposals)	Ending	Opening	Additions (Disposals)	Amortization	Ending	2022	2021
		\$	\$	\$	\$	\$	\$	\$	\$	\$
9. TANGIBLE CAPITAL ASSETS										
Land		252,907	—	252,907	—	—	—	—	252,907	252,907
Western management centre		41,246	—	41,246	—	—	—	—	41,246	41,246
Buildings										
Eastern management centre	25	3,869,180	—	3,869,180	—	—	153,236	3,397,262	471,918	625,154
Western management centre	25	2,678,148	130,660	2,808,808	—	—	109,739	2,400,106	408,702	387,781
Administration building	25	2,033,005	—	2,033,005	—	—	81,320	772,025	1,260,980	1,342,300
Cart storage building	25	284,139	—	284,139	—	—	11,900	87,792	196,347	208,247
Computer system upgrade	5	23,097	54,469	77,566	—	—	7,959	24,436	53,130	6,620
Scales	10	226,645	—	226,645	—	—	22,664	125,140	101,505	124,169
Seasonal drop off bins	10	114,117	(100,143)	13,974	—	(100,143)	1,397	6,288	—	9,083
Utility trailer	10	12,114	(12,114)	—	—	(12,114)	—	—	—	—
HHW depots	10	69,627	—	69,627	—	—	—	69,627	—	—
Signage	10	5,138	—	5,138	—	—	514	3,340	1,798	2,312
Trucks	5-10	1,013,763	3,014	1,016,777	—	(81,215)	69,834	806,800	209,977	195,582
Loader	10	757,687	185,911	943,598	—	(352,101)	62,036	287,464	656,134	180,158
Retaining walls	20	3,707	—	3,707	—	—	203	1,981	1,726	1,929
Compaction equipment	10	134,878	—	134,878	—	—	3,861	125,227	9,651	13,512
Wind turbine	20	571,816	—	571,816	—	—	28,591	185,840	385,976	414,567
Capital works in progress	—	—	939	939	—	—	—	—	939	—
		\$ 12,091,214	\$ 262,736	\$ 12,353,950	\$ 8,285,647	\$ (545,573)	\$ 553,254	\$ 8,293,328	\$ 4,060,622	\$ 3,805,567

Valley Region Solid Waste-Resource Management Authority

Notes to Financial Statements

For the year ended March 31, 2022

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 \$1,662,838 (2021 - \$1,759,865) 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 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 or deficit 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 tonne cost of spring and fall clean up and leaf collection. The contract expires on March 31, 2025. For the year ended March 31, 2022, the Authority paid \$2,397,447 (2021 - \$2,102,259) in relation to this contract. The amounts reported are net of HST rebates.

(c) Organics composting

The Authority has entered into an eleven-year contract for the composting of organic solid waste collected through its source separated curbside program and requires for all organics to be sent exclusively to this contractor. The contract is set to expire March 31, 2029, subject to a per tonne price review for year six (6) of the contract, pursuant to the terms of the agreement. For the year ended March 31, 2022, the Authority paid \$977,903 (2021 - \$778,793) in relation to this contract. The amounts reported are net of HST rebates.

Valley Region Solid Waste-Resource Management Authority
Notes to Financial Statements
For the year ended March 31, 2022

10. CONTRACTUAL OBLIGATIONS AND COMMITMENTS (CONTINUED)

(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, 2022, the Authority paid \$699,323 (2021 - \$547,901) 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 tonne cost of transporting compacted solid waste from the eastern and western management centres and expires on March 31, 2025. For the year ended March 31, 2022, the Authority paid \$572,026 (2021 - \$402,768) in relation to this contract. The amounts reported are net of HST rebates.

11. RELATED PARTY BALANCES & TRANSACTIONS

Included in revenues for the current period are \$6,219,900 (2021 - \$6,130,233) of contributions and \$7,673 (2021 - \$43,686) 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 Kings	\$	389
Town of Berwick		78
Town of Kentville		376
Town of Wolfville		20
Total amounts due from related parties	\$	863

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 Kings	\$	629,395
Town of Kentville		870
Total amounts due to related parties	\$	630,265

Valley Region Solid Waste-Resource Management Authority
Notes to Financial Statements
For the year ended March 31, 2022

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

	2022	2021
Increase (decrease) in cash from changes in:		
Accounts receivable	\$ 1,729,718	\$ (688,682)
Trade payables	490,443	480,349
Accrued liabilities	(171,099)	(9,503)
Accrued employee liabilities	78,498	33,294
Prepaid expenses	4,662	(13,220)
	\$ 2,132,222	\$ (197,762)

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:

	2022	2021
Term financing principal repayments	\$ 338,027	\$ 343,657
Transfers to the capital reserve fund	285,795	264,359
	\$ 623,822	\$ 608,016

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 three years are as follows:

2023	\$ 259,374
2024	285,311
2025	313,842

Valley Region Solid Waste-Resource Management Authority

Notes to Financial Statements

For the year ended March 31, 2022

14. INTERNALLY RESTRICTED RESERVE FUNDS (CONTINUED)

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

Equipment reserve fund

The Authority has established an equipment reserve fund for the purpose of financing the cost of future equipment replacements. The reserve is funded by proceeds from the sale of surplus equipment. There are no budgeted annual transfers to the equipment reserve fund. The funds are held in an interest-bearing account with the CIBC.

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 \$112,240 (2021 - \$109,549) 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 Financial Statements

For the year ended March 31, 2022

17. CLASSIFICATION OF EXPENDITURES BY OBJECT

	2022	2021
Debt financing costs	\$ 52,925	\$ 88,651
Office, supplies and other operating	898,120	907,599
Professional services	86,358	160,996
Salaries, wages and benefits	2,251,351	1,774,897
Significant contract services	6,643,016	5,666,136
Utilities	71,241	61,286
	10,003,011	8,659,565
Amortization of tangible capital assets	553,254	514,133
Total expenditures	\$ 10,556,265	\$ 9,173,698

18. SUBSEQUENT EVENT

On May 5, 2022, the authority signed a new debenture (42-A-1) issued by the Nova Scotia Municipal Finance Corporation which was received on May 17, 2022. The debenture has a principal value of \$805,271 and matures in May, 2037, repayable in annual instalments of \$88,396 plus interest until May 2027, \$63,947 plus interest until May 2032 and \$8,711 plus interest thereafter. Interest rates vary from 2.58% to 4.12%. Secured by a guarantee from the municipal parties.

Principal payments required in each of the next five years on debenture 42-A-1 are as follow:

2023	\$	-
2024		88,396
2025		88,396
2026		88,396
2027		88,396
Thereafter		451,687
Total	\$	805,271

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.

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

For the year ended March 31, 2022

20. ACCUMULATED SURPLUS

	General Operating Fund	Capital Reserve Fund	Equipment Reserve Fund	Investment in Capital Assets	2022 Total	2021 Total
Opening balance	\$ 88,828	\$ 1,665,420	\$ 18,444	\$ 1,874,821	\$ 3,647,513	\$ 3,649,980
Annual surplus (deficit)	820,803	28,479	70,666	(553,254)	366,694	1,024,243
Surplus payable to the municipal parties	(188,829)	-	-	-	(188,829)	(1,026,710)
Purchase of unfinanced capital assets	(8,152)	-	(8,300)	16,452	-	-
Repayment of term financing	(338,027)	-	-	338,027	-	-
Interfund transfers	(285,795)	293,959	9,694	(17,858)	-	-
Closing balance	\$ 88,828	\$ 1,987,858	\$ 90,504	\$ 1,658,188	\$ 3,825,378	\$ 3,647,513

21. REMUNERATION

Pursuant to the Public Sector Compensation Disclosure Act, the Company is required to disclose individuals with compensation greater than \$100,000. These individuals are as follows:

	2022	2021
General Manager, Andrew Wort	\$ 122,820	\$ 119,479