

**Bruce Area Solid Waste Recycling
Financial Statements
For the year ended December 31, 2019**

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Financial Statements
For the year ended December 31, 2019**

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Independent Auditor's Report

**To the Board of Directors and Member Municipalities
Bruce Area Solid Waste Recycling**

Opinion

We have audited the financial statements of Bruce Area Solid Waste Recycling (the organization), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets 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 organization as at December 31, 2019, and its results of operations, its changes in net financial assets, 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 organization 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 organization'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 organization'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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Port Elgin, Ontario
May 14, 2020

Bruce Area Solid Waste Recycling
Statement of Financial Position

December 31	2019	2018
Assets and Liabilities		
Financial assets		
Cash and cash equivalents (Note 2)	\$ 2,234,468	\$ 2,300,122
Trade and other receivables	363,992	496,657
Inventory held for resale	63,181	86,886
	2,661,641	2,883,665
Liabilities		
Accounts payable and accrued liabilities	217,468	162,306
Net financial assets	2,444,173	2,721,359
Non financial assets		
Prepaid expenses	3,143	13,596
Tangible capital assets (Note 3)	1,398,138	1,540,812
	1,401,281	1,554,408
Accumulated surplus (Note 4)	\$ 3,845,454	\$ 4,275,767

The accompanying notes are an integral part of these financial statements.

**Bruce Area Solid Waste Recycling
Statement of Operations and Accumulated Surplus**

For the year ended December 31	2019	2019	2018
	Budget	Actual	Actual
Revenue			
Municipal contributions	\$ 1,594,148	\$ 1,608,615	\$ 1,565,530
Provincial grants	575,115	575,113	594,552
Sale of recyclables	493,883	476,258	691,638
OCC collection	152,568	158,004	151,504
Interest	30,000	55,897	42,643
Sale of composters and carts	13,790	11,174	13,843
Other contributions	18,226	350	1,516
Loss on sale of tangible capital assets	-	(67,513)	(3,686)
	<u>2,877,730</u>	<u>2,817,898</u>	<u>3,057,540</u>
Expenses			
Advertising	29,120	28,793	24,088
Amortization of capital assets	219,970	225,758	249,239
Bank charges	2,703	2,826	2,993
Composter and carts	11,220	15,153	16,868
Insurance	92,570	88,197	91,868
Material transportation	19,687	23,559	18,750
Membership and subscriptions	2,317	8,079	2,317
Mobile equipment	1,016,351	1,044,449	908,580
Office, administration and telephone	3,511	6,547	2,671
OCC collection	1,200	-	1,362
Phone and postage	5,902	5,396	6,712
Processing equipment	96,736	93,160	91,605
Professional fees	9,338	12,110	11,674
Property maintenance	8,651	8,745	8,832
Property rent	5,000	5,000	5,000
Property taxes	37,764	35,020	34,331
Safety equipment	6,049	7,391	6,162
Training and conventions	1,095	403	151
Uniforms	3,147	3,126	2,921
Utilities	28,797	26,780	26,179
Salaries, wages and benefits	1,606,872	1,607,719	1,578,158
	<u>3,208,000</u>	<u>3,248,211</u>	<u>3,090,461</u>
Annual deficit	(330,270)	(430,313)	(32,921)
Accumulated surplus, beginning of the year	<u>4,275,767</u>	<u>4,275,767</u>	<u>4,308,688</u>
Accumulated surplus, end of the year	<u>\$ 3,945,497</u>	<u>\$ 3,845,454</u>	<u>\$ 4,275,767</u>

The accompanying notes are an integral part of these financial statements.

**Bruce Area Solid Waste Recycling
Statement of Changes in Net Financial Assets**

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
Annual deficit	\$ (330,270)	\$ (430,313)	\$ (32,921)
Acquisition of tangible capital assets	(416,047)	(168,397)	(218,108)
Amortization of tangible capital assets	219,970	225,758	249,239
Loss on sale of tangible capital assets	-	67,513	3,686
Proceeds on disposal of capital assets	-	17,800	6,239
	(196,077)	142,674	41,056
Change in prepaid expenses	-	10,453	(10,392)
Change in net financial assets	(526,347)	(277,186)	(2,257)
Net financial assets, beginning of the year	2,721,359	2,721,359	2,723,616
Net financial assets, end of the year	\$ 2,195,012	\$ 2,444,173	\$ 2,721,359

The accompanying notes are an integral part of these financial statements.

Bruce Area Solid Waste Recycling
Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Annual deficit	\$ (430,313)	\$ (32,921)
Items not involving cash		
Amortization	225,758	249,239
Loss on sale of capital assets	67,513	3,686
	<u>(137,042)</u>	<u>220,004</u>
Changes in non-cash working capital balances		
Trade and other receivables	132,665	(60,060)
Inventory held for resale	23,705	3,744
Accounts payable and accrued liabilities	55,162	(7,111)
Prepaid expenses	10,453	(10,392)
	<u>84,943</u>	<u>146,185</u>
Capital transactions		
Cash used to acquire capital assets	(168,397)	(218,108)
Proceeds on sale of capital assets	17,800	6,239
	<u>(150,597)</u>	<u>(211,869)</u>
Net change in cash and cash equivalents	(65,654)	(65,684)
Cash and cash equivalents, beginning of year	2,300,122	2,365,806
Cash and cash equivalents, end of year	\$ 2,234,468	\$ 2,300,122

The accompanying notes are an integral part of these financial statements.

Bruce Area Solid Waste Recycling Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Standards

Nature of Business

The organization operates as a Joint Board of Management with representation from the municipalities of Arran-Elderslie, Brockton, Huron-Kinloss, Kincardine, Saugeen Shores, South Bruce and South Bruce Peninsula. Each municipality's proportionate interest in the board is based on number of households and is as follows:

Arran-Elderslie	8.77%
Brockton	12.88
Huron-Kinloss	12.42
Kincardine	18.01
Saugeen Shores	23.85
South Bruce	3.32
South Bruce Peninsula	20.75
	<hr/> <u>100.00%</u>

Management Responsibility

The Board of Directors for Bruce Area Solid Waste Recycling has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these financial statements. The Board of Directors review and approve the financial statements.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Management makes significant decisions for the useful life of capital assets.

Basis of Consolidation

The assets, liabilities, revenues and expenses are proportionately consolidated with the financial statements of the member municipalities.

Bruce Area Solid Waste Recycling Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting standards - (continued)

Basis of Accounting

The financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the CPA Canada as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available 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.

Inventory

Inventory of goods held for resale is recorded at net realizable value.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by the board. The following rates are used:

Buildings	50 years
Paving	20 years
Vehicles	5-15 years
Machinery and equipment	5-15 years

Revenue Recognition

The board recognizes revenue from the sale of recyclables and composters when goods are delivered. Contributions from municipal members are recognized as revenue quarterly when billed. Interest income is recognized on the daily accrual basis. Collection revenue is recognized when the services are provided.

Government Transfers

Government transfers are recognized as revenue in the financial statement when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Bruce Area Solid Waste Recycling
Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting standards - (continued)

Financial Instruments

The organization classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the statement of operations.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and short-term highly liquid investments that are readily converted into cash.

2. Cash and Cash Equivalents

	2019	2018
Bank	\$ 2,234,468	\$ 2,167,419
Investments - redeemable GIC, 0.2935%, due June, 2019	-	132,703
	\$ 2,234,468	\$ 2,300,122

Cash includes a total of \$2,227,930 held at one financial institution. The Canadian Deposit Insurance Corporation (CDIC) insures deposits up to a maximum of \$100,000 per depositor per financial institution.

**Bruce Area Solid Waste Recycling
Notes to Financial Statements**

December 31, 2019

3. Tangible Capital Assets

	2019				
	Buildings	Paving	Vehicles	Machinery and Equipment	Total
Cost, beginning of the year	\$ 439,696	\$ 38,769	\$ 2,779,901	\$ 1,080,653	\$ 4,339,019
Additions	48,060	17,214	94,797	8,326	168,397
Disposals	-	-	(240,068)	-	(240,068)
Cost, end of the year	487,756	55,983	2,634,630	1,088,979	4,267,348
Accumulated amortization, beginning of the year	222,685	18,300	1,860,816	696,406	2,798,207
Amortization	10,141	2,799	161,404	51,414	225,758
Disposals	-	-	(154,755)	-	(154,755)
Accumulated amortization, end of the year	232,826	21,099	1,867,465	747,820	2,869,210
Net carrying amount, end of the year	\$ 254,930	\$ 34,884	\$ 767,165	\$ 341,159	\$ 1,398,138

	2018				
	Buildings	Paving	Vehicles	Machinery and Equipment	Total
Cost, beginning of the year	\$ 439,696	\$ 38,769	\$ 2,866,899	\$ 1,015,392	\$ 4,360,756
Additions	-	-	152,847	65,261	218,108
Disposals	-	-	(239,845)	-	(239,845)
Cost, end of the year	439,696	38,769	2,779,901	1,080,653	4,339,019
Accumulated amortization, beginning of the year	213,505	16,362	1,903,809	645,212	2,778,888
Amortization	9,180	1,938	186,927	51,194	249,239
Disposals	-	-	(229,920)	-	(229,920)
Accumulated amortization, end of the year	222,685	18,300	1,860,816	696,406	2,798,207
Net carrying amount, end of the year	\$ 217,011	\$ 20,469	\$ 919,085	\$ 384,247	\$ 1,540,812

**Bruce Area Solid Waste Recycling
Notes to Financial Statements**

December 31, 2019

4. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2019	2018
Invested in tangible capital assets		
Tangible capital assets purchased	\$ 1,398,138	\$ 1,540,812
General deficit (Note 7)	(59,663)	(32,921)
Reserves and reserve funds (Note 5)	2,506,979	2,767,876
Accumulated surplus	\$ 3,845,454	\$ 4,275,767

5. Reserves Set Aside for Specific Purpose

	2019	2018
Working funds	\$ 100,000	\$ 100,000
Building	579,664	579,664
Capital equipment	1,827,315	2,088,212
	\$ 2,506,979	\$ 2,767,876

6. Pension Agreements

The organization makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 17 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement pension to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2019 was \$82,377 (2018 - \$81,193). The contribution rate for 2019 was 9.0% to 15.8% depending on age and income level (2018 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the organization does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2019. At that time the plan reported a \$3.40 billion actuarial deficit (2018 - \$4.19 billion actuarial deficit), based on actuarial liabilities of \$106.44 billion (2018 - \$99.06 billion) and actuarial assets of \$103.05 billion (2018 - \$94.87 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

Bruce Area Solid Waste Recycling
Notes to Financial Statements

December 31, 2019

7. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and changes in net debt for comparative purposes. The 2019 budget amounts approved by the board have been reclassified to conform to the presentation of the consolidated statements of operations and changes in net debt. The following is a reconciliation of the budget approved by board.

	2019	2019	2018
	Budget	Actual	Actual
Annual surplus (deficit) (Page 5)	\$ (330,270)	\$ (430,313)	\$ (32,921)
Amortization	219,970	225,758	-
Loss on sale of tangible capital assets	-	67,513	-
	(110,300)	(137,042)	(32,921)
Transfer to reserves from operating	110,300	110,300	-
	-	(26,742)	(32,921)
Prior year general surplus	(32,921)	(32,921)	-
General surplus (Note 4)	\$ (32,921)	\$ (59,663)	\$ (32,921)

8. Expenses by Object

Total operating expenses by object for the year reported on the consolidated statement of financial activities are as follows:

	2019	2018
Salaries, wages and employee benefits	\$1,607,719	\$ 1,578,158
Materials	1,369,193	1,220,740
Rents and financial expenses	45,541	42,324
Amortization	225,758	249,239
	\$3,248,211	\$ 3,090,461

Bruce Area Solid Waste Recycling Notes to Financial Statements

December 31, 2019

9. Commitments

Bruce Area Solid Waste Recycling has entered into an agreement to lease lands from the Town of Saugeen Shores at \$5,000 per year. The term of the lease is 10 years and expires in 2020.

10. Financial Instrument Risk Management

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 organization is exposed to credit risk arising from its bank balance and accounts receivable. The majority of the organization's receivables are from government sources. The balance of the accounts receivable are due from customers who have purchased recycling materials. 39.50% of the organization's receivables is from Stewardship Ontario. No other singular customer represents more than 20% of the receivables balance.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable. The organization has sufficient bank balances to extinguish its liabilities.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

Bruce Area Solid Waste Recycling
Notes to Financial Statements

December 31, 2019

11. Related Party Balances

At the end of the year, the amounts included in trade and other receivables that are due from related parties are as follows:

	<u>2019</u>	<u>2018</u>
Municipality of Brockton	\$ 4,261	\$ 3,828
Municipality of Huron-Kinloss	15,412	15,083
Municipality of Kincardine	33,812	33,347
Municipality of Saugeen Shores	39,468	38,509
Municipality of South Bruce	5,335	5,335
Municipality of South Bruce Peninsula	3,807	77,469

Included in municipal contributions revenue on the Statement of Operations and Accumulated Surplus is \$80,492 received from the Municipality of Arran-Elderslie, \$118,234 received from the Municipality of Brockton, \$247,821 received from the Municipality of Huron-Kinloss, \$412,838 from the Municipality of Kincardine, \$528,340 from the Municipality of Saugeen Shores, \$30,465 from the Municipality of South Bruce, and \$190,414 from the Municipality of South Bruce Peninsula.

Included in OCC collection revenue on the Statement of Operations and Accumulated Surplus is \$12,769 received from the Municipality of Brockton, \$12,453 received from the Municipality of Huron-Kinloss, \$35,584 from the Municipality of Kincardine, \$39,490 from the Municipality of Saugeen Shores, \$16,004 from the Municipality of South Bruce, and \$27,272 from the Municipality of South Bruce Peninsula.

The organization is related to the municipalities listed in the Nature of Business of the Summary of Significant Accounting Policies because these municipalities jointly control the organization.

Transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Subsequent Events

The global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.
