

**Bruce Area Solid Waste Recycling
Financial Statements
For the year ended December 31, 2022**

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Financial Statements
For the year ended December 31, 2022**

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Independent Auditor's Report

To the Board of Directors of 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, 2022, 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, 2022, 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.

Chartered Professional Accountants, Licensed Public Accountants

Port Elgin, Ontario
April 25, 2023

Bruce Area Solid Waste Recycling
Statement of Financial Position

December 31	2022	2021
Assets and Liabilities		
Financial assets		
Cash and cash equivalents (Note 2)	\$ 1,343,268	\$ 1,656,147
Trade and other receivables	594,531	724,390
Inventory held for resale	51,312	58,361
	<u>1,989,111</u>	<u>2,438,898</u>
Liabilities		
Accounts payable and accrued liabilities	230,105	354,286
	<u>230,105</u>	<u>354,286</u>
Net financial assets	1,759,006	2,084,612
Non financial assets		
Prepaid expenses	7,725	5,440
Tangible capital assets (Note 3)	1,508,281	1,439,175
	<u>1,516,006</u>	<u>1,444,615</u>
Accumulated surplus (Note 4)	\$ 3,275,012	\$ 3,529,227

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	2022	2022	2021
	Budget	Actual	Actual
	(Note 7)		
Revenue			
Municipal contributions (Note 10)	\$ 1,862,977	\$ 1,872,617	\$ 1,830,005
Provincial grants	575,115	968,938	753,604
Sale of recyclables	584,769	939,697	837,824
OCC collection	181,116	176,802	165,135
Interest	8,159	29,427	8,305
Sale of composters and carts	10,320	12,478	13,366
Other contributions	-	915	-
	<u>3,222,456</u>	<u>4,000,874</u>	<u>3,608,239</u>
Expenses			
Advertising	26,181	35,468	31,948
Amortization of capital assets	219,970	222,811	227,015
Bank charges	2,826	3,085	2,879
Commingled recycling processing	-	19,620	166,282
Composter and carts	15,500	22,455	23,105
Insurance	130,312	142,999	118,465
Material transportation	31,166	31,800	74,672
Membership and subscriptions	2,100	2,763	2,083
Mobile equipment	985,754	1,639,575	1,129,069
Office, administration and telephone	4,006	4,510	4,801
OCC collection	3,500	223	3,526
Phone and postage	5,390	7,758	5,413
Processing equipment	96,497	109,142	127,822
Professional fees	17,148	28,359	17,448
Property maintenance	9,204	9,129	8,468
Property rent	5,000	-	-
Property taxes	39,473	36,935	35,885
Safety equipment	12,416	10,186	8,927
Training and conventions	754	1,129	-
Uniforms	4,369	8,072	4,067
Utilities	25,477	29,379	24,003
Salaries, wages and benefits	1,805,383	1,889,691	1,723,048
	<u>3,442,426</u>	<u>4,255,089</u>	<u>3,738,926</u>
Annual deficit (Note 7)	(219,970)	(254,215)	(130,687)
Accumulated surplus, beginning of the year	<u>3,529,227</u>	<u>3,529,227</u>	<u>3,659,914</u>
Accumulated surplus, end of the year (Note 4)	<u>\$ 3,309,257</u>	<u>\$ 3,275,012</u>	<u>\$ 3,529,227</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	2022	2022	2021
	Budget (Note 7)	Actual	Actual
Annual deficit (Page 5)	\$ (219,970)	\$ (254,215)	\$ (130,687)
Acquisition of tangible capital assets	(515,377)	(291,917)	(270,547)
Amortization of tangible capital assets	219,970	222,811	227,015
	(295,407)	(69,106)	(43,532)
Change in prepaid expenses	-	(2,285)	(2,562)
Change in net financial assets	(515,648)	(325,606)	(176,781)
Net financial assets, beginning of the year	2,084,612	2,084,612	2,261,393
Net financial assets, end of the year	\$ 1,568,964	\$ 1,759,006	\$ 2,084,612

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

Bruce Area Solid Waste Recycling
Statement of Cash Flows

<u>For the year ended December 31</u>	<u>2022</u>	<u>2021</u>
Cash provided by (used in)		
Operating activities		
Annual deficit	\$ (254,215)	\$ (130,687)
Items not involving cash		
Amortization	<u>222,811</u>	<u>227,015</u>
	(31,404)	96,328
 Changes in non-cash working capital balances		
Trade and other receivables	129,859	(272,237)
Inventory held for resale	7,049	(21,686)
Accounts payable and accrued liabilities	(124,181)	97,968
Prepaid expenses	<u>(2,285)</u>	<u>(2,562)</u>
	<u>(20,962)</u>	<u>(102,189)</u>
 Capital transactions		
Cash used to acquire capital assets	<u>(291,917)</u>	<u>(270,547)</u>
 Net change in cash and cash equivalents	(312,879)	(372,736)
 Cash and cash equivalents, beginning of year	<u>1,656,147</u>	<u>2,028,883</u>
 Cash and cash equivalents, end of year	<u>\$ 1,343,268</u>	<u>\$ 1,656,147</u>

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

Bruce Area Solid Waste Recycling Notes to Financial Statements

December 31, 2022

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	8.66%
Brockton	12.74%
Huron-Kinloss	12.32%
Kincardine	17.96%
Saugeen Shores	24.50%
South Bruce	3.24%
South Bruce Peninsula	20.58%
	<u>100.00%</u>

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.

Management Responsibility

The management 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.

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, 2022

1. Summary of Significant Accounting standards - (continued)

Inventory	Inventory of goods held for resale is recorded at net realizable value.								
Tangible Capital Assets	<p>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:</p> <table><tr><td>Buildings</td><td>50 years</td></tr><tr><td>Paving</td><td>20 years</td></tr><tr><td>Vehicles</td><td>5-15 years</td></tr><tr><td>Machinery and equipment</td><td>5-15 years</td></tr></table>	Buildings	50 years	Paving	20 years	Vehicles	5-15 years	Machinery and equipment	5-15 years
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 statements 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.								
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.								

Bruce Area Solid Waste Recycling

Notes to Financial Statements

December 31, 2022

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

	2022	2021
Bank	\$ 1,343,268	\$ 1,656,147

Cash includes a total of \$1,424,269 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, 2022

3. Tangible Capital Assets

	2022				
	Buildings	Paving	Vehicles	Machinery and Equipment	Total
Cost, beginning of the year	\$ 506,014	\$ 108,521	\$ 2,613,256	\$ 1,193,592	\$ 4,421,383
Additions	6,575	-	202,912	82,430	291,917
Disposals	-	-	-	-	-
Cost, end of the year	512,589	108,521	2,816,168	1,276,022	4,713,300
Accumulated amortization, beginning of the year	253,586	30,825	1,845,766	852,031	2,982,208
Amortization	10,716	5,426	149,846	56,823	222,811
Disposals	-	-	-	-	-
Accumulated amortization, end of the year	264,302	36,251	1,995,612	908,854	3,205,019
Net carrying amount, end of the year	\$ 248,287	\$ 72,270	\$ 820,556	\$ 367,168	\$ 1,508,281

	2021				
	Buildings	Paving	Vehicles	Machinery and Equipment	Total
Cost, beginning of the year	\$ 493,332	\$ 85,983	\$ 2,481,986	\$ 1,089,535	\$ 4,150,836
Additions	12,682	22,538	131,270	104,057	270,547
Disposals	-	-	-	-	-
Cost, end of the year	506,014	108,521	2,613,256	1,193,592	4,421,383
Accumulated amortization, beginning of the year	243,079	25,399	1,688,216	798,499	2,755,193
Amortization	10,507	5,426	157,550	53,532	227,015
Disposals	-	-	-	-	-
Accumulated amortization, end of the year	253,586	30,825	1,845,766	852,031	2,982,208
Net carrying amount, end of the year	\$ 252,428	\$ 77,696	\$ 767,490	\$ 341,561	\$ 1,439,175

Bruce Area Solid Waste Recycling Notes to Financial Statements

December 31, 2022

4. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2022	2021
Invested in tangible capital assets		
Tangible capital assets purchased	\$ 1,508,281	\$ 1,439,175
General surplus (Note 7)	212,637	244,041
Reserves and reserve funds (Note 5)	1,554,094	1,846,011
Accumulated surplus	<u>\$ 3,275,012</u>	<u>\$ 3,529,227</u>

5. Reserves Set Aside for Specific Purpose

	2022	2021
Working funds	\$ 100,000	\$ 100,000
Building	579,664	579,664
Capital equipment	874,430	1,166,347
	<u>\$ 1,554,094</u>	<u>\$ 1,846,011</u>

6. Pension Agreements

The organization makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 27 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 2022 was \$94,280 (2021 - \$91,036). The contribution rate for 2022 was 9.0% to 15.8% depending on age and income level (2021 - 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, 2022. At that time the plan reported a \$6.68 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit), based on actuarial liabilities of \$128.79 billion (2021 - \$119.3 billion) and actuarial assets of \$122.11 billion (2021 - \$116.2 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, 2022

7. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2022 budget amounts approved by the Board have been reclassified to conform to the presentation of the consolidated statements of operations and changes in net financial assets. The following is a reconciliation of the budget approved by the Board.

	2022	2022	2021
	Budget	Actual	Actual
Annual deficit (Page 5)	\$ (219,970)	\$ (254,215)	\$ (130,687)
Acquisition of tangible capital assets	(515,377)	(291,917)	(270,547)
Amortization	219,970	222,811	227,015
	(515,377)	(323,321)	(174,219)
Transfer from reserves to capital	515,377	291,917	270,547
	515,377	291,917	270,547
	-	(31,404)	96,328
Prior year general surplus	-	244,041	147,713
General surplus (Note 4)	\$ -	\$ 212,637	\$ 244,041

8. Expenses by Object

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

	2022	2021
Salaries, wages and employee benefits	\$1,889,691	\$ 1,723,048
Materials	2,100,361	1,748,392
Rents and financial expenses	42,226	40,471
Amortization	222,811	227,015
	\$4,255,089	\$ 3,738,926

Bruce Area Solid Waste Recycling

Notes to Financial Statements

December 31, 2022

9. 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. 42.4% (2021 - 28.37%) 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, 2022

10. 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:

	2022	2021
Municipality of Brockton	\$ 5,577	\$ 51,362
Municipality of Huron-Kinloss	18,238	17,580
Municipality of Kincardine	38,822	37,533
Municipality of Saugeen Shores	42,398	42,127
Municipality of South Bruce	5,768	5,768
Municipality of South Bruce Peninsula	13,917	10,981
	<u>\$ 124,720</u>	<u>\$ 165,351</u>

Included in municipal contributions revenue on the Statement of Operations and Accumulated Surplus is as follows:

	2022	2021
Municipality of Arran-Elderslie	\$ 96,004	\$ 93,379
Municipality of Brockton	141,169	137,269
Municipality of Huron-Kinloss	296,399	290,738
Municipality of Kincardine	460,634	452,245
Municipality of Saugeen Shores	614,465	598,344
Municipality of South Bruce	35,904	35,221
Municipality of South Bruce Peninsula	228,112	221,983
	<u>\$1,872,687</u>	<u>\$ 1,829,179</u>

Included in OCC collection revenue on the Statement of Operations and Accumulated Surplus is as follows:

	2022	2021
Municipality of Brockton	\$ 17,043	\$ 16,714
Municipality of Huron-Kinloss	14,428	12,782
Municipality of Kincardine	47,595	41,672
Municipality of Saugeen Shores	41,464	39,490
Municipality of South Bruce	17,303	17,303
Municipality of South Bruce Peninsula	32,943	29,409
	<u>\$ 170,776</u>	<u>\$ 157,370</u>

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.