

Statement of Operations

**City of Ottawa**  
**In-House Waste Collection – Zone 3**  
Year ended October 31, 2015

## INDEPENDENT AUDITORS' REPORT

To the Members of the Environment Committee and Council of the City of Ottawa.

We have audited the accompanying statement of operations of the **City of Ottawa In-House Waste Collection** for Zone C3 [a component of the City of Ottawa] for the Year ended October 31, 2015. The statement of operations has been prepared by management based on the accounting policies described in Note 2.

### **Management's responsibility for the statement of operations**

Management is responsible for the preparation of this statement of operations in accordance with the accounting policies described in Note 2. This includes determining that the basis of accounting is an acceptable basis for the preparation of the statement of operations in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the statement of operations that is free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the statement of operations based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement of operations is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of operations. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of operations, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statement of operations 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the statement of operations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### **Opinion**

In our opinion, the statement of operations of the **City of Ottawa In-House Waste Collection** for Zone C3 for the Year ended October 31, 2015 is prepared, in all material respects, in accordance with the accounting policies which are described in Note 2.

### **Basis of accounting and restriction on distribution**

Without modifying our opinion, we draw attention to Note 2 to the statement of operations, which describes the basis of accounting. The statement of operations is prepared to assist the **City of Ottawa In-House Waste Collection** for Zone C3 in meeting the requirements of the Members of the Environment Committee and Council of the City of Ottawa. As a result, the statement of operations may not be suitable for another purpose. Our report is intended solely for the **City of Ottawa In-House Waste Collection** for Zone C3 and the Members of the Environment Committee and Council of the City of Ottawa and should not be distributed to parties other than the **City of Ottawa In-House Waste Collection** and the Members of the Environment Committee and Council of the City of Ottawa.

Ernst & Young, LLP

Ottawa, Canada,  
June 3, 2016

Chartered Professional Accountants  
Licensed Public Accountants

**STATEMENT OF OPERATIONS**

Year ended October 31, 2015

<b>Statement of Operations</b>	<b>Year ended October 31, 2015</b>	<b>Year ended October 31, 2014</b>
<b>Revenue</b>	<b>\$ 5,532,582</b>	<b>\$ 5,473,356</b>
<b>Expenditures [Schedule 1]</b>		
<b>Labour costs</b>		
Salaries	2,102,723	1,950,454
Overtime	256,296	263,164
WSIB costs	32,536	88,174
Employer benefit contributions	527,960	490,133
	2,919,516	2,791,925
Subcontracted labour	231,715	382,562
<b>Total Labour costs</b>	<b>3,151,230</b>	<b>3,174,487</b>
<b>Vehicle costs</b>		
Maintenance and repairs/tires	1,105,527	836,337
Fuel	644,524	710,755
Insurance/licensing	33,249	31,124
Depreciation	670,987	670,988
<b>Total Vehicle costs</b>	<b>2,454,286</b>	<b>2,249,204</b>
<b>Materials and supplies</b>		
Personnel/safety supplies	41,197	36,942
Tools and parts	16,680	11,340
Office/administrative supplies	10,194	9,973
Training	20,000	20,000
Miscellaneous repairs/services	90,978	105,691
Communications	26,549	31,827
Conferences and receptions	2,488	3,044
<b>Total Materials and supplies</b>	<b>208,086</b>	<b>218,817</b>
Interest on vehicle loan	0	0
Professional services	7,983	8,853
Property lease	35,800	35,800
<b>Total expenditures</b>	<b>5,857,385</b>	<b>5,687,161</b>
<b>Deficiency of revenue over expenditures</b>	<b>(\$324,803)</b>	<b>(\$213,805)</b>

See accompanying note

# **SCHEDULE OF CITY OF OTTAWA IN-HOUSE WASTE COLLECTION COSTS FOR ZONE C3 BY WASTE STREAM *[unaudited]***

Year ended October 31, 2015

<b>Collection Costs</b>	<b>Garbage</b>	<b>Recycling</b>	<b>Organics</b>	<b>Total</b>
<b>Labour costs</b>				
Salaries	\$ 817,726	\$ 642,499	\$ 642,499	<b>\$ 2,102,723</b>
Overtime	99,671	78,313	78,313	<b>256,296</b>
WSIB costs	12,653	9,942	9,942	<b>32,536</b>
Employer benefit contributions	205,318	161,321	161,321	<b>527,960</b>
	1,135,367	892,074	892,074	<b>2,919,516</b>
Subcontracted labour	90,111	70,802	70,802	<b>231,715</b>
<b>Total Labour costs</b>	<b>1,225,479</b>	<b>962,876</b>	<b>962,876</b>	<b>3,151,230</b>
<b>Vehicle costs</b>				
Maintenance and repairs/tires	537,397	284,065	284,065	<b>1,105,527</b>
Fuel	338,224	153,150	153,150	<b>644,524</b>
Insurance/licensing	15,139	9,055	9,055	<b>33,249</b>
Depreciation	222,682	224,153	224,153	<b>670,987</b>
<b>Total Vehicle costs</b>	<b>1,113,442</b>	<b>670,422</b>	<b>670,422</b>	<b>2,454,286</b>
<b>Materials and supplies</b>				
Personnel/safety supplies	16,021	12,588	12,588	<b>41,197</b>
Tools and parts	6,487	5,097	5,097	<b>16,680</b>
Office/administrative supplies	3,964	3,115	3,115	<b>10,194</b>
Training	7,778	6,111	6,111	<b>20,000</b>
Miscellaneous repairs/services	4,917	27,611	58,450	<b>90,978</b>
Communications	10,325	8,112	8,112	<b>26,549</b>
Conferences and receptions	968	760	760	<b>2,488</b>
<b>Total Materials and supplies</b>	<b>50,459</b>	<b>63,395</b>	<b>94,233</b>	<b>208,086</b>
Interest on vehicle loan	0	0	0	<b>0</b>
Professional services	3,104	2,439	2,439	<b>7,983</b>
Property lease	13,922	10,939	10,939	<b>35,800</b>
<b>Total expenditures</b>	<b>\$ 2,406,406</b>	<b>\$ 1,710,070</b>	<b>\$ 1,740,908</b>	<b>\$ 5,857,385</b>
<b>Statistical information</b>				
Actual tonnage in metric tonnes	21,595	8,783	12,643	<b>43,021</b>
Actual cost per tonne	\$111.43	\$194.70	\$137.69	<b>\$136.15</b>

**CITY OF OTTAWA IN-HOUSE WASTE COLLECTION – ZONE C3**  
**NOTES TO STATEMENT OF OPERATIONS**  
**YEAR ENDED OCTOBER 31, 2015**

**1. DESCRIPTION OF ORGANIZATION**

The City of Ottawa (the “City”) was sub-divided into a number of service zones for purposes of waste collection to foster more competition during the 1999 collection tender call. This continued to be in effect for the new collection tender/contract which commenced in 2006. On October 29, 2012, the five curb-side collection zones were slightly modified from the previous contract to account for population growth. Under the new contract, the City of Ottawa In-House Waste Collection division (the “Division”) was awarded the services for Zone C3.

The statement of operations was prepared to report the operating results of the collection activities of Zone C3 for the year ended October 31, 2015. The Division was created through provincial legislation and is not liable for income taxes.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The statement of operations of the Division for Zone C3 has been prepared by management in accordance with the significant accounting policies described below.

**Revenue and expenditures**

Revenue is recorded on an accrual basis as services are provided and in accordance with the terms of the contract with the City. The amounts are reported to demonstrate the Division’s operations as if the Division was a going concern and operating independent from the City. Revenue is based on the the prior period amount adjusted for the prior period’s Consumer Price Index and house count changes as per the escalation factors that are identified in the contract.

Expenditures are recorded on an accrual basis when services are rendered or goods are received.

**Management Fees**

As of May 2013, the management fee is determined by multiplying the purchase cost of the fleet by 2.5%. The Division recognizes 1/12<sup>th</sup> of the annual management fee monthly, which results in annual management fees equaling 2.5% of the purchase cost prorated for any acquisitions or disposals.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

### **Vehicle Costs**

Vehicle costs are charged to the Division by the City's Fleet Services Branch which follows a Full-Cost Recovery allocation method, whereby all costs incurred by the Fleet Services Branch must be recovered from the Departments/Branches, based on a per vehicle charge, to those that are actually using the vehicles.

### **Insurance**

The Risk Management Division of the City is responsible for insuring the City's vehicles and the Division pays a premium for the insurance policy. The policy covers "Liability" insurance but does not cover "Collisions" resulting in a lower overall premium. The cost of the premium relating to municipal fleet vehicles is paid for by the Fleet Services Branch. A charge back is applied to each vehicle in the Division fleet to recover this cost. Each vehicle is assigned an equal share of the overall premium.

### **Licenses**

Vehicles with license plates owned by the City are required to pay an annual fee to maintain the license. The annual license fee paid to the Ministry of Transportation of Ontario is charged to each vehicle and allocated to the Division on a monthly basis.

### **Repairs and maintenance/tires**

These costs include parts, labour and commercial charges.

Parts and labour charges are incurred when a vehicle is repaired by internal City staff at one of the City-owned maintenance garages. Parts are charged back at the cost of the part to the City plus 11.1%. Labour is charged to the Division at a rate of \$85 per hour (2014 - \$85 per hour) which is calculated as budgeted expenditures (salaries, shop supplies, etc.) for the Municipal Fleet Maintenance cost centres divided by the estimated billable hours of the mechanics for the period.

Commercial charges (parts and labour) are incurred when the vehicle is repaired at an external garage. Fleet Services pays the supplier invoice and then charges the actual cost to the vehicle. Open work orders and commercial invoices are accrued each month and recorded as an expenditure in the period the service is rendered or goods are received.

**CITY OF OTTAWA IN-HOUSE WASTE COLLECTION – ZONE C3  
NOTES TO STATEMENT OF OPERATIONS  
YEAR ENDED OCTOBER 31, 2015**

**Fuel**

Fuel is obtained at City sites and charged back at cost with no mark-up.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]**

**Interest on vehicles**

Interest on vehicles is based on actual costs related to purchasing the vehicles and applying a rate of 3.01% which is provided by the City's Treasury Division and is based on the cost of funds for a seven-year bond issue.

**Rent expenditure**

Rent expenditure is recorded as an allocation of estimated occupancy cost for the City.

**Depreciation**

Capital assets are recorded by the City at cost, except for used vehicles, which are recorded at estimated market value at the time of commencement of the contract. These capital assets are not included in this statement of operations. The depreciation related to these capital assets is recorded as an expenditure in the Statement of Operations of the Division using the straight-line method over the term of the contract as follows:

<b>Asset</b>	<b>Term of Contract</b>
Vehicles	79 months
Leasehold improvements	79 months