

Statement of Operations
(Document 2 – ACS2017-PWE-GEN-0028)

City of Ottawa
In-House Waste Collection – Zone 5
Year ended October 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of the Environment and Climate Protection 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 C5 [a component of the City of Ottawa] for the Year ended October 31, 2016. 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 made by management, as well as evaluating the overall presentation of the financial statements.

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 C5 for the Year ended October 31, 2016 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 C5 in meeting the requirements of the Members of the Environment and Climate Protection 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 C5 and the Members of the Environment and Climate Protection 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** for Zone 5 and the Members of the Environment and Climate Protection Committee and Council of the City of Ottawa.

Ernst & Young, LLP

Ottawa, Canada,
June 16, 2017

Chartered Professional Accountants
Licensed Public Accountants

STATEMENT OF OPERATIONS

Year ended October 31, 2016

Statement of Operations	Year ended October 31, 2016	Year Ended October 31, 2015
Revenue	\$ 6,324,893	\$ 6,217,722
Expenditures [Schedule 1]		
Labour costs		
Salaries	2,521,349	2,230,347
Overtime	424,844	358,793
WSIB costs	49,112	50,840
Employer benefit contributions	653,938	583,457
	3,649,243	3,223,437
Subcontracted labour	80,622	223,719
Total Labour costs	3,729,865	3,447,156
Vehicle costs		
Maintenance and repairs/tires	1,345,356	1,057,156
Fuel and fuel hedging	786,510	693,937
Insurance/licensing	48,582	39,921
Depreciation	742,139	742,139
Total Vehicle costs	2,922,587	2,533,153
Materials and supplies		
Personnel/safety supplies	47,245	42,365
Tools and parts	6,280	5,394
Office/administrative supplies	16,956	13,307
Training	20,000	20,000
Miscellaneous repairs/services	75,521	104,452
Communications	26,042	26,782
Conferences and receptions	0	0
Total Materials and supplies	192,045	212,300
Interest on vehicle loan	80,853	105,870
Professional services	10,575	9,108
Property lease	54,028	54,028
Total expenditures	6,989,953	6,361,615
Surplus (Deficiency) of revenue over expenditures	(\$ 665,060)	(\$ 143,893)

See accompanying notes

**SCHEDULE OF CITY OF OTTAWA IN-HOUSE WASTE COLLECTION COSTS FOR
ZONE C5 BY WASTE STREAM [unaudited]**

Year ended October 31, 2016

Collection Costs	Garbage	Recycling	Organics	Total
Labour costs				
Salaries	\$ 980,525	\$ 770,412	\$ 770,412	\$ 2,521,349
Overtime	165,217	129,813	129,813	424,844
WSIB costs	19,099	15,006	15,006	49,112
Employer benefit contributions	254,309	199,814	199,814	653,938
	1,419,150	1,115,046	1,115,046	3,649,243
Subcontracted labour	31,353	24,635	24,635	80,622
Total Labour costs	1,450,503	1,139,681	1,139,681	3,729,865
Vehicle costs				
Maintenance and repairs/tires	520,540	412,408	412,408	1,345,356
Fuel and fuel hedging	342,366	222,072	222,072	786,510
Insurance/licensing	21,449	13,566	13,566	48,582
Depreciation	212,349	264,895	264,895	742,139
Total Vehicle costs	1,096,704	912,941	912,941	2,922,587
Materials and supplies				
Personnel/safety supplies	18,373	14,436	14,436	47,245
Tools and parts	2,442	1,919	1,919	6,280
Office/administrative supplies	6,594	5,181	5,181	16,956
Training	7,778	6,111	6,111	20,000
Miscellaneous repairs/services	9,102	22,365	44,055	75,521
Communications	10,127	7,957	7,957	26,042
Conferences and receptions	0	0	0	0
Total Materials and supplies	54,416	57,969	79,659	192,045
Interest on vehicle loan	31,443	24,705	24,705	80,853
Professional services	4,113	3,231	3,231	10,575
Property lease	21,011	16,509	16,509	54,028
Total expenditures	\$ 2,658,190	\$ 2,155,036	\$ 2,176,726	\$ 6,989,953
Statistical information				
Actual tonnage in metric tonnes	27,937	11,749	15,597	55,283
Actual cost per tonne	\$95.15	\$183.42	\$139.56	\$126.44

**CITY OF OTTAWA IN-HOUSE WASTE COLLECTION – ZONE C5
NOTES TO STATEMENT OF OPERATIONS
YEAR ENDED OCTOBER 31, 2016**

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 C5.

The statement of operations was prepared to report the operating results of the collection activities of Zone C5 for the Year ended October 31, 2016. 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 C5 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 prior period amount adjusted for the prior period’s Consumer Price Index and house count changes as per the escalation factors 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 1/12th of the annual management fee each month, which results in annual management fees equaling 2.5% of the purchase cost prorated for any acquisitions or disposals.

**CITY OF OTTAWA IN-HOUSE WASTE COLLECTION – ZONE C5
NOTES TO STATEMENT OF OPERATIONS
YEAR ENDED OCTOBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Vehicle Costs

Vehicle costs are charged to the Divisions 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 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 are 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% from the beginning of the year to July 15, 2016. Parts required after this date were charged back at cost to the City. Labour is charged to the Division at a rate of \$90 per hour (2015 - \$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. The Fleet Services Branch 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 the goods are received.

Fuel

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

**CITY OF OTTAWA IN-HOUSE WASTE COLLECTION – ZONE C5
NOTES TO STATEMENT OF OPERATIONS
YEAR ENDED OCTOBER 31, 2016**

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:

Asset	Term of Contract
Vehicles	79 months
Leasehold improvements	79 months