

Statement of Operations

**City of Ottawa**  
**In-House Waste Collection**  
May 31, 2005

## AUDITORS' REPORT

To the Members of Council

We have audited the statement of operations of the **City of Ottawa In-House Waste Collection** [a component of the City of Ottawa] for the twelve months ended May 31, 2005. This financial statement is the responsibility of the City of Ottawa Solid Waste Division Management. Our responsibility is to express an opinion on the financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

In our opinion, this statement presents fairly, in all material respects, the results of operations of the **City of Ottawa In-House Waste Collection** for the twelve months ended May 31, 2005 in accordance with the significant accounting principles disclosed in note 2 of the financial statement.

The In-House Waste Collection is a component of the City of Ottawa and has no separate legal status or existence.

Ottawa, Canada,  
July 29, 2005.

*Ernst & Young LLP*

Chartered Accountants

## City of Ottawa In-House Waste Collection

### STATEMENT OF OPERATIONS

For the twelve months ended May 31, 2005

|                                    | 2005<br>\$       | 2004<br>\$       |
|------------------------------------|------------------|------------------|
| <b>REVENUE</b>                     | <b>3,747,872</b> | <b>3,802,975</b> |
| <b>EXPENDITURES [schedule]</b>     |                  |                  |
| <b>Labour costs</b>                |                  |                  |
| Salaries                           | 1,109,545        | 1,169,499        |
| Overtime                           | 92,276           | 42,850           |
| WSIB costs                         | 59,790           | 37,704           |
| Employer benefit contributions     | 285,308          | 243,505          |
| Payroll costs                      | 1,546,919        | 1,493,558        |
| Labour subcontracted               | 239,873          | 188,738          |
| <b>Labour costs</b>                | <b>1,786,792</b> | <b>1,682,296</b> |
| <b>Vehicle related costs</b>       |                  |                  |
| Maintenance and repairs/tires      | 1,194,450        | 1,185,022        |
| Fuel                               | 320,094          | 247,444          |
| Insurance/licensing                | 23,508           | 24,235           |
| Depreciation                       | 495,717          | 516,734          |
| <b>Vehicle related costs</b>       | <b>2,033,769</b> | <b>1,973,435</b> |
| <b>Materials and supplies</b>      |                  |                  |
| Personnel/safety supplies          | 29,408           | 26,878           |
| Tools and parts                    | 1,139            | 812              |
| Office/administration supplies     | 5,570            | 2,475            |
| Training                           | 20,000           | 20,000           |
| Miscellaneous repairs/services     | 9,261            | 20,164           |
| Communications                     | 20,584           | 24,750           |
| <b>Materials and supplies</b>      | <b>85,962</b>    | <b>95,079</b>    |
| Professional services              | 9,985            | 11,330           |
| Property lease                     | 11,322           | 14,019           |
| Interest on vehicle loan [note 3]  | 48,708           | 74,433           |
| (Gain) loss on disposal of vehicle | 72,066           | (27,108)         |
| Other costs                        | 142,081          | 72,674           |
| <b>Total expenditures</b>          | <b>4,048,604</b> | <b>3,823,484</b> |
| <b>Operating deficit</b>           | <b>(300,732)</b> | <b>(20,509)</b>  |

See accompanying notes

# City of Ottawa In-House Waste Collection

## NOTES TO FINANCIAL STATEMENT

May 31, 2005

### 1. DESCRIPTION OF ORGANIZATION

On September 23, 1998, the Regional Municipality of Ottawa-Carleton [the "Region"] awarded, through a competitive bidding process, a five-year residential waste collection contract for Zone C4 of the Region, to the Solid Waste Division of the Region. On January 1, 2001, the Regional Municipality of Ottawa-Carleton and other municipalities amalgamated to become the City of Ottawa. The contract was assumed by the new City of Ottawa. The statement of operations was prepared to report the operating results of the collection activities of Zone C4 for the twelve months ended May 31, 2005. This statement does not reflect the results of operations of the Solid Waste Division of the City of Ottawa; it reflects only the incremental costs incurred by the Solid Waste Division to perform the contracted collection services for Zone C4, and revenue as described below. The City of Ottawa was created through Provincial legislation and is not liable for income tax.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The statement of operations of the In-House Waste Collection has been prepared by management in accordance with accounting principles which are summarized below:

#### **Basis of accounting**

Revenue has been calculated on an accrual basis of accounting based on the tonnage collected at the rates proposed and accepted in the bid process.

Expenses are recorded on an accrual basis, except for WSIB and warranty expenses which are recorded on a cash basis, and include only the expenses incremental to the City of Ottawa as a result of providing the contracted collection service to Zone C4.

#### **Depreciation for capital assets**

Capital assets are recorded at cost, except for used vehicles, which are recorded at estimated market value at the time of commencement of the contract. Amortization is recorded using the straight-line method over their estimated useful lives as follows:

|                        |         |
|------------------------|---------|
| Vehicles               | 7 years |
| Leasehold improvements | 5 years |

**City of Ottawa In-House Waste Collection**

**NOTES TO FINANCIAL STATEMENT**

May 31, 2005

**3. INTEREST ON VEHICLE LOAN**

The interest on vehicle loan represents the cost of funds borrowed from the City to purchase the vehicles. The interest rate on the loan is 5% and the amortization period of the loan is consistent with the expected retention period of the vehicles.

**STATEMENT OF CITY OF OTTAWA IN-HOUSE  
COLLECTION COSTS BY WASTE STREAM**

*[unaudited]*

Year ended May 31

|                                 | Garbage<br>\$    | Recycling<br>\$  | Leaf and<br>Yard<br>\$ | 2005<br>Totals<br>\$ | 2004<br>Totals<br>\$ |
|---------------------------------|------------------|------------------|------------------------|----------------------|----------------------|
| <b>Labour costs</b>             |                  |                  |                        |                      |                      |
| Salaries                        | 611,575          | 401,031          | 96,939                 | <b>1,109,545</b>     | 1,169,499            |
| Overtime                        | 50,862           | 33,352           | 8,062                  | <b>92,276</b>        | 42,850               |
| WSIB costs                      | 32,956           | 21,610           | 5,224                  | <b>59,790</b>        | 37,704               |
| Employer benefit contribution   | 157,260          | 103,121          | 24,927                 | <b>285,308</b>       | 243,505              |
| Payroll costs                   | 852,653          | 559,114          | 135,152                | <b>1,546,919</b>     | 1,493,558            |
| Subcontracted labour            | 212,681          | —                | 27,192                 | <b>239,873</b>       | 188,738              |
| <b>Labour costs</b>             | <b>1,065,334</b> | <b>559,114</b>   | <b>162,344</b>         | <b>1,786,792</b>     | <b>1,682,296</b>     |
| <b>Vehicle related costs</b>    |                  |                  |                        |                      |                      |
| Maintenance and repairs/tires   | 668,176          | 432,718          | 93,556                 | <b>1,194,450</b>     | 1,185,022            |
| Fuel                            | 178,268          | 115,624          | 26,202                 | <b>320,094</b>       | 247,444              |
| Insurance/licensing             | 11,194           | 7,836            | 4,478                  | <b>23,508</b>        | 24,235               |
| Depreciation                    | 236,056          | 165,239          | 94,422                 | <b>495,717</b>       | 516,734              |
| <b>Vehicle related costs</b>    | <b>1,093,694</b> | <b>721,417</b>   | <b>218,658</b>         | <b>2,033,769</b>     | <b>1,973,435</b>     |
| <b>Materials and supplies</b>   |                  |                  |                        |                      |                      |
| Personnel/safety supplies       | 16,169           | 10,569           | 2,670                  | <b>29,408</b>        | 26,878               |
| Tools and parts                 | 625              | 408              | 106                    | <b>1,139</b>         | 812                  |
| Office/administration supplies  | 3,068            | 2,011            | 491                    | <b>5,570</b>         | 2,475                |
| Training                        | 11,149           | 7,243            | 1,608                  | <b>20,000</b>        | 20,000               |
| Miscellaneous repairs/services  | 4,410            | 3,087            | 1,764                  | <b>9,261</b>         | 20,164               |
| Communications                  | 9,802            | 6,861            | 3,921                  | <b>20,584</b>        | 24,750               |
| <b>Materials and supplies</b>   | <b>45,223</b>    | <b>30,179</b>    | <b>10,560</b>          | <b>85,962</b>        | <b>95,079</b>        |
| Professional services           | 4,755            | 3,328            | 1,902                  | <b>9,985</b>         | 11,330               |
| Property lease                  | 5,392            | 3,774            | 2,156                  | <b>11,322</b>        | 14,019               |
| Interest on debt                | 23,194           | 16,236           | 9,278                  | <b>48,708</b>        | 74,433               |
| Labour settlement               |                  |                  |                        |                      |                      |
| (Gain) loss on disposal         | 34,317           | 24,022           | 13,727                 | <b>72,066</b>        | (27,108)             |
| Other costs                     | 67,658           | 47,360           | 27,063                 | <b>142,081</b>       | 72,674               |
| <b>Total expenditures</b>       | <b>2,271,909</b> | <b>1,358,070</b> | <b>418,625</b>         | <b>4,048,604</b>     | <b>3,823,484</b>     |
| <b>Statistical information</b>  |                  |                  |                        |                      |                      |
| Actual tonnage in metric tonnes | 37,801           | 10,757           | 4,910                  | <b>53,468</b>        | 53,959               |
| <b>Actual cost per tonne</b>    | <b>60.10</b>     | <b>126.25</b>    | <b>85.26</b>           | <b>75.72</b>         | <b>70.86</b>         |