



## 2017 Annual Report



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## Corporate Profile

The Bluewater Recycling Association, located in Huron Industrial Park in the Municipality of South Huron, near Exeter, provides a wide variety of reliable, dependable, and affordable resource management based products and services.

The Association is one of the largest multi-municipal resource management organizations in Canada, which provides integrated waste reduction and environmental services ranging from collection and processing to marketing superior quality products and services.

The 83 people employed by the Association handle over 50,000 tonnes of material yearly, which represents a substantial portion of the overall waste stream. Although the Association's fleet of 43 vehicles collect most of the material, the Association also processes contractor-collected material.

"Our mission is to provide ethical, innovative, effective, quality resource management services. We will carry out our mission efficiently, safely, and in an environmentally responsible manner, ultimately enabling our members to meet their environmental commitments."

The logo depicts the Association's acronym at the roots of a white oak tree strategically placed above our recognizable Bluewater wave. The white oak, native to the area, standing tall above the waters of Lake Huron is notorious for its stability and long life, which the Association mirrors. The root system of the oak is as dispersed as the branches above, reflecting the Association's unique relationship between its owners and customers.



The roots of the oak tree flow into BRA, the acronym for the Bluewater Recycling Association, signifying that the Association is at the root of providing solutions to environmental issues. The letters are intertwined, representing the cooperative nature of the organization that involves more than 20 individual municipalities. The bold, stylish letters symbolize the strength, creativity, and proactiveness of the organization. The wave is representative of the blue water found on Lake Huron which most of our members have an opportunity to view regularly.

Each colour used in the logo also carries special significance for the Association. Green is synonymous with the environment in general. Blue is representative of the blue water of Lake Huron and is a colour that is widely associated with recycling. White is representative of the cleanliness and purity of the environment which we strive to achieve.

The Bluewater Recycling Association is much more than a recycling company, it's

**"Your Environmental Alternative"**

## Highlights

The last year can best be described as an exhilarating, roller coaster ride, aboard a high speed train zooming through a tunnel which we hope the light we see is the end of the tunnel and not the light of another fast approaching train.

What should have been a relatively quiet year before a series of elections turned out to be a game to see how many different pieces of legislation could be put through before the election with each one of them having a serious impact on our operations, but we'll talk more about that in the Regulatory Update portion of our report.

### Bluewater Recycling Association Wins Green Leader Award

The Bluewater Recycling Association was recognized by the Huron Manufacturing Association by winning their Green Leader Award. It was an honour to simply be

nominated for such an award. The win came as a surprise and our staff, from left to right, our controller Michelle, Mars Operations Coordinator Bonnie, and our Dispatcher Barb, were on hand to receive the award at the South Huron Recreation Centre.

The Huron Manufacturing Association is an inclusive partnership of industry and related businesses that drives economic growth and promotes manufacturing excellence in Huron County.



## Commodity Markets Lead All Industry Talks in 2017

### *Evolving Tonne*

The printed paper and packaging forming the contents of the “blue box” program continue to evolve, making it more difficult to manage, resulting in increased costs. Examples aren’t hard to find as Postmedia and Torstar announced the trade of 42 local newspaper titles, mainly in Ontario, and closed most of them, citing a lack of advertising revenue. In the meantime, The Globe and Mail chose to save about \$1 million per year on newsprint as it cut the width of its printed product to 10 inches from the old 11 inches. Declines in newsprint are continuing to track for complete extinction in 2020.

Newspapers continue to decline as are most glass packaged goods. However, the rest of the stream is also changing. Our cardboard is getting smaller in size because of all the online shopping. The growing use of pouches is affecting the flow of materials in the facility. The increased use of paper shredders at home is also affecting our equipment as it tends to behave like glass.

### *Commodity Pricing*

Volume and price are the two key drivers in the waste business. After the Great Recession volumes started to improve in 2014, which increased operating costs and improved pricing. The last decade has experienced “anemic” gross domestic product (GDP) growth, and the Consumer Price Index (CPI), which had historically seen 4 percent per year growth, has only grown 2 percent per year for the last 15 years on average and only 1.6 percent per year since the Great Recession. The industry is seeing real headwinds with low GDP and low CPI. The impact of the housing market on the waste industry, is a “true barometer” of what is driving the industry.

No one has ever experienced what we are watching today in the industry, the slow gradual recovery in the housing cycle and an underlying consumer segment that is actually confident. Millennials are starting to buy houses--they may be smaller houses, but they are getting into the market. The new housing builds are generating commercial and construction waste and spurring commercial waste collection businesses.

### *National Sword*

China is the largest importer of recovered materials in the world, accounting for approximately 27% of global scrap imports. In July, China informed the World Trade Organization (WTO) that it would be imposing a ban on importing 24 types of scrap, including mixed paper and mixed plastics, as of December 2017. China’s ban, affects 2.9 million tons or \$532 million (USD) of US exports for mixed paper and plastics.

This is not the first time China has implemented a policy to curb the inflow of contaminated scrap. China’s first crackdown was in 2013 when it implemented its Green Fence Policy, which similarly targeted the importation of low grade paper and plastics. Also, beginning in 2017 China implemented the “National Sword 2017” policy to crack down on imports of scrap, specifically targeting low grade plastics.

Pricing for recycled commodities was steady through spring, but then China also did not issue import licenses to mills until much later in the year, making conditions even more challenging.

If this is the new normal, then we are faced with a meaningful revenue hit. There is going to be a pause here and people are going to take a big deep breath and just wait and see how some of this plays out.

The recycling market has fluctuated for decades and this is no exception, but near term market forces are combining to put greater than usual pressure on commodity pricing in 2018 and beyond. For MRFs and municipalities, the key to weathering this storm is production of high quality bales. As in the past, MRFs producing reliable quality will typically find a home for their materials. Locking in to longer term agreements with end markets is also recommended to ensure access to limited domestic reprocessing capacity.

MRFs that are unable to address bale quality issues may need to seek reprocessing markets in developing countries, like Vietnam, South Korea and Malaysia. This alternative may be the most cost effective option to address quality issues from some MRFs, but will come at a cost. They can anticipate competing against large quantities of available American single stream material for the remaining available reprocessing capacity and without well established relationships and the associated risks of shipping overseas, can expect challenges. It is important, therefore, that municipalities continue to monitor their operations and material quality given the ever reducing tolerance for contamination anticipated in all markets.

#### *Trade Wars*

The U.S. has a \$350 billion trade deficit with China. There are gaps with trade with the E.U., Mexico and Canada. The North American Free Trade Agreement (NAFTA) sent middle-class jobs out of the U.S.. Renegotiating trade agreements can be significant.

#### *Nothing Less Than Perfection*

In the meantime, the end markets are demanding increased quality standards from us. Most commodities had a 5% allowance for contamination built in however that standard is now being pushed to 0.5% contamination allowance. Yes, that is a purity rate 10 times more stringent than in the past.

In anticipation of the impact that changes in packaging had on our system, the Board commissioned a review of the efficiency of the Material Recovery Facility in 2016. As suspected, three pieces of equipment were underperforming as a result of the changes which affected the efficiency of the system.

We promptly reviewed available technologies to rectify the situation and landed on a solution that was installed at the end of November. The \$1.2 million upgrade could not have come at a better time as the commodity prices were crashing as a result China's pressure in the marketplace.

A new cardboard separator designed to reduce down time and increase smaller cardboard recovery was installed. The newspaper screening technology was removed in favour of additional optical technology. This enabled us to target specific materials rather than rely on screen openings and friction to assume we have selected the right commodity. We currently have the only single stream facility in Ontario able to meet the new Chinese quality requirements. Although the MRF was shut down for 2 weeks to facilitate the installation of the upgrade, collection services remained uninterrupted.

## Pure Recycling Campaign

To reflect the changes in the marketplace, the Association refocused its promotion and educational materials to emphasize materials that are recyclable with minimum contamination. In order to accomplish this, we launched our PURE campaign (Perfectly Usable Recyclable Everytime) to remind our customers that not everything is acceptable in our program. First and foremost, it exists to recover Printed Paper and Packaging. Our users cannot simply “wishcycle” and simply place anything they think or wish was recyclable in the recycling bin. In too many instances some users actually believe that any plastics with a Mobius loop is recyclable and that all metal or paper products can simply be thrown in. This has never been the case and it is this type of behaviour that can jeopardize the entire program for others.

**BRA**  
Bismarck Recycling Association  
www.bra.org  
800.265.9799

# PURE RECYCLING

## RECYCLE ONLY PRINTED PAPERS AND PACKAGING Loose in your Recycling Bin

**Paper**  
Printed Paper  
loose

**Boxes**  
Boxes and  
Cardboard  
flatten

**Cans**  
Aluminum and  
Steel Cans  
empty and rinse

**Plastics**  
Kitchen, Laundry,  
and Bath:  
Bottles & Containers  
empty and replace cap

**Glass**  
Bottles and Jars  
empty and rinse

# Sort Trash Out Please!

**No Garbage Please**

**No Needles and/or Hazardous Materials**

**No Food, Liquid, or Organic Materials (empty all containers)**

**No Clothing or Linens (use donation programs)**

**No Tangles (no hoses, wires, chains, or electronics)**

**YUCK**

**Do not include any items just because they are made or contain paper, metal, plastic or glass.**

Let's keep our recyclables clean and pure. For more information call us or visit our website.

## Have You Been Tagged?

In 2016, we completed the upgrade of our vehicle on board monitoring system for wheelie bins. The drivers have been flagging and taking pictures of non-compliant containers set out for collection ever since. This data has been invaluable in identifying habitual offenders.

In the summer of 2017, the Association took the initiative to target repeat offenders by visiting their containers prior to collection. If contamination was visible or found, then a red "Stop!" tag was left behind with instructions to communicate with the user that they were not following the recycling program rules. They needed to clean up their bin prior to servicing.

Where a bin was found in good condition, a green "Thank You" tag was left behind to encourage the user.

In some cases where a driver empties the bin and finds abuse "hidden" at the bottom of the bin, a red "Oops!" tag has been left to warn the user that future contraventions will not be tolerated.

The program has worked so well that we have now established a bin team with a full time inspector on staff.



## Driver Shortage Could Hit All Time High This Year

Everyone in the trucking industry is feeling the driver shortage. It has been talked about for years but a variety of factors have delayed its impact on businesses until 2017.

The American Trucking Associations projected the shortage to reach 50,000 by the end of 2017 and if current trends hold the shortage could grow to more than 174,000 by 2026.

Driver turnover at large truckload fleets, which hit an all time high of 130% in 2005, averaged 81% last year with the freight slowdown. But by the second half of this year, it was back up to 90%.

In the last half of 2017, trucks were hard to get because of the two major hurricanes, Irma and Harvey. Haulers choose to serve the lucrative emergency help contracts over long term customers. As a result, anyone trying to ship anything had to be selective in what and when they were shipping. It is forcing thousands of shippers into a tough choice: postpone all but the most important deliveries, or pay dearly to jump to the front of the line.

Several factors have converged to overwhelm the trucking market. Freight volumes in December hit near-record levels for that time of year, on the back of a strengthening economy. Retailers are replenishing stocks after one of the strongest holiday sales seasons in recent years. Manufacturers are also shipping more cargo; in December, industrial production had the largest year-over-year gain since 2010, according to the Federal Reserve. What's more, bad weather and a new federal safety rule that took effect in December have crimped the supply of available trucks. Diesel prices are near a three-year high, adding to transportation costs.

The start of 2018 saw the introduction of Electronic Log Books as a requirement in the US. This resulted in many older drivers retiring rather than adapting to the new technology. Canada is expected to follow suit shortly. In Ontario, the driver licensing and renewal requirements changed making it more onerous to get and maintain a commercial driver's license. We also have this impending cannabis law coming which could further impact the number of drivers available.

Like anything else in short supply, quality is usually the next to suffer. A major hauler in the US is already experiencing the quality impact as they received 100,000 driver applications last year but only 2.7% met their quality requirements.

The causes of the shortage include the demographics of the aging driver population, lifestyle issues, regulatory challenges and others. Over the next 10 years, we need to attract almost 900,000 new people to the industry.

Demographics is a big part of the problem. ATA's research arm, the American Transportation Research Institute, recently updated its demographic data on drivers and found some 57% of drivers are 45 or older. Only 4.4% are 20-24 years old.

We have experienced delays in shipping our commodities as a result of the shortage. We have also experienced difficulties finding quality drivers for our own operations which results in more overtime than expected. Recycling industry analysts believe that the current fees for recycling services which hover in the \$3 to \$4 per month will have to double in the coming years to maintain current services.

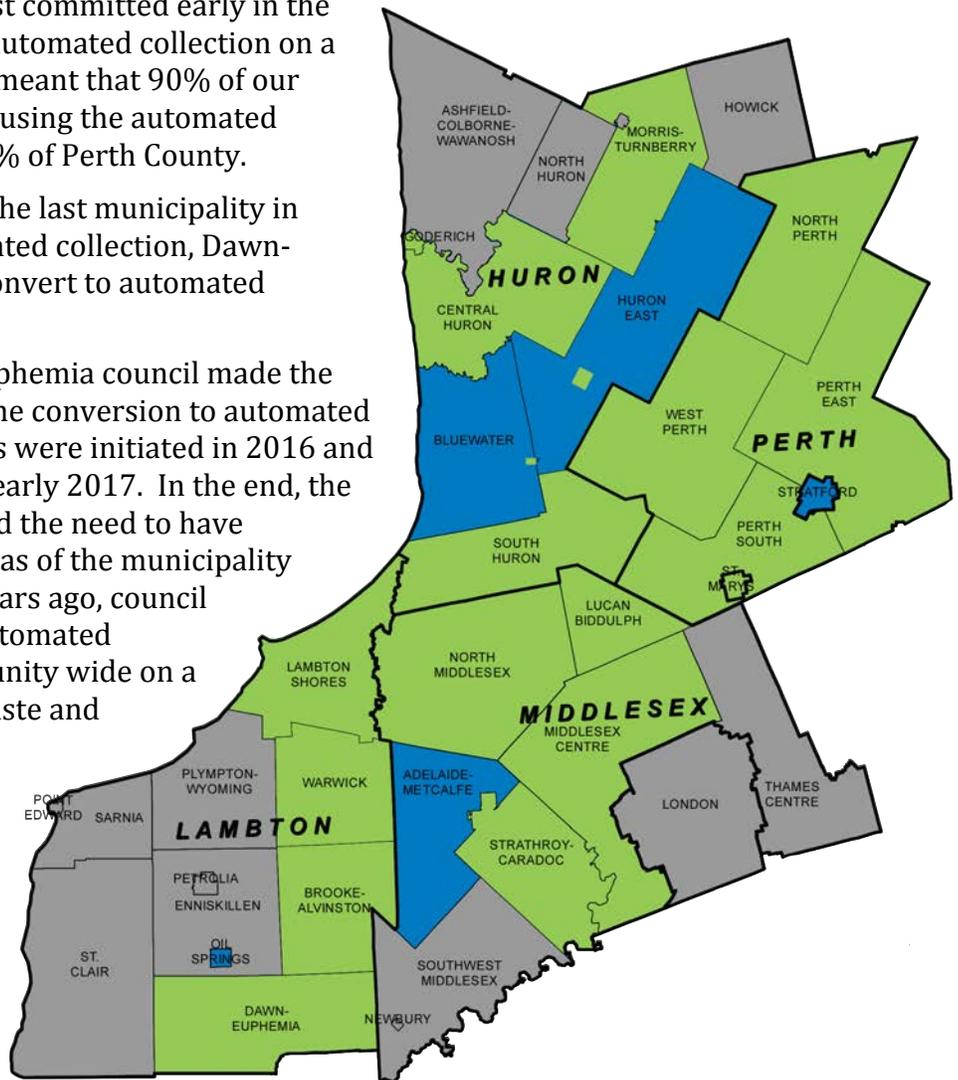
### 90% Serviced with Automated Collection

The Township of Perth East committed early in the New Year to switching to automated collection on a biweekly frequency. This meant that 90% of our households were serviced using the automated collection system and 100% of Perth County.

On the heels of launching the last municipality in Perth to convert to automated collection, Dawn-Euphemia committed to convert to automated collection in the fall.

On May 15<sup>th</sup>, the Dawn-Euphemia council made the decision to proceed with the conversion to automated collection. The discussions were initiated in 2016 and public meeting were held early 2017. In the end, the life of the Dawn landfill and the need to have common services in all areas of the municipality after merging nearly 20 years ago, council opted to implement the automated collection program community wide on a biweekly basis for both waste and recycling.

Dawn-Euphemia launched in November and it was immediately followed by the Chippewa of the Thames First Nation who started automated collection in December.

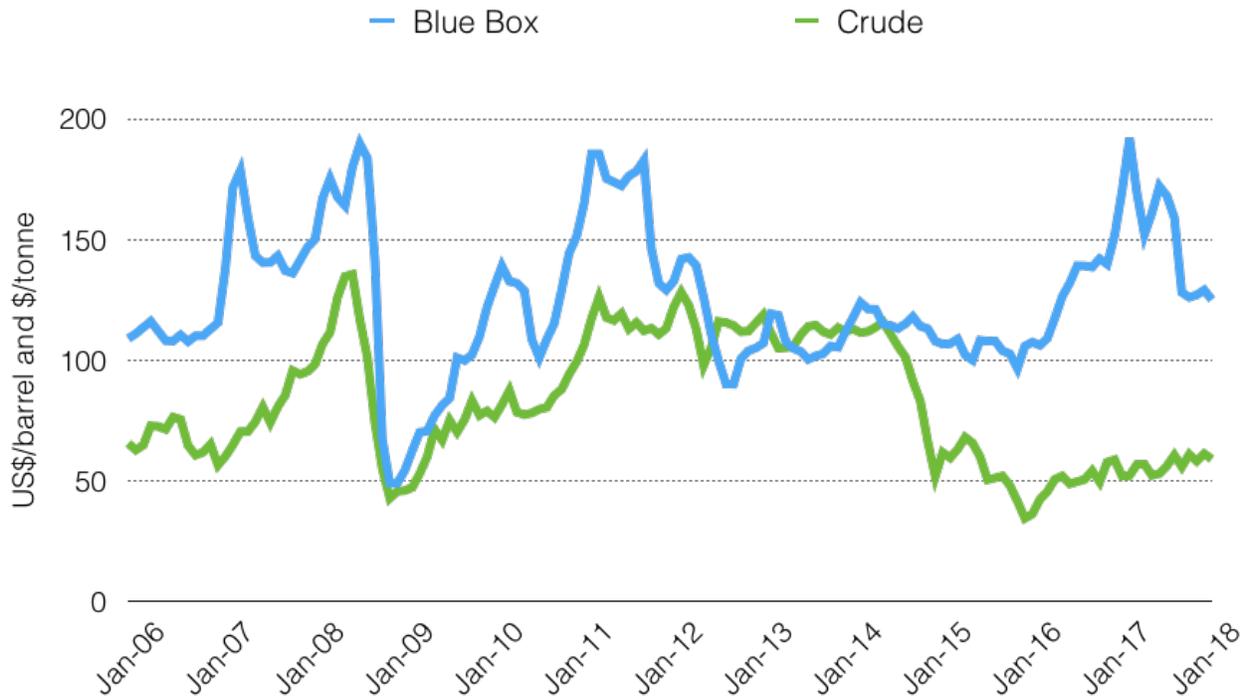


The Association has two remaining vehicles collecting manually from its fleet of 43 trucks.



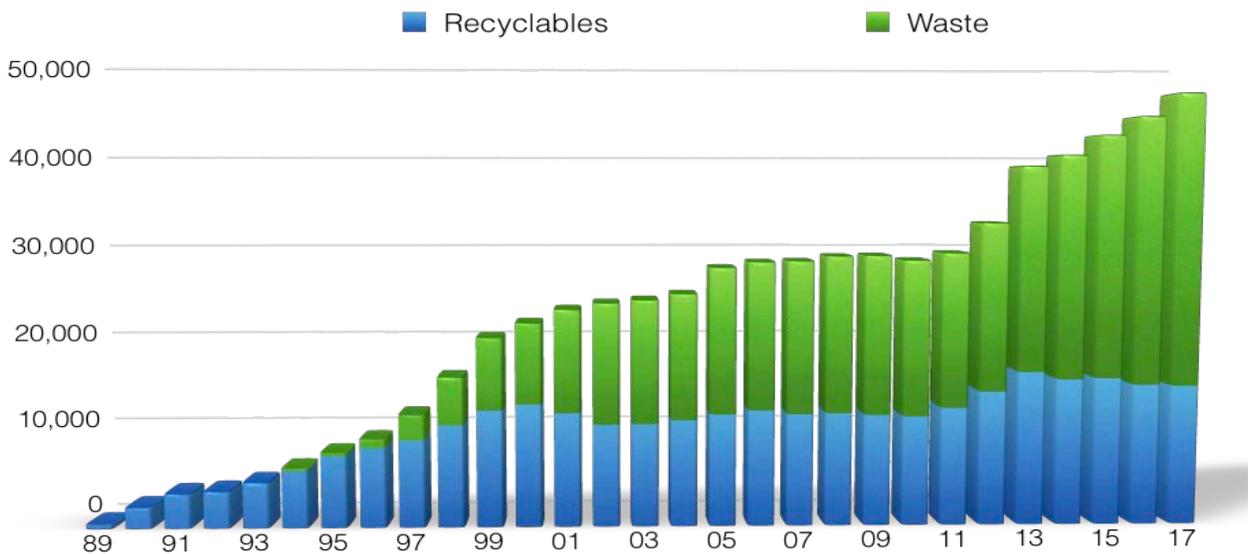
## Commodities Update

After a rise in pricing that started in May of 2016, the commodity pricing continued upward in 2017 until the last half of the year when the export market shut down which resulted in an oversupply situation on the domestic markets



## Tonnes Managed

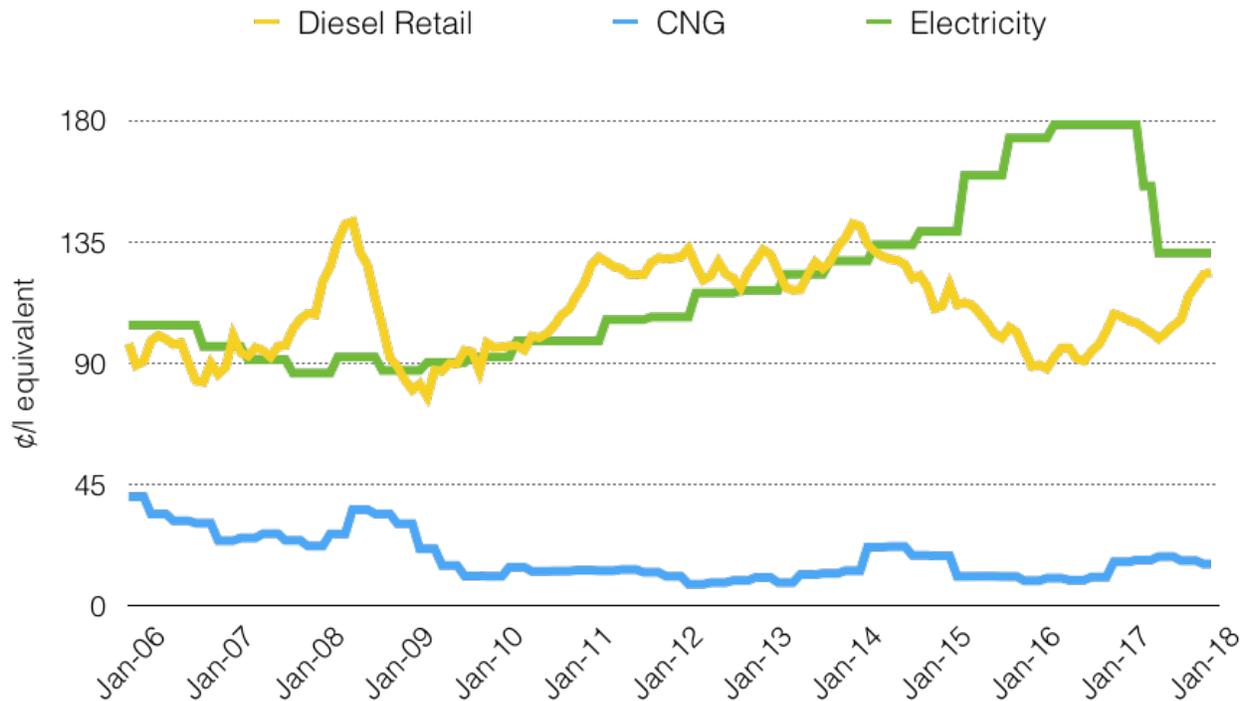
The Association continues to grow by managing more materials in the area. Despite a significant campaign to reduce contamination in 2017, we managed to maintain our recycling volumes while increasing our waste volumes.



## Fuel Update

One of the benefits of low crude oil is generally lower diesel prices as well. While diesel prices did not go down as rapidly as the crude price, it did eventually fall to a reasonable price below \$1.00 per litre.

In the meantime, our conversion to natural gas continues with now 12 of our vehicles operating with this fuel. Despite the lower diesel prices, natural gas remains significantly lower. Furthermore, it remains the best overall performer with lower emissions and low noise.



## Facts About Food Waste

About \$31 billion worth of food is thrown away annually in Canada. Meanwhile, more than 850,000 Canadians rely on food banks for their next meal, including many children.

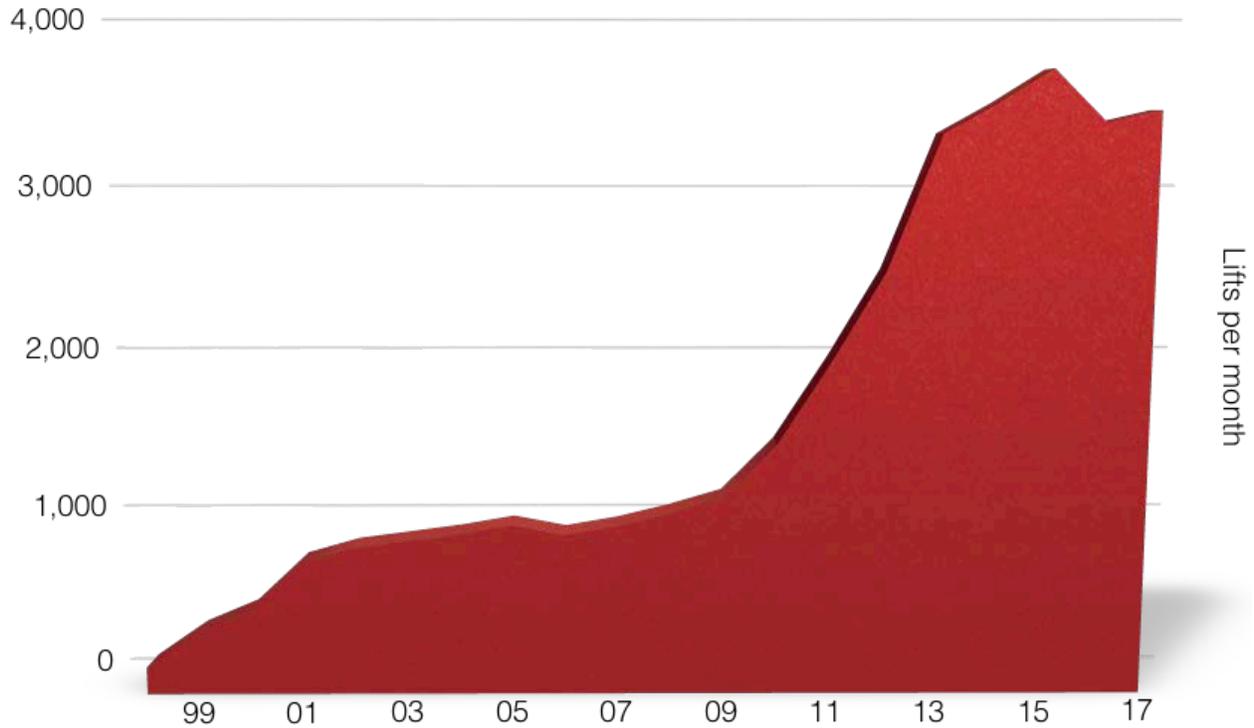
The true cost of food waste when you factor in the energy that is wasted (to produce the food), is actually close to \$107 billion annually. The United Nations' Food and Agricultural Organization estimates that the full cost of food waste is approximately two and a half times greater than the "face value" of the wasted food, because of the wasted water, energy, labour, capital investment, and more.

Most food that gets thrown away in Canada – a full 47% – occurs in the home. Consumers throw away about \$1,500 worth of wasted groceries annually. As much as we hate multilayer packaging for not being recyclable, here is how they help minimize food waste.

	Original packaging	New packaging	Result
 <b>Bananas</b>	Sold loose	Perforated polyethylene bags	Lasted 15 days unpackaged versus 36 days in bags
 <b>Beef</b>	Polystyrene foam tray with cling wrap	Vacuum packing in oxygen barrier film	Shelf life extended from four days to up to 30 days
 <b>Bell peppers</b>	Sold loose	Modified atmosphere packaging with perforated polypropylene film	Lasted four days sold loose versus 20 days in packaging
 <b>Bread</b>	Paper bag	Biaxially oriented polypropylene film	Food waste reduced from 11.0% to 0.8%
 <b>Cheese</b>	Sliced at counter and wrapped in paper	Polyester tray with a polyethylene and polyester lid	Food waste reduced from 5.00% to 0.14%
 <b>Cucumbers</b>	Sold loose	Polyethylene shrink wrap	Shelf life extended from three days to 14 days
 <b>Grapes</b>	Sold loose	Perforated bags	Bagging leads to a 20% reduction in in-store waste

### Mars Environmental

Our commercial division continues to perform well despite the drop in lifts performed in 2016. The drop in services was directly related to our change of policy with regards to recycling services. As soon as we implemented a nominal fee for the service, our customers responded with an adjustment in service frequency away from weekly service to biweekly or even monthly. This has resulted in a much more efficient operation lowering our costs while improving our revenue stream preparing us for continued growth ahead.



## Regulatory Update

### Amended Blue Box Program Plan

Bill 151 – the Waste-Free Ontario Act, 2016 – was proclaimed by the Ontario Legislature on November 30, 2016. The new legislation enacted the Waste Diversion Transition Act 2016 (WDTA) and the Resource Recovery and Circular Economy Act 2016 (RRCEA), which makes producers fully responsible for end-of-life management of designated products and packaging. Existing waste diversion programs for Blue Box, Municipal Hazardous and Special Waste (MHSW), Waste Electrical and Electronic Equipment (WEEE) and Tires will be wound up and transitioned to regulations developed under the RRCEA.

This transition will have major implications for all municipalities currently managing or operating waste diversion programs. The municipal sector must be actively involved, working very closely with the Ministry of the Environment and Climate Change (MOECC) and key stakeholders, including producers and service providers, to ensure that the outcomes of this transition are beneficial to our communities.

On February 8, 2017, AMO held a one-day workshop with elected officials and municipal staff across the Province, and was asked to support municipal involvement in the transition process and to develop an effective partnership role for the municipal sector.

On March 31, 2017, the AMO Board directed staff to engage in discussions on the formation of an appropriate entity to act as a coordinated municipal resource, to provide policy and negotiations support to the municipal sector, and to advocate for the expeditious transition of the Blue Box program to full producer responsibility.

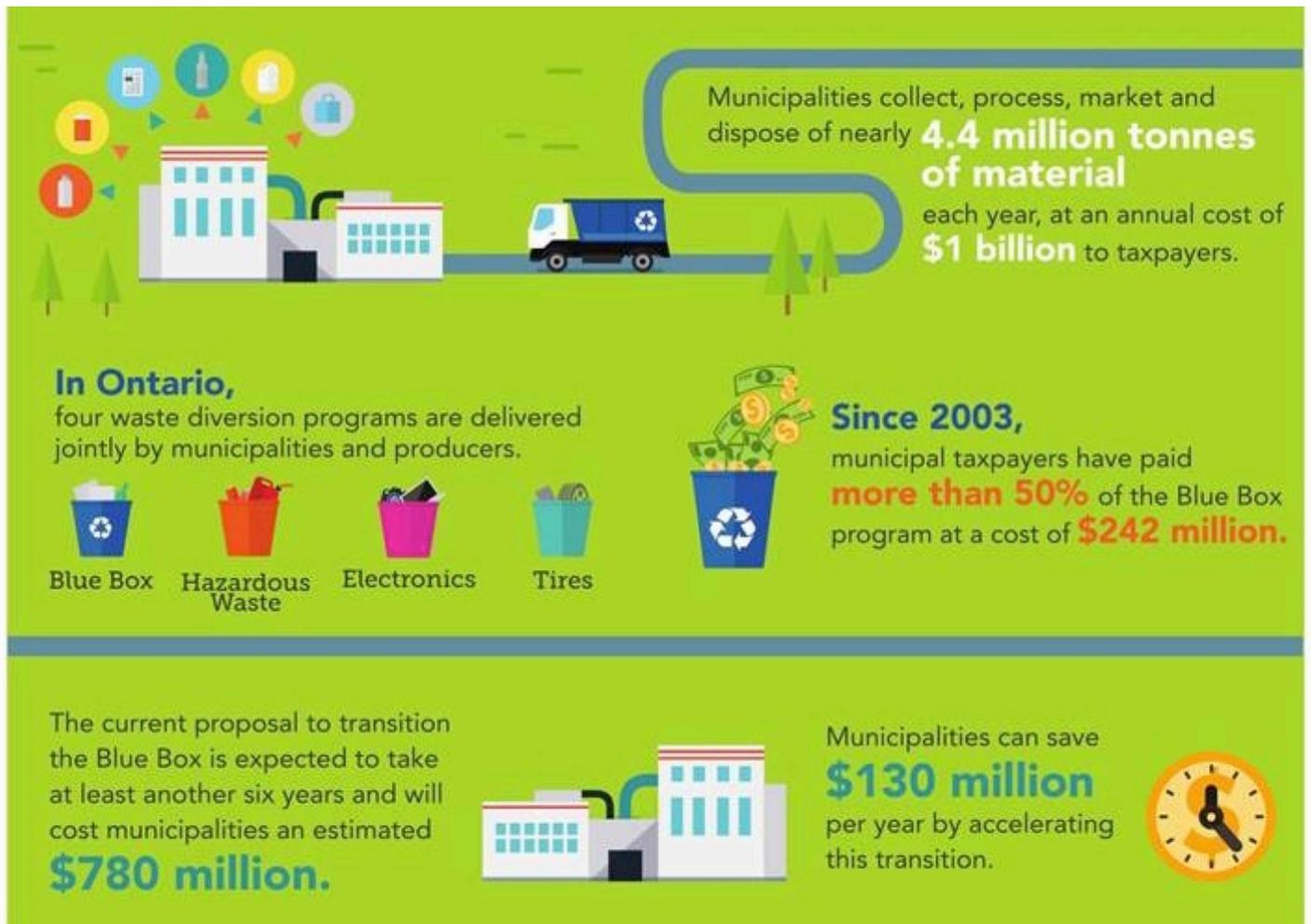
The Association of Municipalities of Ontario, Municipal Waste Association, Regional Public Works Commissioners of Ontario, and the City of Toronto have joined forces to form the Municipal Resource Recovery and Research Collaborative (Municipal 3Rs Collaborative) to advocate for a smooth and timely transition to full producer responsibility, and to make sure key municipal priorities like maintaining service standards to residents are protected.

The Municipal 3Rs Collaborative is working closely with key producers and the Ministry of the Environment and Climate Change in a process to consult on revisions to the current Blue Box Program Plan. This would be the first step in transitioning the Blue Box to full producer responsibility.

The role of the Municipal 3Rs Collaborative is to listen carefully to the Ontario municipal sector, feed this information into the process, promote municipal interests, and provide updates and resources that will help municipalities manage contracts and make the best possible decisions for their own local programs and communities.

The Municipal 3Rs Collaborative worked to support all Ontario municipal governments in this process, and throughout the extensive consultation process to ensure full participation by the sector. Unfortunately, the process failed.

The failure to present an acceptable plan rests solely on Stewardship Ontario (SO) and their flagrant disregard for the consultation process and the solutions presented to them to resolve the issues. Instead, they proceeded with the presentation of the BC plan version 2.0 despite repeatedly being told it would never be acceptable in Ontario.



Municipalities spent countless hours developing solutions to the many issues under each of these main issue categories. The municipalities did so under the understanding this was to be a collaborative process. We had the utmost desire to reach an acceptable plan.

With the accord, SO had begun a reconciliation process with the municipalities but we now see that it was simply another tactic to delay the inevitable. This is the same group that was legislated to pay 50% of the Blue Box costs and has never paid their share. They have even taken municipalities to arbitration to avoid paying their share. They continue to introduce complex and non-recyclable packaging in the marketplace but refuse to take responsibility for them.

Our members, like other municipalities in Ontario have been the provider of the Blue Box programs for approximately three decades. We want good environmental outcomes for our ratepayers by providing fair and reasonable solutions that satisfies the Minister's direction.

No plan was submitted to the Minister by the original February 15, 2018 deadline. It is anticipated that the Minister will not provide additional direction and will allow the two parties to continue discussions if that is determined to be feasible proposition.



## **Tires Regulation under the Resource Recovery and Circular Economy Act, 2016 (RRCEA)**

Regulation (O. Reg. 225/18) was filed on April 9, 2018. To view the Tires Regulation, please visit the MOECC Environmental Registry (link: <https://ero.ontario.ca/notice/013-1716>).

This new regulation makes individual tire producers responsible for the collection and end-of-life management of tires marketed to consumers in Ontario. The regulation also requires that other persons involved in resource recovery activities related to tires meet certain requirements, such as registration, record keeping and reporting.

The current Used Tires Program, operated by Ontario Tire Stewardship (OTS) under the Waste Diversion Transition Act, 2016, is to cease operation on December 31, 2018, followed by the wind up of OTS as a corporation. For information about the wind up plan, which was recently approved by RPRA (the Authority), visit the Authority's website (link: <https://rpra.ca/used-tires-program-wind-up/>).

## **WEEE Wind up Direction**

A notification and direction letter from the Minister of the Environment and Climate Change to Ontario Electronic Stewardship (OES) and RPRA in respect to the wind up of the waste diversion program for waste electrical and electronic equipment (WEEE) has been issued. It was confirmed that the government is intending to issue wind up direction on all WDA programs prior to the upcoming provincial election.

Ontario Electronic Stewardship (OES) must submit a wind up plan for the WEEE Program to the Authority no later than December 31, 2018, and the WEEE Program is to cease operation on June 30, 2020. The wind up direction letter to OES and a complementary policy direction to the Authority can be found on the Authority's website (link: <https://rpra.ca/weee-program-windup/>).

## **Municipal Hazardous or Special Waste (MHSW) Program Wind Up**

On Thursday, April 12, 2018, the Minister of the Environment and Climate Change issued direction to Stewardship Ontario (SO) to wind up the Municipal Hazardous or Special Waste Program by December 31, 2020. This wind up will allow the transition of materials collected under the program to individual producer responsibility under the Resource Recovery and Circular Economy Act, 2016.

Information related to the program wind up and future consultations will be posted to the Program Wind Up page when available. Until the wind up date, the Municipal Hazardous or Special Waste Program will continue to operate without disruption. This includes the operation of the Industry Stewardship Plans managed by the Automotive Materials Stewardship, the Product Care Association and SodaStream.

Please contact Stewardship Ontario directly for any operational inquiries at [werecycle@stewardshipontario.ca](mailto:werecycle@stewardshipontario.ca).

### **Amendment to Regulation 344/90 (Disposable Containers for Milk)**

After considering input received from stakeholders on the proposed amendment to Regulation 344 (Disposable Containers for Milk) under the Environmental Protection Act, 1990, a decision was made to implement the amendment. The amending regulation was filed on April 6, 2018 and is now in effect. To view the regulation, please visit the Environmental Registry (link: <https://ero.ontario.ca/notice/013-2059>).

The amendment to Regulation 344 provides options for milk producers to use containers that are widely accepted in recycling programs or are managed through a deposit return program. This will provide flexibility to milk producers while still protecting the environment.



### **Waste Export Data**

A recent report from the State of Michigan indicated that waste export from Ontario had increased significantly in 2017. It was noted that export tonnage has increased by 19% to over 3.2 million tons.

It was also confirmed that the State of Michigan is considering the implementation of a landfill surcharge that would represent a significant increase in cost for Ontario waste exported to Michigan landfills.

### **Metro Vancouver initiatives**

The City of Metro Vancouver has implemented a tonnage levy on waste generated, but not disposed of at Metro Vancouver facilities. The levy is \$40 per tonne with provisions to increase over time. It was noted that this directly affects IC&I waste tonnage and that to date there has not been a legal challenge of the levy provision. It was noted that the City has also passed a license bylaw effective January 1, 2018 that allows the city to control the flow of waste and the organizations active in the waste management sector.

### **County of Oxford Adopts a Controversial Amendment to their Official Plan**

The amendment has been appealed to the OMB by Walker Environmental Group on a number of grounds including restricting future waste management facilities. There is a potential concern of the precedent that may be created by this amendment to Oxford's Official Plan which could be troubling especially considering the impact it could have if applied more broadly and to other waste management facilities. The waste management sector clearly has an interest as waste moves freely within the province both to private and public facilities.

## Addressing Food and Organic Waste in Ontario

Food and organic wastes make up approximately one third of Ontario's total waste stream. This includes organic waste generated at home, such as food scraps and leaf and yard waste, as well as food waste produced by industrial, commercial and institutional (IC&I) sectors such as food processors, wholesalers, grocery stores and restaurants.

In 2014, Ontarians generated about 3.6 million tonnes of food and organic waste, of which over 60% was sent for disposal, mostly to landfill.

Although food is essential for life and organic materials are critical for healthy soils, significant amounts of organic material end up going to disposal year after year.

Reducing the amount of food and organic wastes that end up in the waste stream provides economic benefits in terms of cost savings across the supply chain and new jobs associated with organic waste processing facilities. It also results in environmental benefits in the form of greenhouse gas reductions and less reliance on landfills. Given the right conditions, food and organic waste can be recovered and re-integrated into the economy. Turning food and organic waste into valuable products recognizes the net economic benefit of a circular economy, where nutrients, energy and other resources are recovered and serve as inputs to new products.

The Strategy for a Waste-Free Ontario: Building the Circular Economy, released on February 28, 2017 commits the ministry to a Food and Organic Waste Action Plan with a key action being the possible banning of food waste from disposal. The strategy also proposes that the first policy statement under the Resource Recovery and Circular Economy Act, 2016 will focus on food and organic waste. These actions will also support the waste reduction and resource recovery objectives of the strategy and greenhouse gas reduction objectives of Ontario's Climate Change Action Plan.

The discussion paper, "Addressing Food and Organic Waste in Ontario", serves as the basis for preliminary discussions with stakeholders to inform the development of the Food and Organic Waste Framework. The Food and Organic Waste Framework will aim to:

- Reduce the amount of food that becomes waste
- Remove food and organic waste from the disposal stream
- Reduce greenhouse gas emissions that result from food and organic waste
- Support and stimulate end markets that recover the value from food and organic wastes
- Increase accountability of responsible parties
- Improve data on food and organic waste
- Enhance promotion and education regarding food and organic waste

The intent of this Discussion Paper is to offer an early opportunity for Ontarians to provide input towards the development of a Food and Organic Waste Framework.

This Discussion Paper will assist the Ministry of the Environment and Climate Change in gathering information and collating the various opinions of the general public and stakeholders on the following discussion topics:

- The Scope of the Food and Organic Waste Framework
- Actions to reduce food and organic
- Actions to support processing capacity and end-markets for food and organic wastes

The development of both the action plan and policy statement will also be informed by a stakeholder working group concurrently. The ministry has invited representatives from key stakeholder groups including municipalities, the waste management industry, producers, non-governmental organizations, the agri-food industry (e.g. farmers, food processors) and generators of organic waste in the IC&I sectors (e.g., food retailers, restaurants, offices, hospitals) to participate in this process wastes.

The discussion paper posted as part of this proposal is intended to offer an opportunity for the public and stakeholders to provide comments towards the development of the Food and Organic Waste Framework. The ministry expects that further public consultations will occur once the draft policy statement and action plan are released.

	<b>Current Municipalities with curbside green bin programs</b>	<b>Southern: 50,000 pop and urban density greater than 800p/km<sup>2</sup></b>	<b>Southern: 20,000 pop and urban density of greater than 600p/km<sup>2</sup></b>	<b>Northern: 50,000 pop and urban density of greater than 800p/km<sup>2</sup></b>	<b>All Others small, rural, Northern</b>
<b>Target</b>	75% by 2023	75% by 2023	50% by 2023	50% by 2023	Best Effort
<b>Curbside Collection</b>	Yes	Yes	Preferred	Preferred	Not Required
<b>Source Separation</b>	Yes	Yes	Preferred	Preferred	Not Required
<b>Alternative to preferred option</b>	Alternatives can be used if it is demonstrated that the targets can be achieved efficiently and effectively				Diversion through home composting, Community composting, or local event day

### **Bill 148, the Fair Workplaces, Better Jobs Act**

Bill 148, the Fair Workplaces, Better Jobs Act, was introduced by the government in June to make changes to the Employment Standards Act, including raising the minimum wage and changing the nature of temporary and contract work in Ontario. The new law was adopted in the fall.

It is so new that it is still unclear how new scheduling requirements will be applied. In an attempt to make scheduling more consistent and predictable, under the new law employees that have been with a company for more than three months are able to refuse to work a shift if given fewer than four days notice. As well, 'on-call' employees would be paid for three hours of work for each day they are listed as on-call and not called in to work. It is unclear if and how this will apply to fleets.

We have also commented on the new minimum wage, saying that it recognizes that a fair minimum wage but deciding what sectors the changes should apply is necessary for a healthy economy, New York State has been an example of this and it hopes that the Ontario government will be to.

The current approach being taken in Ontario lacks this regional and economic analysis. We are not asking the Province to reconsider the move to a \$15 minimum wage, but instead urging it to reconsider how such a policy is implemented, clarify which sectors and regions the policy will apply to; and how quickly it will be brought in."

The timeline for the proposed changes will be staggered, with a raised minimum wage scheduled for Jan. 1, 2018 and again a year later. Changes to the definition of casual, temporary, and part-time workers is proposed for April 1, 2018.



### **Green Commercial Vehicle Program**

Ontario is helping businesses buy low-carbon vehicles and technologies that reduce emissions and foster sustainable development. This investment is part of Ontario's Climate Change Action Plan and is funded by proceeds from the province's cap on pollution and carbon market.

The new program provides rebates towards the purchase of alternative-fuel vehicles and fuel-saving technologies, making it more affordable for local businesses to own and operate greener vehicles. Eligible vehicles and devices under the program include electric and natural gas-powered trucks, aerodynamic devices, anti-idling devices and trailer refrigeration units.

The program encourages more businesses to make the switch to low-carbon vehicles to reduce greenhouse gas emissions from transportation, a sector that generates about a third of Ontario's total greenhouse gas emissions.

The Association was able to take advantage of this program with the acquisition of its latest CNG vehicles.

### **Class D Renewal Requirements To Tighten**

Ontario is preparing to tighten the requirements to renew Class D licenses, bringing medicals and knowledge and vision tests in line with other commercial classes. The changes are effective July 1, 2018.

Formal notice is expected has been issued to license holders .

Class D license holders up to 80 years old will now be subject to a Class D knowledge test and vision test every five years, when they renew their licenses. Air brake knowledge tests for a Z endorsement will occur at the same time. Drivers 65 to 79 years old, with three demerit points or an at-fault collision on their record, will have to take a road test as well.

Medical reports will have to be submitted every five years for those under 46, three years for those 46-64, and annually for those 65 and older. Forms will be mailed to license holders 90 days in advance of the due date.

A Class D license allows someone to drive any truck or vehicle combination exceeding 11,000 kilograms, provided that the towed vehicle weighs less than 4,600 kilograms.

### **Association Supports Zero-Tolerance For Drivers On Weed**

During consultations with the provincial government, the Association supported the Canadian Trucking Alliance (CTA) position that the trucking industry should be held to a zero-tolerance policy for being under the influence of marijuana.

Statistically operators of large commercial vehicles are much less likely to be impaired by alcohol or drugs than all other motorists.

The Association will also be working with the province on creating workplace testing policies, including a review of the responsibility of employers to accommodate those with addiction issues. They are also discussing establishing sobriety levels for commercial drivers and passenger vehicles, similar to those policies currently deployed for safety sensitive positions.

## **Federal Cannabis Legislation Tabled**

The federal government tabled legislation to legalize marijuana on April 13. As expected, the Bills leave the bulk of decisions on age of majority, distribution, and retailing of marijuana to the provinces.

The Legislation:

Bill C-45, the Cannabis Act, will amend Canada's Criminal Code, Controlled Drugs and Substances Act and other current legislation to allow Canadian residents to sell, buy, possess, and grow marijuana before July of 2018. The legislation proposes:

- limits of 30 grams of dried marijuana for individual possession for adults over the age of 18 years unless a higher age is set by a province;
- authorizes the creation of a licensing system for marijuana growers and a tracking system for plants;
- establishes penalties for possession of greater amounts of marijuana, trafficking outside of the proposed system, and distribution to minors;
- provinces will have the ability to set their own distribution and other rules, or default to the federal requirements.

Bill C-46 amends the Criminal Code and other legislation to introduce new penalties for drugged driving, streamline drunk driving provisions. This Bill also allows police officers who suspect a person of driving while under the influence of drugs or alcohol to demand a bodily fluid sample.

## **This one's got legs: the Ontario Climate Change Solutions Deployment Corporation**

On February 17, 2017, the Ontario Ministry of the Environment and Climate Change ("MOECC") took another step toward implementing the goals in the Ontario Climate Change Action Plan ("CCAP"). By filing the Ontario Climate Change Solutions Deployment Corporation regulation (the "regulation"), the MOECC created a new non-share capital corporation to stimulate the development of clean technology and assist with reducing barriers that may inhibit the implementation of the CCAP and its goals.

The corporation, called the Ontario Climate Change Solutions Deployment Corporation ("OCCSDC"), was designed to further the provincial deployment of clean technology for reducing greenhouse gas emissions. It is tasked with meeting this broad purpose by:

- providing information;
  - engaging in marketing;
  - providing services and arranging for others to be provided with services;
  - providing incentives and engaging in financing activities;
  - stimulating private sector financing; and
  - researching market barriers inhibiting the deployment of clean technology.
- Interestingly, research and development are expressly excluded from the scope of the duties of the OCCSDC.

The regulation places a focus on developing programs that will maximize absolute greenhouse gas reductions and stimulate the use of clean technology by low-income households. Additional programs will be directed at:

- switching from using fossil fuels to other sources of energy;
- energy storage (of various forms);
- renewable energy;
- retrofitting existing structures to reduce or eliminate greenhouse gas emissions;
- stimulating economies of scale in technology;
- stimulating private sector financing; and
- stimulating the construction of buildings that significantly exceed provincial energy efficiency requirements (think net-zero and net-positive construction).

The corporation will be funded in part by the proceeds of Ontario's cap and trade program, which the Ontario Government estimates to be approximately \$2 billion per year.

In Transportation, for instance, we see the combination of the CCAP and the OCCSDC:

- creating support to enhance the availability and use of lower-carbon fuel by funding fuel distributors for high-blend sustainable biofuels and infrastructure upgrades;
- supporting the re-use of agricultural and food waste as a source of methane fuel;
- generally increasing the distribution and use of electric vehicles and increasing charging-station infrastructure in the province;
- supporting expanded cycling infrastructure in urban areas and along roadways;
- incentivizing low-carbon commercial vehicle solutions; and
- accelerating the construction of regional light rail systems.

What comes next?

The Board of the OCCSDC is currently being assembled. After this happens, it will take time for programs to be developed and launched. As well, key details on the operation of the new corporation – including reporting obligations, how it will interact with existing and emerging federal and provincial bodies such as the Ontario Energy Board and the emerging federal infrastructure bank – will need to be finalized and revealed. That being said, there is significant pressure on the province to get things underway.

Given the grave, global impact of carbon and other GHG emissions and the very diffuse nature of the GHG problem for Ontario, the OCCSDC and its parent policy, the CCAP, promise to drive gradual and fundamental change and to create substantial economic opportunities across many sectors. As with green banks elsewhere, early renditions are likely to have flaws and there will undoubtedly be missteps. That being said, considering the sums involved and given the experience seen in other jurisdictions, the launch of the OCCSDC will create economic growth and innovation opportunity and, ultimately, should help Ontario meet its GHG objective. This one's, as the saying goes, got legs.

## China's Changing Policies on Imported Recyclable

China has taken a number of steps this year to restrict recyclable materials imported into China. These measures will have significant impacts to recycling within the U.S., and the rest of the world.

China is the single largest consumer of recyclable materials exported from the United States. In 2016, approximately 41% of paper recovered in the North Americas was exported with about a quarter of recyclable paper exported to Chinese mills. Similarly, over 20% of post-consumer bottles and 33% of non-bottle rigid plastics from the U.S. were exported in 2015. The European Union exports over 95% of its plastic to China. The US and the EU are the largest exporters of paper grades into China.

In February, as part of China's broader "National Sword" campaign, customs enforcement began a one-year crack down on illegal smuggling of "foreign waste."

On July 18, 2017, China notified the World Trade Organization (WTO) of its intent to ban 24 materials from being imported. These include mixed plastic and mixed paper effective January 1, 2018.

Currently, the Chinese recyclables market represents about 25 percent of U.S. recycled paper exports and anywhere from 20 to 33 percent of recycled plastics, depending the type of plastic. ISRI estimates that this is a \$5.6 billion export market for the U.S.

The objective of this import ban and contamination limit was to minimize "foreign garbage" entering the country and to promote new environmental standards. Pursuant to this "ban" import licenses from China have not been renewed. The result has been a drop in commodity prices worldwide, especially in the U.S. because the flow of commodities into China, one of the largest importers of recyclables, has been disrupted.

## Exports to China

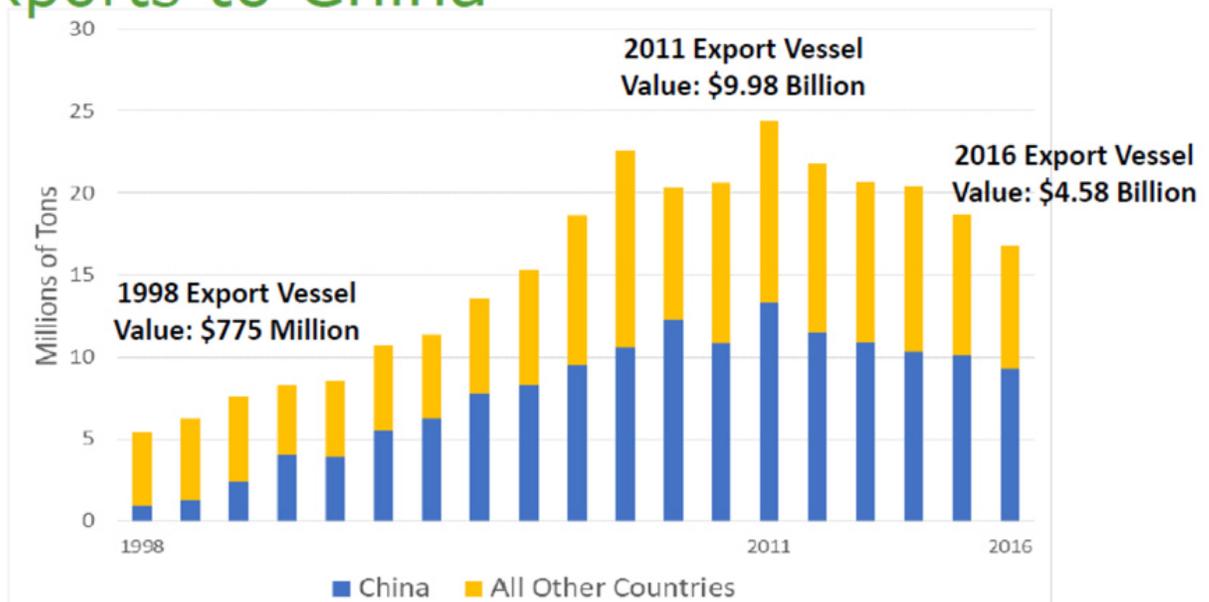


Figure 1

On August 10, 2017, the Chinese announced a new quality standard for material limiting prohibitives to 0.3 percent. This requirement applies to all materials, even those that are not banned (such as ONP or OCC).

The Chinese Government has not issued the necessary import licenses to satisfy the demands of its mills for recycled material. As a result, there has been a reduction of all recyclable tons entering China.

In a series of Nov. 15 filings with the World Trade Organization (WTO), China's Ministry of Environmental Protection (MEP) proposed adopting Environmental Protection Control Standards for Imported Solid Wastes as Raw Materials (GB 16487.2-13) on Dec. 31, 2017 with an "entry into force" on March 1, 2018.

These filings describe a slight relaxation of the previously announced 0.3% carried waste standard for all materials. The new standard for both "waste and scrap of plastics" and "waste and scrap of paper or paperboard" would be 0.5%. All filings list "Protection of human health or safety; Protection of animal or plant life or health; Protection of the environment" as the objective of these proposals.

Depressed commodity prices. Uncertainty in both the short and long-term Chinese export markets is already disrupting the markets for recyclables in some parts of U.S. Due to this uncertainty, we do not know how long or how severe the disruption will be, but we will be monitoring markets closely.

The short-term disruption is caused primarily by a lack of the quotas required by the Chinese Government for Chinese mills to be able import products

Longer term disruptions may be caused by China's new material ban, and their new 0.5% prohibitives standard.

Availability of outlets. If the ban goes into effect, the ability of other markets to absorb all the recyclables will be strained. Some materials may not be able to find an end market.

Regional variations. The impact is expected to vary by region and local markets across the country.

Eventual relaxation of ban. Given the China's reliance on recyclable raw materials, industry experts predict that the ban may not be enforced against high quality materials.

Ensure High Quality Recyclables - High quality material is more likely to find a market. The new 0.5 percent prohibitives limit is far below any existing international standard. However, high quality material will be welcomed by both domestic and international markets.

This is a global and an industry-wide issue, not a local or individual company issue. Our industry will benefit if we work together to develop solutions to volatile recycling market in the near term, and to work together for longer term solutions as necessary.



## Property, Plant and Equipment

As of December 31, 2017, the Association owned two facilities totalling approximately 90,000 ft<sup>2</sup> and its associated parcels of real estate property used in its operations. The Association owns its corporate headquarters, which also serves as the Material Recovery Facility in Huron Park, Ontario. The second facility is the Association's main repair shop for the fleet, which is located next door to our Material Recovery Facility.

As of December 31, 2017, the Association utilized approximately 43 waste collection vehicles and other support vehicles, all of which are owned. The majority of our vehicles are highly specialized automated co-collection vehicles to collect waste and recyclables at the same time.

The Association upgraded its Material Recovery Facility in 2009. It was the most advanced facility in the marketplace at the time and it remains so in our service area. It is a unique facility maximizing the use of technology to minimize manual sorting effectively reducing repetitive strain injuries.

The Material Recovery Facility is able to process single stream materials, which enables us to facilitate changes in our collection procedure and technology used to collect materials. The collection conversion began in 2008 with one vehicle. Most of the fleet has been replaced with the most recent type of automated vehicles.

## Employees



As of December 31, 2017, the Association employed approximately 81 full-time employees, including 7 persons classified as professionals or managers, 37 employees involved in collection, 29 in the material recovery operations, 6 maintenance staff, and 2 clerical, data processing or other administrative employees.

The Teamsters union with which the

Association has a collective bargaining agreement expiring December 1, 2020 represents approximately 72 employees at the Association's operating facilities. The Association typically negotiates a three to four year collective bargaining agreement in the last year of any current agreement. The Association is not aware of any other organizational efforts among its employees and believes that relations with its employees are very good.



## Operations

As of December 31, 2017, the Association served approximately 92,000 customers, comprised of 87,000 residential clients and 5,000 commercial clients. The following table sets forth certain information regarding the Association's revenues by category of activity for the last three years.

Bluewater Recycling Association Revenue Summary			
	2017	2016	2015
Residential Collection	\$8,908,742	\$8,410,314	\$8,038,024
Material Sales	2,261,751	1,812,206	1,267,971
Processing & Disposal	428,796	380,719	325,204
Commercial Collection	1,146,486	1,042,058	804,224
Other	38,049	58,379	66,484
<b>TOTAL</b>	<b>\$12,783,824</b>	<b>\$11,703,676</b>	<b>\$10,501,907</b>

### Residential Collection Services

The Association's long-term solid waste collection contracts with municipalities typically contain a formula, generally based on a pre-determined published price index, for automatic adjustment to fees to cover increases in some, but not all, operating costs plus a pass-through of any disposal cost increases. Under the terms of each of these agreements, the Association has exclusive rights to provide certain services to the community. Most of these agreements were bid on a competitive basis, and rates for all services are set forth in the agreement.

Fees for recycling collection services are based primarily on a joint cooperative agreement reviewed annually while fees for residential solid waste collection services are based primarily on route density, the frequency and level of service, the distance to the disposal or processing facility, the cost of disposal or processing and prices charged in the Association's markets for similar services.

### Processing and Disposal

The Association offers municipal, commercial and industrial customers services for a variety of recyclable materials, including newspaper, mixed paper, cardboard, office paper, plastic containers, glass bottles, and ferrous and aluminum metals. The Association owns and operates a Material Recovery Facility (MRF) in Huron Park, Ontario. The Association believes that recycling will continue to be an important component of local solid waste management plans due to the public's increasing environmental awareness and regulations that mandate or encourage recycling.

The Association disposes of the waste it collects in one of two ways:

- at municipally owned landfills; or
- at privately owned third party landfills.

The Association seeks to secure favourable long-term disposal arrangements with municipalities or private owners of landfills. The Association's ability to maintain competitive prices for its commercial waste collection services is generally dependent upon its ability to secure favourable disposal pricing.

### **Commercial Collection**

The Association's commercial collection services are performed principally under service agreements. Fees are determined by a variety of factors, including collection frequency, level of service, route density, the type, volume and weight of the waste collected, type of equipment and containers furnished, the distance to the disposal or processing facility, the cost of disposal or processing and prices charged by competitors for similar services. Commercial collection vehicles normally require one operator. The Association provides 2 to 40 cubic yard containers to commercial customers. This area, while secondary to the Association's mandate, remains the fastest growing segment of our business because of the lack of serious competition in the immediate area.

### **Commodity Sales**

The Association sells all materials recovered through its operation of the Material Recovery Facility in Huron Park. The sale of those materials is subject to fluctuations in market prices affected by current global events and by the volume of materials that flows through the facility from our own collection operations and that of other collectors. The market prices during 2017 averaged \$156 per tonne, which was higher than the previous year at \$125 per tonne as a result of a rise in demand globally.

### **Sales and Marketing**

The Association has a diverse customer base, with no single contract or customer accounting for more than 10% of revenues during the year ended December 31, 2017.





## Management's Responsibility for Financial Reporting

Management and the Board of Directors are responsible for the financial statements and all other information presented in this annual report in accordance with the Financial Administration Act and Regulations. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgment.

Management has developed and maintains books of account, records, financial and management control, and information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, with the Financial Administration Act and Regulations as well as the by-laws of the Corporation.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets monthly to oversee the financial activities of the Corporation, and to review the financial statements and the auditors' annual report.

The Corporation's external auditors, Pinder, Taylor, McNeilly, Godkin Licensed Public Accountants examine the financial statements and report to the membership.

## Auditor's Report

### To the Members of the Bluewater Recycling Association

We have audited the accompanying financial statements of Bluewater Recycling Association which comprise the statement of financial position as at December 31, 2017 and the statements of fund operations and changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Bluewater Recycling Association as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

March 16, 2018  
Exeter, Ontario

PTMG LLP  
Licensed Public Accountants

## Statement of Financial Position

Year ended December 31	Operating Fund	Capital Asset Fund	Capital Reserve Fund	Total 2017	Total 2016
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 1,326,474	\$ 122,673	\$ -	\$ 1,449,147	\$ 740,739
Accounts Receivable	1,251,057	-	-	1,251,057	1,539,748
Grants receivable	-	-	-	-	-
Inventory (Note 2)	158,980	-	-	158,980	132,336
Prepaid expenses & deposits	124,683	-	-	124,683	121,516
	<u>2,861,194</u>	<u>122,673</u>	<u>-</u>	<u>2,983,867</u>	<u>2,534,339</u>
Capital Assets (Note 3)	-	11,706,870	-	11,706,870	10,951,476
	<b>\$ 2,861,194</b>	<b>\$ 11,829,543</b>	<b>\$ -</b>	<b>\$ 14,690,737</b>	<b>\$ 13,485,815</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable and accrued charges (Note 4)	\$ 920,017	\$ -	\$ -	\$ 920,017	\$ 710,821
Interfund loans (advances)	1,941,177	-	(1,941,177)	-	-
Current portion of long term debt (Note 5)	-	4,763,729	-	4,763,729	4,603,351
	<u>2,861,194</u>	<u>4,763,729</u>	<u>(1,941,177)</u>	<u>5,683,746</u>	<u>5,314,172</u>
Long Term Debt (Note 5)	-	1,112,623	-	1,112,623	836,178
	<u>2,861,194</u>	<u>5,876,352</u>	<u>(1,941,177)</u>	<u>6,796,369</u>	<u>6,150,350</u>
Commitments (Note 6)					
<b>FUND BALANCES</b>					
Invested in capital assets	\$ -	\$ 5,953,191	\$ -	\$ 5,953,191	\$ 5,634,434
Internally restricted	-	-	1,941,177	1,941,177	1,701,031
	<u>-</u>	<u>5,953,191</u>	<u>1,941,177</u>	<u>7,894,368</u>	<u>7,335,465</u>
	<b>\$ 2,861,194</b>	<b>\$ 11,829,543</b>	<b>\$ -</b>	<b>\$ 14,690,737</b>	<b>\$ 13,485,815</b>

On Behalf of the Board: Chairman

President

See accompanying notes to the financial statements.

## Statement of Fund Operations and Changes in Fund Balances

Year ended December 31	Operating Fund		Capital Asset	Restricted Funds		Total	Total
	2017	2016	2017	Capital Reserve 2017	2017	2017	2016
<b>Revenue</b>							
Municipal levies	\$ 6,676,933	\$ 6,600,290	\$ -	\$ -	\$ -	\$ -	\$ -
Recyclable products	2,261,751	1,812,206	-	-	-	-	-
Operating grants	2,231,810	1,810,024	-	-	-	-	-
Front End	1,146,486	1,042,058	-	-	-	-	-
Other Income	454,671	424,491	-	-	-	-	-
Composters and collection supplies	12,173	14,607	-	-	-	-	-
	<u>12,783,824</u>	<u>11,703,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>							
Cost of Sales - Recyclables & Freight	260,424	137,866	-	-	-	-	-
Composters and Collection Supplies	13,335	17,230	-	-	-	-	-
Disposal Fees	1,216,289	1,133,451	-	-	-	-	-
Administrative Expenses (Schedule)	827,635	843,123	-	-	-	-	-
Collection Expenses (Schedule)	5,127,169	4,772,949	-	-	-	-	-
Processing Expenses (Schedule)	2,231,095	1,792,850	-	-	-	-	-
Interest on long term debt	-	-	190,861	-	190,861	191,230	191,230
Amortization of capital assets	-	-	2,279,486	-	2,279,486	2,206,617	2,206,617
Loss (Gain) on disposal of capital assets	-	-	78,627	-	78,627	(6,410)	(6,410)
	<u>9,675,947</u>	<u>8,697,469</u>	<u>2,548,974</u>	<u>-</u>	<u>2,548,974</u>	<u>2,391,437</u>	<u>2,391,437</u>
Excess (Deficiency) of Revenue Over Expenses	<u>3,107,877</u>	<u>3,006,207</u>	<u>(2,548,974)</u>	<u>-</u>	<u>(2,548,974)</u>	<u>(2,391,437)</u>	<u>(2,391,437)</u>
Fund Balance, Beginning of Year	-	-	5,634,434	1,701,031	7,335,465	6,720,695	6,720,695
Interfund transfers	(3,107,877)	(3,006,207)	2,867,731	240,146	3,107,877	3,006,207	3,006,207
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,953,191</u>	<u>\$ 1,941,177</u>	<u>\$ 7,894,368</u>	<u>\$ 7,335,465</u>	<u>\$ 7,335,465</u>

See accompanying notes to the financial statements

## Statement of Cash Flow

Year ended December 31	2017	2016
Cash Provided by (Used in)		
<b>Operations</b>		
Excess (Deficiency) of revenue over expenses		
Operating Fund	\$ 3,107,877	\$ 3,006,207
Capital Asset Fund	(2,548,974)	(2,391,437)
	558,903	614,770
Items not involving a cash payment		
Amortization	2,279,486	2,206,617
Loss (Gain) on disposal of capital assets	78,627	(6,410)
	2,917,016	2,814,977
Changes in non-cash working capital items:		
Decrease (Increase) in accounts receivable	288,691	(712,269)
Increase in inventory and prepaid expenses	(29,811)	(2,726)
Increase in accounts payable and accrued charges	209,194	120,323
	3,385,090	2,220,305
<b>Financing</b>		
Additional long term debt	2,559,671	2,362,781
Repayment of long term debt	(2,122,846)	(2,247,152)
	436,825	115,629
<b>Investing</b>		
Purchase of capital assets (Note 3)	(3,212,538)	(2,054,141)
Proceeds on disposal of capital assets	99,031	6,410
	(3,113,507)	(2,047,731)
Net Increase (Decrease) in cash	708,408	288,203
Cash, Beginning of Year	740,739	452,536
Cash, End of Year	\$ 1,449,147	\$ 740,739

See

accompanying notes to the financial statements

## Notes to the Financial Statements (December 31, 2017)

### Purpose Of The Organization

The Bluewater Recycling Association is a multi-municipal resource management organization providing integrated waste reduction and environmental services including the collection, processing and marketing of resource based products and services.

The corporation is a non-profit organization incorporated without share capital under the Laws of Ontario and is exempt from income taxes.

### Accounting Estimates

Financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

### Fund Accounting

The organization follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administrative costs. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets.

The Capital Reserve Fund reports the assets, liabilities, revenues and expenses related to the organization's capital asset replacements. The annual Operating Fund surplus or deficit is transferred to this fund. Amounts are transferred from this fund to the Capital Asset Fund as funds are required to purchase capital assets.

### Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue during the course of the year as the budgeted amounts are invoiced. Revenue from recyclable products is recognized when the commodities are shipped. Revenue from services is recognized as the related services are performed.

### Inventory

Inventory is comprised of recyclable materials and collection supplies. Recyclable materials are stated at their net realizable value. Collection supplies are stated at the lower of cost and replacement value. Cost is determined on a first in, first out basis.

## 1. Summary Of Significant Accounting Policies

### Capital Assets and Amortization:

Capital assets are capitalized for financial statement purposes in the year of acquisition. The cost of repairs and maintenance of a routine nature are charged to operations while those expenditures that improve or extend the useful life of the assets are capitalized.

The corporation provides for amortization on its capital assets using the straight-line method at rates set out below, based upon management's estimates of the useful life of the respective assets.

Buildings	5%
Collection Supplies	10% - 20%
Office furniture and equipment	10% - 30%
Processing machinery and equipment	10% and 20%
Automotive equipment	10% and 30%

### Foreign Currency Transactions

Transactions which are completed in United States dollars are translated into Canadian dollars by the use of the exchange rate in effect the day of the transaction. At the balance sheet date, monetary items denominated in foreign currency are adjusted to reflect the exchange rate in effect at that date.

## 2. Inventory

	2017	2016
Recyclable Inventory	\$ 59,427	\$ 49,335
Collection Supplies	99,553	83,001
	<b>\$ 158,980</b>	<b>\$ 132,336</b>

## 3. Capital Assets

		2017		2016
Capital assets are classified as follows:	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 124,830	\$ -	\$ 124,830	\$ 124,830
Buildings	2,195,868	1,119,064	1,076,804	1,109,632
Collection Supplies	6,264,713	3,156,719	3,107,994	2,720,213
Office Furniture and Equipment	208,768	188,192	20,576	34,798
Processing machinery and Equipment	6,499,707	4,244,736	2,254,971	1,543,818
Automotive Equipment	13,433,513	8,311,818	5,121,695	5,418,185
	<b>\$ 28,727,399</b>	<b>\$ 17,020,529</b>	<b>\$ 11,706,870</b>	<b>\$ 10,951,476</b>

Purchase of capital assets:	2017	2016
Land and Buildings	\$ 66,614	\$ 104,306
Collection supplies	964,171	607,744
Office furniture and equipment	6,803	3,822
Processing machinery and equipment	1,273,743	38,841
Automotive equipment	901,207	1,299,428
	<b>\$ 3,212,538</b>	<b>\$ 2,054,141</b>

## 4. Accounts Payable

	2017	2016
Accounts Payable	\$ 870,087	\$ 667,038
Government remittances payable	49,930	43,783
	<b>\$ 920,017</b>	<b>\$ 710,821</b>

## 5. Long Term Debt

The following table outlines outstanding bank term and equipment loan repayable in monthly installments consisting of the outlined principal plus monthly interest, and are secured by vehicles and a general security agreement or the equipment only.

Rate	Instalments	Due Date	2017	2016
Prime	\$ 9,565	July 2027	\$ 1,090,435	
3.99%	14,403	April 2022	686,720	
Prime	9,621	May 2022	509,907	
Prime	4,167	August 2026	433,333	\$ 483,334
Prime	10,250	July 2020	307,500	430,500
5.05%	11,608	April 2020	306,050	426,543
Prime	7,250	May 2021	297,250	384,250
Prime	6,833	February 2021	259,667	341,667
Prime	10,364	September 2019	238,375	362,745
Prime	5,833	February 2021	221,667	291,667
5.09%	8,590	March 2020	218,819	308,321
Prime	4,166	November 2021	195,833	245,834
Prime	3,916	November 2021	184,083	231,084
Prime	9,750	June 2019	165,750	282,750
Prime	8,667	July 2019	164,667	268,667
Prime	5,833	February 2020	151,667	221,667
3.98%	2,835	August 2021	115,871	144,651
4.25%	11,657	October 2018	114,327	246,289
4.25%	8,261	October 2018	81,081	174,595
Prime	4,833	January 2019	62,833	120,833
Prime	883	September 2020	28,267	38,867
Prime	750	October 2020	26,250	34,500
Prime	1,000	May 2019	16,000	28,000
Prime	9,167	December 2017	-	100,833
5.50%	11,253	June 2017	-	66,448
5.50%	11,253	June 2017	-	66,448
5.50%	10,514	June 2017	-	62,087
Prime	7,500	August 2017	-	52,500
6.02%	12,971	February 2017	-	24,449
			<b>5,876,352</b>	<b>5,439,529</b>
Less amounts due within one year			<b>4,763,729</b>	<b>4,603,351</b>
			<b>\$ 1,112,623</b>	<b>\$ 836,178</b>

Long term debt repayments due over the next five years are as follows:

2018	\$ 4,763,729
2019	417,610
2020	264,531
2021	189,264
2022	57,135
2023	184,083
	<b>\$ 5,876,352</b>

The bank terms loans are secured by a general security agreement covering all of the association's assets, chattel mortgages over equipment financed and a first charge collateral mortgage of \$1,000,000 on real estate. The Association has an authorized operating loan line bearing interest at the bank's prime rate with a credit limit of \$200,000 and an approved capital expenditure credit facility for equipment purchases of up to \$4,500,000 of which \$2,418,566 has not been used at December 31, 2017.

## 6. Commitments

Prior to December 31, 2017, the Association entered into an agreement to purchase two fleet trucks with the balance of \$780,000 payable upon delivery in 2018, The Association has arranged financing with its existing lenders for this purchase.

## 7. Pension Agreements

The Association participates in the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit plan, which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay.

The amount contributed to OMERS for 2017 was \$289,246 (2016 - \$286,306) for current service. These payments are included as expenditure in the financial statements. OMERS sets the pension contribution rate annually to ensure that the plan remains fully funded. The pension contribution rate for 2017 was 9.0% of regular wages.

## 8. Financial Instruments

The company has interest rate risk due to having bank loans subject to floating interest rates and is exposed to fluctuations based on the bank's prime rate of interest. It is management's opinion that the Association is not exposed to significant currency or credit risks.



## 2017 Management

### Board of Directors

*Chairman* Todd Case, *Warwick*  
*Vice-Chairman* Brad Richards, *Strathroy Caradoc*

#### Huron

Marnie Hill, *Bluewater*  
Tom Tomes, *South Huron*

#### Lambton

Jason Meyer, *Dawn-Euphemia*  
Todd Case, *Warwick*

#### Middlesex

Andy Van Geel, *Lucan Biddulph*  
Brad Richards, *Strathroy Caradoc*

#### Perth

Ken Buchanan, *North Perth*  
Jim Craigmile, *St. Marys*

### Management

*President* Francis Veilleux, *since inception*  
*Controller* Michelle Courtney, *since December 2016*  
*Fleet Manager* Doug Tilford, *since September 2001*  
*Operations Manager* Terry Erb, *since February 2001*



## **Membership**

### **Huron County**

- Municipality of Bluewater
- Municipality of Central Huron
- Municipality of Huron East
- Municipality of South Huron
- Town of Goderich
- Township of Morris-Turnberry (Associate)

### **Lambton County**

- Municipality of Lambton Shores
- Township of Brooke Alvinston
- Township of Dawn/Euphemia
- Township of Warwick
- Village of Oil Springs

### **Middlesex County**

- Municipality of Middlesex Centre
- Municipality of North Middlesex
- Township of Adelaide Metcalfe
- Township of Lucan-Biddulph
- Township of Strathroy-Caradoc

### **Perth County**

- City of Stratford (Associate)
- Municipality of North Perth
- Municipality of West Perth
- Town of St. Marys
- Township of Perth East (Associate)
- Township of Perth South

The Association also services other communities under contracts and/or through subcontractors. Associate Members have no voting rights.

## Corporate Directory

### Head Office

Bluewater Recycling Association  
P.O. Box 547  
415 Canada Avenue  
Huron Park ON N0M 1Y0

### Solicitors

McKenzie Lake  
Barristers & Solicitors  
140 Fullarton Street, Suite 1800  
London ON N6A 5P2

### Auditors

PTMG LLP  
Chartered Accountants  
71 Main Street, North  
Exeter ON N0M 1S3

### Financial Institution

Bank of Montreal  
400 Main Street  
Exeter ON N0M 1S3

