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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 57,000 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

Uncharted Territory

The Association was created in 1989 from a need for rural communities to offer recycling options to their residents. Because recycling was a new concept born in Kitchener in 1981, the private sector did not have the interest or the infrastructure to offer these services. The resourceful communities worked together to gather the resources needed to make it happen. You could call it just another barn raising that brought the community together.

This common interest in providing an environmental alternative was a voluntary project undertaken by the local municipalities. It was not until 1994 that the provincial government made it mandatory for municipalities to offer such an option. Even then, it applied to communities with a population of 5,000 people or more. Many of our members at the time were below that threshold. It was not until they merged with their neighbours between 1998 and 2001 that many of them became that size.

In 2002, the blue box program became a shared responsibility program for the first time under the Waste Diversion Act. Producers of printed paper and packaging were regulated to pay up to 50% of the blue box costs. Municipalities remained operationally and financially responsible for the program.

In 2016, the Resource Recovery and Circular Economy Act paved the way to convert existing diversion programs to full producer responsibility under the watchful eye of the Resource Productivity & Recovery Authority (RPRA). Regulations for tires, electronic waste, and

household special waste were the first to be introduced. In 2021, the Blue Box Regulation made it official for the blue box to “transition” to a full producer responsibility model where the producers are operationally and financially responsible for the blue box program. This is uncharted territory for Ontario which has always seen this high profile program managed by the municipalities.



The members of the Association technically transitioned their program to the producers on April 1, 2024. The last three years the Association has been negotiating with the producers to act as the service provider for its members to minimize any impact on the residents and maintain the current economies of scale. Residential recycling service is just one of many services in our solid waste management system. Each service impacts the others in terms of efficiency and effectiveness. It was paramount for the Association to keep these services bundled where possible.



Unfortunately, the producers' procurement approach ignored any existing infrastructure and the interdependence of the various services to deliver a cohesive program. Rather than openly negotiating to offer services to all members at the same time, we found ourselves involved in a procurement process that further separated the services. To compound the problem, each service was severed into multiple geographical areas. In an attempt to make the procurement purely objective, each proposal was evaluated independently in a silo environment without consideration of other system components.

In the end, despite the complexity, after much anxiety and seemingly endless negotiations, the Association was successful in preserving existing services to ensure that all residents could experience a truly seamless transition to the new expanded producer responsibility system.



Digitization Project

In 2021, the Association launched its digitization project. The purpose of the project is consolidating our information systems into one cohesive platform to manage all the data generated by the operations and deliver it to our staff and managers in a way that they can operationalize it.

It is about taking the many data points that we collect in our operations and converting them into information that provides knowledge to our team so they can derive unparalleled insight into the operation to ultimately give them the wisdom to make the best decisions.

Like many organizations that have grown over the years, we have adopted different leading software products throughout the organization that perform very well for the purpose intended but unfortunately, they like to work independently without communicating with other key systems in the operations. Our mission is to change that with products that are more integrated where possible without compromising existing operations.

The project has been challenging at times and in 2023 we saw the most advancement in that regard. We continue to work on our mission and will do so until we are satisfied with the results. Based on the largest firms in our industry that have already travelled on this journey and those like us still implementing, it appears to be a 5 year journey before it becomes more of an adjustment program.



Energy Choice

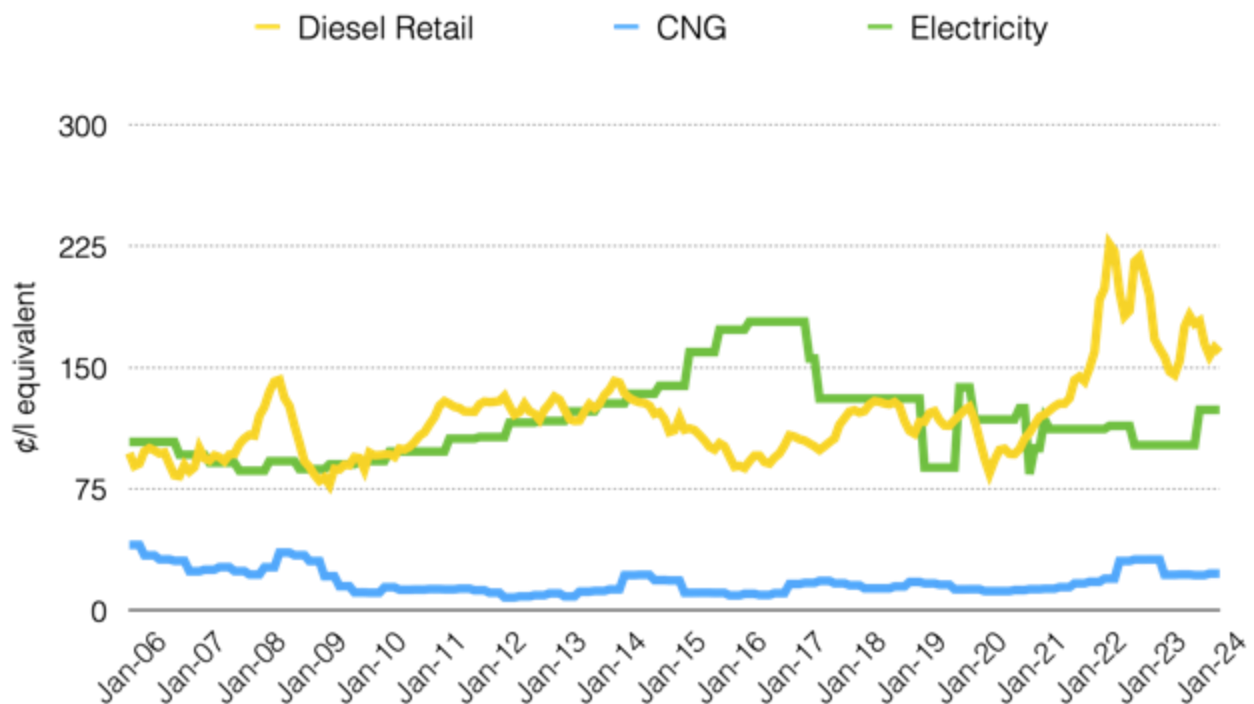
Our decision to adopt natural gas as our fuel of choice in 2014 is reflected in our operations today and it has saved us from much of the turmoil associated with the carbon tax. While natural gas is also seeing increases, they are a fraction of those observed in the diesel supply.



We continue to monitor the impact of the Federal Carbon Tax of our fuel decisions. It will aggressively increase through to 2030 affecting carbon intensive fuels. Diesel will be greatly affected to the point where it will not be feasible to operate a fleet using that fuel. Natural gas is not immune but because of its low base cost, the tax impact is more manageable but it is forecasted to overtake the cost of the actual fuel.

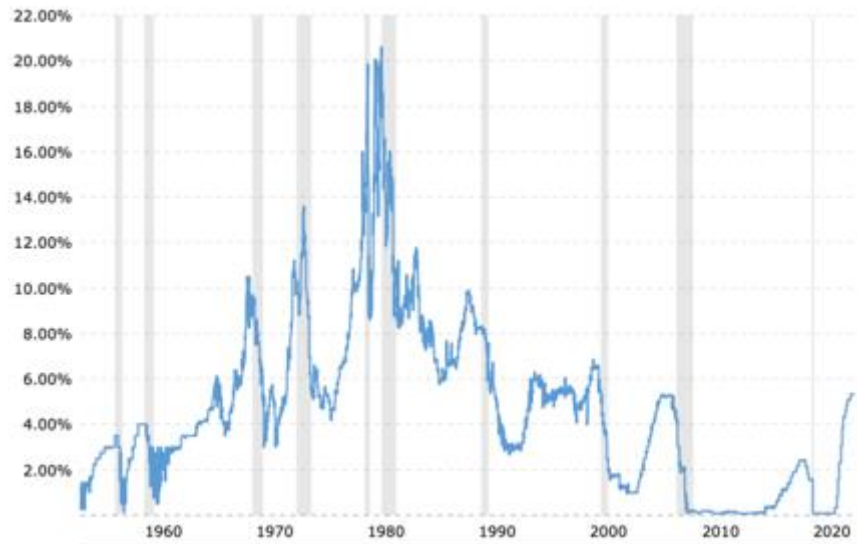
Our long-term vision remains a likely move to electric power, but our Fleet Energy Assessment Report completed in 2023 confirmed it is still premature to engage in that conversion as the equipment is just reaching the marketplace now but it does not provide the range needed to serve our customers.

In the interim, the Association is likely to pursue a blend of natural gas and renewable natural gas to control costs and meet GHG emission targets. Trucks with natural gas engines powered by renewable natural gas (RNG) fuel achieve the greatest benefits at the lowest cost.



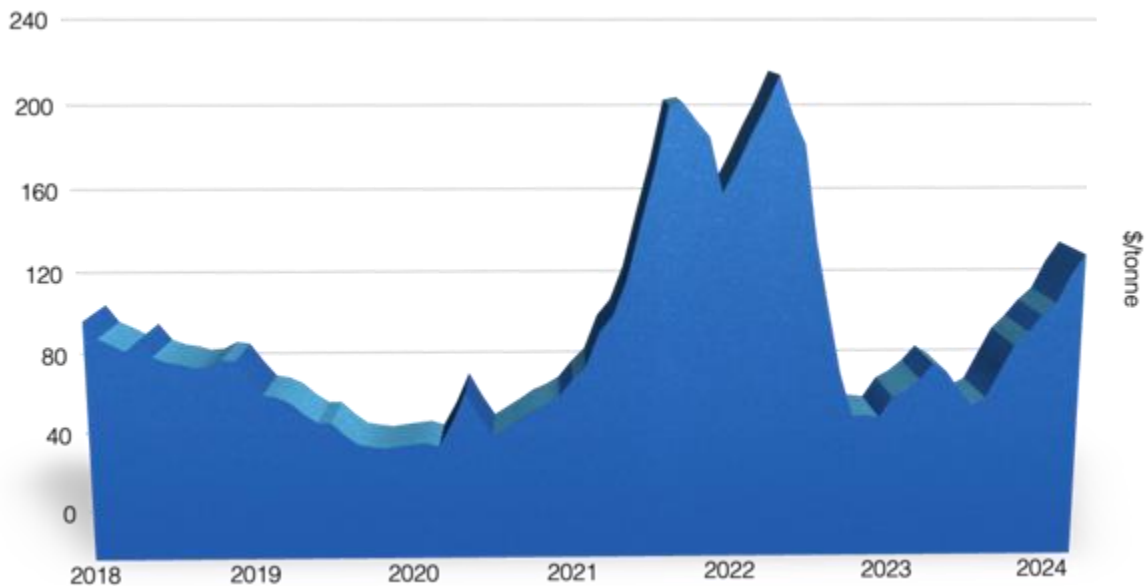
Commodities Update

The year 2023 was mostly sluggish in the commodity markets. The runaway inflation led to an increase in bank interest rates to cool down the economy. At the same time retailers had high inventories and they became jittery that it may not move so they started to cut orders which led to a decline in commodity prices that began in 2022 finishing the year at \$65 per tonne.



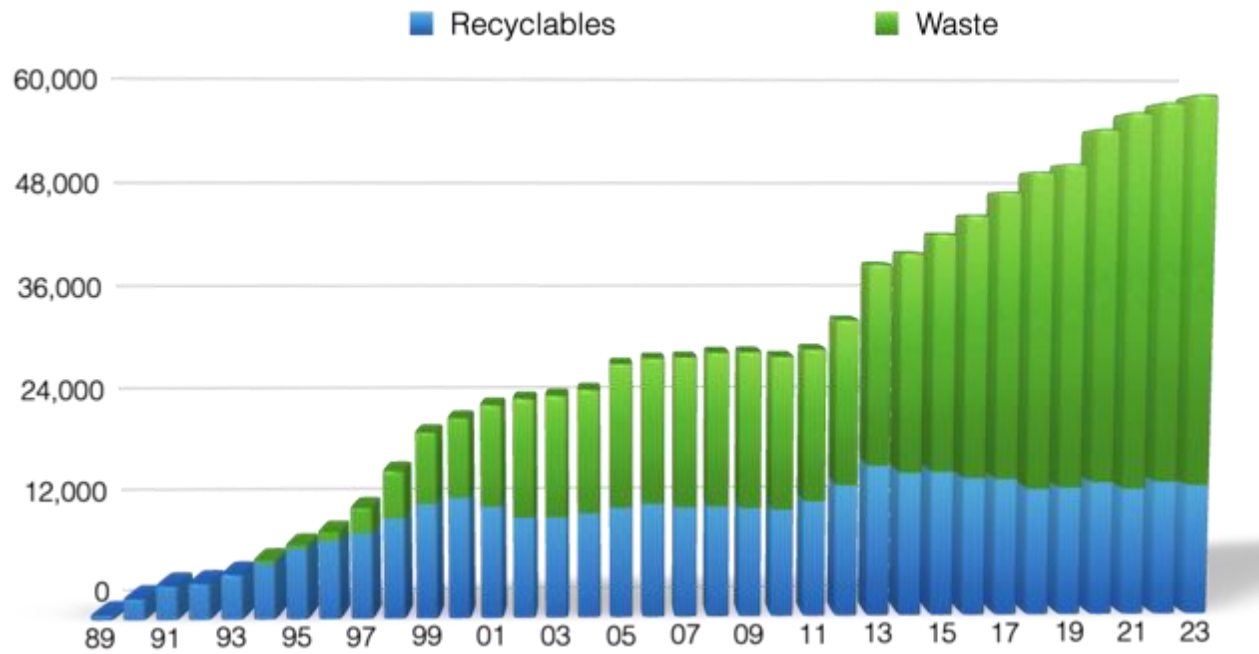
It took a while for consumers to actually slow down their buying spree and revert to saving funds for a rainy day so we experienced some false starts during the course of 2023. Prices for the blue box “basket of goods” varied in the \$75-85 range for most of the year before spiking in the last quarter to finish the year at a more respectable \$111 per tonne.

The upward trend has continued in 2024 and it appears to be supported by demand anticipated with the expected reduction in interest rates now that inflation is back within the target range.



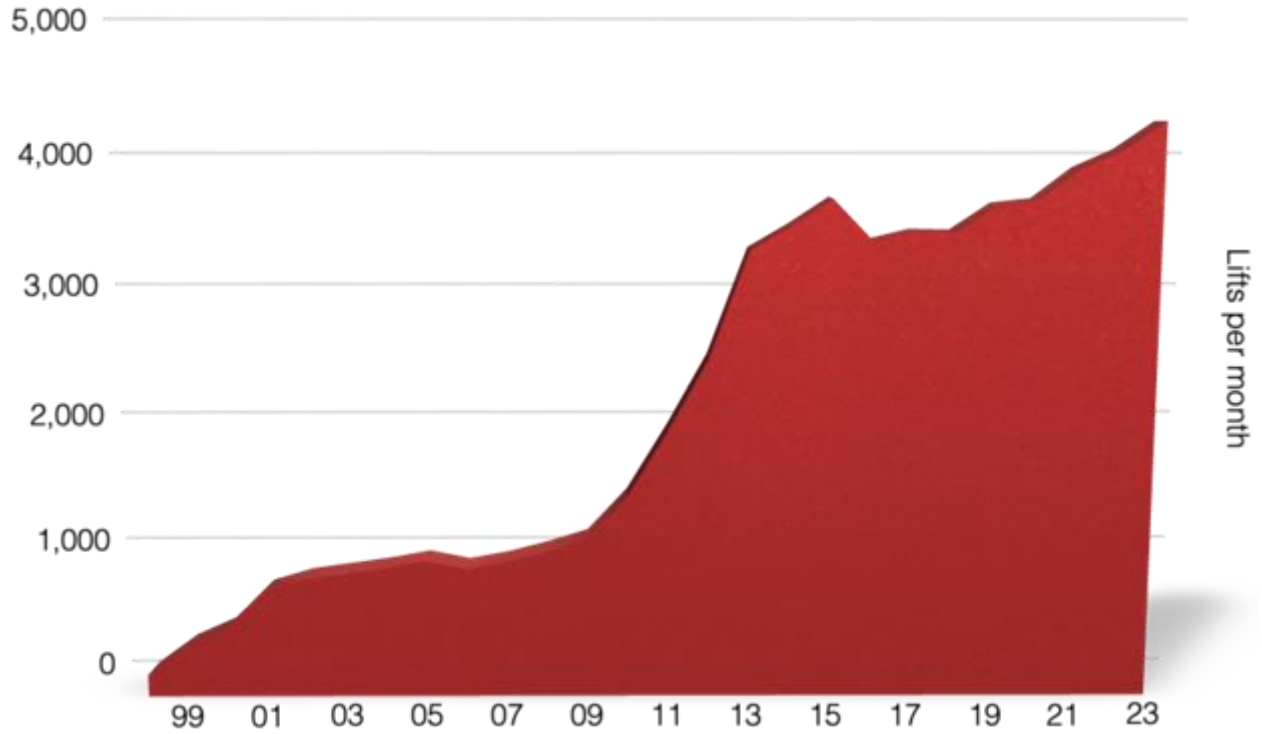
Tonnes Managed

The Association continues to grow by managing more materials in the area. The growth in 2023 was modest from the residential growth and the new commercial customers.



Mars Environmental

Our commercial division continues to perform well. One of the performance metrics used is the number of lifts provided to customer has increased by 4.8% in 2023. More impressive is we were able to increase revenues by nearly 15%.



Regulatory Update

Amendments to Ontario's Blue Box Regulation

On June 26, 2023, the government finalized administrative changes to the blue box regulation that will ensure producers' supply reporting is better aligned with the amount of material in the blue box system. Specifically, the amendments will:

- expand permitted deductions used to set management requirements
- harmonize annual reporting deadlines with other jurisdictions

Producers will be able to claim expanded deductions through a revised report on July 31, 2023, with expanded deductions reporting implemented as part of annual reports each year thereafter.

The Association services both the Chippewas of the Thames and Oneida of the Thames first nation communities. Until recently, Oneida was left off the transition list leaving them with some questions on the status of their program as local municipalities transitioned to the new system. In a last minute revision to the regulation, Oneida has been added to the schedule enabling them to transition with the rest of our members.

Producer responsibility organizations (PROs), who will be providing services on behalf of producers, are required to ensure that an offer of service is made to First Nation communities at least six months before the applicable transition date. This offer will provide details about how the collection services will be provided to the First Nation. Before a PRO can begin to provide the service, the First Nation must accept the offer in accordance with the Regulation.

Consultation on the Resource Recovery and Circular Economy Act (RRCEA) Regulations

In early September the Ministry of Environment, Conservation and Parks (MECP) held a series of consultation sessions with producers, producer responsibility organizations, and private service providers to review the producer responsibility regulations.

These sessions included feedback on numerous aspects of the regulations, including:

- Assessing the impact of delaying expansion to un-serviced multi-residential buildings to help phase-in costs over time and ensure a smooth implementation
- Re-examining the benefits of the competitive PRO model for the blue box regulation
- Reconsidering the need for public space collection requirements or proposed timelines for implementation
- Exploring options to increase flexibility in collection requirements without reducing consumer accessibility.
- Reviewing management targets for batteries and electronics
- Exploring the impact of providing an ECA exemption for collecting materials such as solvents and pesticides at retail locations

Ontario Deposit Option

Ontario is contemplating the introduction of a deposit-and-return system for non-alcoholic drink containers. The Minister has launched a working group to look at its options.

Our understanding is that the working group will consist of representatives from government, environmental organizations, consumer advocacy groups, recycling industry experts, and business leaders.

The objectives of the working group will be as follows:

1. Reviewing existing deposit and return systems: Evaluate successful deposit and return systems implemented globally and identify their strengths, challenges, and potential applicability to Ontario. Be sure to consider our unique geography and size, with consideration to unique realities in rural, northern and Indigenous communities.
2. Assessing logistical and operational aspects: Examine the infrastructure requirements, logistical challenges, technological advancements, and operational considerations for implementing a deposit and return system on a provincial scale.
3. Analyzing economic and environmental impacts: Assess the potential economic and environmental impacts of a deposit and return system on various stakeholders, including consumers, businesses, waste management facilities, and the overall circular economy.
4. Developing implementation strategies and recommendations: Collaboratively design strategies, policies, and recommendations to facilitate the successful implementation of a deposit and return system tailored to Ontario's unique context.



Ontario Announces Changes to Penalties for Landfill Facilities

MECP has expanded the existing environmental penalties (EPs) framework to open and closed landfilling sites with an approved capacity of 40,000 cubic metres or more.

Penalty amounts reflect the seriousness of the contravention. EPs range from \$1,000 per day for less serious violations to \$100,000 per day for the most serious violations.

The overall framework for EPs remains unchanged. The amendments will maintain the existing process for issuing penalties (e.g., giving a notice of intention, the ability to request a review of the notice and seek reductions), the calculation of penalty amounts, and the rules governing reductions of penalties.

Michigan Proposes To Increase Landfill Tipping Fee By 1289%

Governor Gretchen Whitmer of Michigan has proposed a budget, which includes an environmental initiative that may drastically affect the Ontario waste and recycling industry. The proposal aims to increase landfill tipping fees by a staggering 1289%, generating \$80 million in new revenue for environmental cleanups and landfill management.

The fee under Whitmer's proposed budget, would increase from \$0.36/ton solid waste to \$5/ton.

For Ontario-based companies, this could mean significantly higher disposal costs, potentially affecting operational expenses and competitiveness. It may necessitate exploring alternative disposal sites, investing in waste reduction technologies, or passing increased costs onto customers. This development underscores the importance of tackling Ontario's Landfill Capacity crisis immediately.



RPRA launched 'Where to Recycle' map for the public to find recycling locations across Ontario

The Ontario Resource Productivity and Recovery Authority (RPRA) recently launched a 'Where to Recycle' map that displays locations across Ontario where the public can drop off used materials to be recycled, such as batteries, electronics, household hazardous waste (e.g., paint, antifreeze, pesticides), lighting and tires, for free.

Materials collected at these locations are reused, refurbished, recycled, or properly disposed of to help keep them out of landfill, recover valuable resources and protect our environment.



Locations for recycling Blue Box materials (e.g., glass, plastic, metal or paper packaging) are not displayed on the map because those materials are typically collected directly from residences. The 'Where to Recycle' map displays public locations for recycling materials that don't belong in the Blue Box.

With more than 20,000 publicly accessible recycling locations across the province, the 'Where to Recycle' map makes it easy for Ontarians to find one nearby. Users can search by location, distance they're willing to travel, location type, and/or the material they're looking to recycle.

The webpage also contains helpful information about the specific materials that are accepted for recycling and other FAQs about recycling in Ontario.

<https://rpra.ca/where-to-recycle/>

Federal Judge Quashes Plastics Ban Update

Canada's ban on single-use plastic may be in question after a new ruling by the Federal Court.

In a decision released on Nov. 16, Justice Angela Furlanetto deemed a federal government order listing plastic manufactured items such as plastic bags, straws, and takeout containers as toxic under the Canadian Environmental Protection Act (CEPA) to be "unreasonable and unconstitutional."

The judge's decision found that the classification of plastics in the order was too broad to be listed on the List of Toxic Substances in Schedule 1 and the government acted outside of its authority.

"There is no reasonable apprehension that all listed [plastic manufactured] items are harmful," Furlanetto wrote in her ruling.

The challenge to the federal government's proposed ban was brought last year by the Responsible Plastic Use Coalition (RPUC), several chemical companies, and the provinces of Alberta and Saskatchewan. They collectively argued that the federal government had failed to demonstrate that it had enough scientific evidence to justify the regulations. The RPUC was formed in 2021 in response to the toxic designation, and currently includes more than 30 processors and resin makers, including Berry Global Group Inc., CCC Plastics, Dow Inc., Ingenia Polymers, IPL, LyondellBasell Industries, and Nova Chemicals Corp.

Having plastic items defined as toxic under CEPA was a crucial step that would have allowed the government to proceed with a ban on some single-use plastic items, including plastic checkout bags, cutlery, food service ware, stir sticks and straws. The single-use plastic prohibition was set to take effect after December 20, 2023.



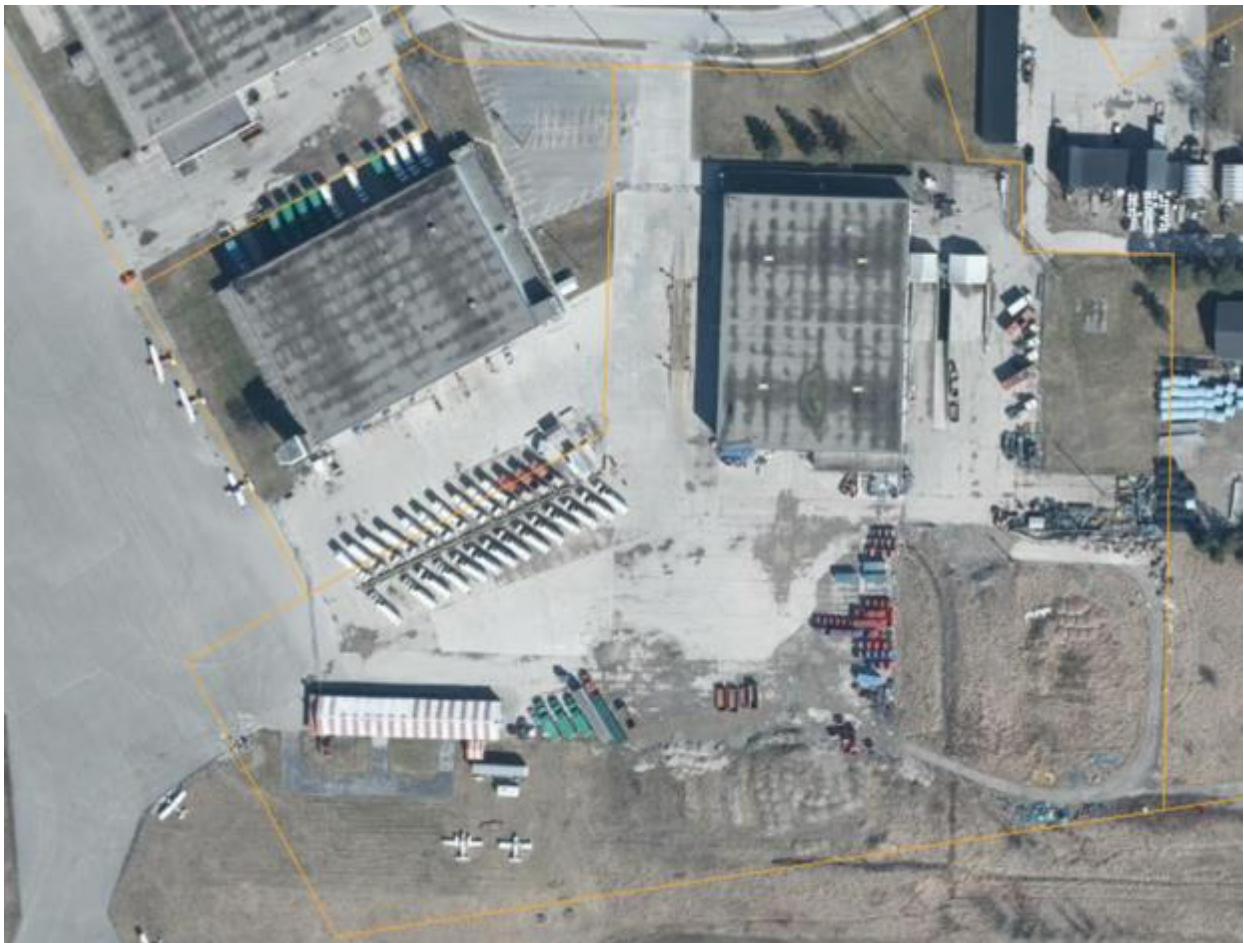
Property, Plant and Equipment

As of December 31, 2023, the Association owned three facilities totaling approximately 93,000 ft² 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. The third smaller facility is used by our Mars Environmental division and our general maintenance team.

As of December 31, 2023, 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 Material Recovery Facility is the most advanced facility 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 can process single stream materials to facilitate changes in our collection procedure and technology used to collect materials. Our fleet has been replaced with automated collection vehicles enabling the collection of waste and recycling materials safely and simultaneously. It also allows for the addition of organic collection.



Employees

As of December 31, 2023, the Association employed approximately 83 full-time employees, including 7 persons classified as professionals or managers, 36 employees involved in collection, 32 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 that will expire on December 1, 2024, represents approximately 73 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, 2023, the Association served approximately 100,000 customers, comprised of 95,000 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

	2023	2022	2021
Residential Collection	\$13,308,404	\$12,098,286	\$11,147,015
Material Sales	1,385,912	2,591,415	3,043,427
Processing & Disposal	1,814,190	1,082,590	995,453
Commercial Collection	2,191,815	1,912,962	1,712,189
Other	76,626	(7,823)	187,650
TOTAL	\$18,776,947	\$17,677,430	\$17,085,734

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, the cost of disposal and prices charged in the Association's markets for similar services.

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.

Processing and Disposal

The Association offers municipal, commercial and industrial customers services for a variety of recyclable materials, including newspaper, mixed paper, cardboard, 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.



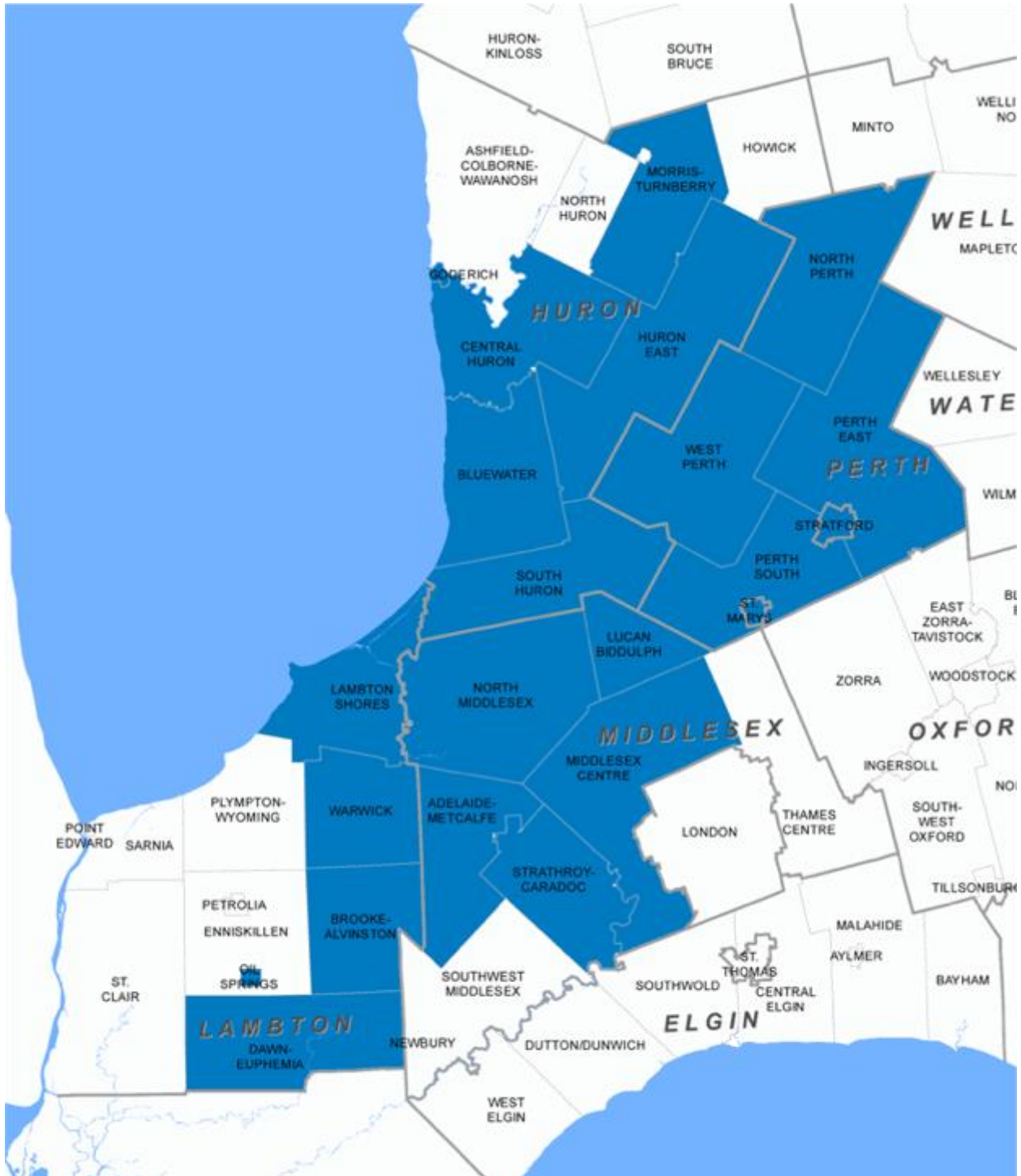
Commodity Sales

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 2023 averaged \$124 per tonne, compared to the previous year at \$203.

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, 2023.

Service Area



Auditor's Report

To the Members of the Bluewater Recycling Association

Opinion

We have audited the financial statements of Bluewater Recycling Association, which comprise the balance sheet as at December 31, 2023, and the statements of fund operations, changes in fund balances and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Exeter, Ontario
March 21, 2024

PTMG LLP
Chartered Professional Accountants Licensed Public Accountants

Statement of Financial Position

Year ended December 31	Operating Fund	Capital Asset Fund	Capital Reserve Fund	Total 2023	Total 2022
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 560,389	\$ 96	\$ 90	\$ 560,575	\$ 1,084,563
Investments (Note 2)	-	-	-	-	479,948
Accounts Receivable (Note 3)	1,857,302	-	-	1,857,302	1,707,899
Inventory (Note 4)	232,074	-	-	232,074	208,479
Prepaid expenses & deposits	142,714	-	-	142,714	705,140
	2,792,479	96	90	2,792,665	4,186,029
Investments (Note 2)	-	-	-	-	117,713
Capital Assets (Note 5)	-	11,396,811	-	11,396,811	12,250,101
	-	11,396,811	-	11,396,811	12,367,814
	\$ 2,792,479	\$ 11,396,907	\$ 90	\$ 14,189,476	\$ 16,553,843
LIABILITIES					
Current Liabilities					
Accounts Payable and accrued charges (Note 6)	\$ 1,111,367	\$ -	\$ -	\$ 1,111,367	\$ 1,546,157
Interfund loans (advances)	1,681,112	-	(1,681,112)	-	-
Current portion of long term debt (Note 7)	-	2,488,574	-	2,488,574	2,999,536
Current portion of obligation under capital lease (Note 8)	-	797,631	-	797,631	635,960
	2,792,479	3,286,205	(1,681,112)	4,397,572	5,181,653
Long Term Debt (Note 7)	-	1,102,217	-	1,102,217	1,852,911
Obligation under capital lease (Note 8)	-	1,102,137	-	1,102,137	1,214,735
	2,792,479	5,490,559	(1,681,112)	6,601,926	8,249,299
Commitments (Note 9)					
FUND BALANCES					
Invested in capital assets	\$ -	\$ 5,906,348	\$ -	\$ 5,906,348	\$ 5,547,053
Internally restricted	-	-	1,681,202	1,681,202	2,757,491
	-	5,906,348	1,681,202	7,587,550	8,304,544
	\$ 2,792,479	\$ 11,396,907	\$ 90	\$ 14,189,476	\$ 16,553,843

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	Restricted Funds		Total 2022
	2023	2022	Asset 2023	Capital Reserve 2023	Total 2023	
Revenue						
Municipal services	\$ 9,308,543	\$ 8,308,543	\$ -	\$ -	\$ -	\$ -
Commodity sales	1,385,912	2,591,415	-	-	-	-
Operating grants	3,999,861	3,398,277	-	-	-	-
Commerical operations	2,191,815	1,912,962	-	-	-	-
Other Income	1,890,816	1,074,767	-	-	-	-
	18,776,947	17,285,964	-	-	-	-
Expenses						
Cost of Sales - recyclables & freight	637,951	833,219	-	-	-	-
Disposal fees	1,884,060	1,667,046	-	-	-	-
Administrative expenses (Schedule)	1,271,311	1,286,980	-	-	-	-
Collection expenses (Schedule)	8,901,604	8,401,574	-	-	-	-
Processing expenses (Schedule)	3,592,841	3,034,444	-	-	-	-
Interest on long term debt	-	-	334,479	-	334,479	215,439
Amortization of capital assets	-	-	2,948,311	-	2,948,311	2,702,509
Loss (Gain) on disposal of capital asset	-	-	(76,625)	-	(76,625)	7,915
	16,287,767	15,223,263	3,206,165	-	3,206,165	2,925,863
Excess (Deficiency) of Revenue Over Expen	2,489,180	2,454,167	(3,206,165)	-	(3,206,165)	(2,925,863)
Fund Balance, Beginning of Year	-	-	6,025,885	2,278,650	8,304,535	8,776,231
Interfund transfers	(2,489,180)	(2,454,167)	3,086,628	(597,448)	2,489,180	2,454,167
Fund Balance, End of Year	\$ -	\$ -	\$ 5,906,348	\$ 1,681,202	\$ 7,587,550	\$ 8,304,535

See accompanying notes to the financial statements

Statement of Cash Flow

Year ended December 31	2023	2022
Cash Provided by (Used in)		
Operations		
Excess (Deficiency) of revenue over expenses		
Operating Fund	\$2,489,180	\$ 2,489,180
Capital Asset Fund	(3,206,165)	(3,206,165)
	<u>(716,985)</u>	<u>(716,985)</u>
Items not involving a cash payment		
Amortization	2,948,312	2,948,312
Loss (Gain) on disposal of capital assets	(76,625)	(76,625)
	<u>2,154,702</u>	<u>2,154,702</u>
Changes in non-cash working capital items:		
Decrease (Increase) in accounts receivable	(149,403)	(149,403)
Increase in inventory and prepaid expenses	538,831	538,831
Increase in accounts payable and accrued charges	(434,802)	(434,790)
	<u>2,109,328</u>	<u>2,109,340</u>
Financing		
Additional long term debt	200,173	2,184,945
Repayment of long term debt	(1,461,828)	(1,167,906)
Increase in obligations under capital leases	751,123	892,256
Repayment of obligations under capital leases	(702,050)	(537,099)
	<u>(1,212,582)</u>	<u>1,372,196</u>
Investing		
Purchase of capital assets (Note 5)	(2,096,870)	(4,127,632)
Proceeds on disposal of capital assets	78,476	-
Decrease (Increase) in investments	597,661	458,306
	<u>(1,420,733)</u>	<u>(3,669,326)</u>
Net Increase (Decrease) in cash	(523,987)	(431,089)
Cash, Beginning of Year	1,084,562	1,515,658
Cash, End of Year	\$ 560,575	\$ 1,084,562

See accompanying notes to the financial statements

Notes to the Financial Statements (December 31, 2023)

1. Significant Accounting Policies

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. Operating grant revenue from the Resource Productivity and Recovery Authority (an Ontario non-crown corporation) is recognized in the period the organization becomes entitled to receive the grant.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term investments with maturities of three months or less.

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.

Investments

Short term and long term debt securities that are quoted in an active market are initially and subsequently measured at fair value. The company's other investments are initially recorded at amortized cost and earnings from such investments are recognized only to the extent received or receivable.

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%

Capital Leases

Capital leases which transfer substantially all the benefits and inherent risks related to ownership of the property leased to the organization are capitalized by recording as assets and liabilities the present value of the payments under the leases. The property leased and recorded in this way is amortized over its useful life. Rental payments are recorded partly against the amount of the obligation and partly as interest.

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. Investments

	2023	2022
Investments, marketable securities recorded at fair value	\$ -	\$ 597,661
Less: Investments due within a year	-	479,948
	\$ -	\$ 117,713

3. Accounts Receivable

	2023	2022
Accounts Receivable	\$ 1,774,103	\$ 1,400,131
HST receivable	83,199	307,768
	\$ 1,857,302	\$ 1,707,899



4. Inventory

	2023	2022
Recyclable Inventory	\$ 78,708	\$ 53,540
Collection Supplies	153,366	154,939
	\$ 232,074	\$ 208,479

5. Capital Assets

Capital assets are classified as follows	Cost	2023	2022	
		Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 124,830	\$ -	\$ 124,830	\$ 124,830
Buildings	3,522,745	1,847,961	1,674,784	1,531,718
Collection Supplies	9,172,496	6,808,597	2,363,899	2,683,066
Office Furniture and Equipment	210,422	201,628	8,794	4,904
Processing machinery and Equipment	10,234,839	8,128,845	2,105,994	2,406,369
Automotive Equipment	16,284,456	11,165,946	5,118,510	5,499,214
	\$ 39,549,788	\$ 28,152,977	\$ 11,396,811	\$ 12,250,101

Processing machinery and equipment includes equipment under a capital lease with a cost of \$2,059,486 (2022 - \$1,861,310) and accumulated amortization of \$1,417,014 (2022 - \$931,464). Automotive equipment includes trucks under capital leases with a cost of \$1,431,821 (2022- \$893,680) and accumulated amortization of \$232,550 (2022 - \$89,367).

Purchase of capital assets:	2023	2022
Land and Buildings	\$ 313,680	\$ 655,380
Collection supplies	238,846	601,267
Office furniture and equipment	71,641	-
Processing machinery and equipment	641,570	121,426
Automotive equipment	831,133	2,749,559
	2,096,870	4,127,632
Assets purchased under capital lease	736,316	893,681
	\$ 1,360,554	\$ 3,233,951

6. Accounts Payable

	2023	2022
Accounts Payable	\$ 1,035,857	\$ 1,496,682
Government remittances payable	75,510	49,475
	\$ 1,111,367	\$ 1,546,157

7. Long Term Debt

The following table outlines outstanding bank term and equipment loan repayable in monthly instalments consisting of the outlined principal plus monthly interest.

Rate	Instalments	Due Date	2023	2022
5.94%	\$ 28,221	Dec 2027	\$ 1,201,467	\$ 1,648,749
Prime	7,933	June 2030	618,749	713,941
Prime	9,565	January 2027	401,739	516,522
Prime	3,163	March 2032	313,166	351,125
3.90%	3,004	January 2024	195,282	231,334
5.99%	1,668	December 2027	180,156	
Prime	4,167	August 2026	133,333	183,333
4.25%	9,026	January 2025	114,483	215,590
4.25%	8,646	January 2024	109,666	206,518
Prime	2,610	February 2027	99,180	130,501
4.15%	7,491	October 2024	73,506	158,429
4.10%	8,249	June 2024	48,908	143,772
4.10%	8,249	June 2024	48,908	143,772
2.90%	1,569	June 2025	21,564	46,123
3.85%	1,631	January 2025	19,568	39,136
3.85%	1,390	August 2024	11,116	27,790
4.29%	7,024	July 2023	-	41,625
3.99%	7,875	April 2023	-	31,240
4.55%	2,331	October 2023	-	22,947
			3,590,791	4,852,447
Less amounts due within one year			2,488,574	2,999,536
			\$ 1,102,217	\$ 1,852,911

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

2024	\$ 2,488,574
2025	326,564
2026	329,151
2027	446,502
	\$ 3,590,791



The bank 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 bank has provided the association with seven credit facilities under various terms and amounts.

Facility 1 – The bank has provided the association with a \$3,000,000 letter of credit in favour of municipalities in lieu of performance bonds. The full balance is available as of December 31, 2023.

Facility 2 – The bank has provided the association with an approved revolving capital expenditure credit facility for equipment purchases of up to \$3,000,000. The balance drawn at December 31, 2023 is \$1,241,935 with interest payable at Prime + 0%.

Facility 3 – The bank has provided the Association with an operating loan with a credit limit of \$200,000 bearing interest at Prime + 0%. The full balance was available at December 31, 2023.

Facility 4 – The bank has provided the Association with a working capital loan for \$220,833 which is to be used for general working capital requirements. The loan was fully drawn in the year with an interest rate of Prime + 0%. The balance at December 31, 2022 is \$133,333 and is repayable on demand.

Facility 5 – The bank has provided the association with term lending in the amount of \$860,982.10 for use towards capital equipment purchases for production and sorting equipment. The loan was fully drawn in the year, and the balance on December 31, 2022 is \$597,021 with interest payable at Prime + 0%. Prepayment of the loan in full or in part is not permitted prior to the maturity date.

Facility 6 – The bank has provided the association with a fixed rate term loan in the amount of \$5,000,000 for use towards capital equipment purchases for production and sorting equipment. The full balance was available at December 31, 2023.

Facility 7 – The bank has authorized the association with a credit limit of \$100,000 on their credit card.

8. Obligations Under Capital Lease

The following table outlines outstanding bank term and equipment lease repayable in monthly instalments consisting of the outlined principal plus monthly interest.

Rate	Instalments	Due Date	2023	2022
3.64%	\$	41,728 Feburary 2025	\$ 571,120	\$ 1,041,730
4.61%		7,722 June 2027	345,471	434,381
4.78%		7,722 June 2027	298,143	374,584
5.70%		563 July 2028	502,070	-
6.25%		3,834 August 2028	182,964	-
			1,899,768	1,850,695
Less amounts due within one year			797,631	635,960
			\$ 1,102,137	\$ 1,214,735

Minimum lease payments required in subsequent years under capital leases are as follows:

	2024	\$	873,240
	2025		455,959
	2026		372,503
	2027		272,633
	2028		90,373
Future minimum lease payments	\$	2,064,708	
Interest included in minimum payments		164,940	
Obligation under capital lease	\$	1,899,768	

The interest charged to income during the current year amounts to \$80,978 (2022 - \$63,509) and is included in interest on long term debt.

9. Commitments

Prior to December 31, 2023, the Association entered into agreements to purchase five fleet trucks, and one front end truck for \$3,328,639, payable upon their expected delivery in 2024. Additionally, subsequent to December 31, 2023, the association committed to purchase three currently leased fleet trucks for \$1,064,650.

10. 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 2023 was \$399,974 (2022 - \$352,994) 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 2023 was 9.0% of regular wages.

11. 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.



2023 Management

Board of Directors

Chairman Dan Sageman, *Lambton Shores*

Vice-Chairman Jim Craigmile, *St. Marys*

Huron

Alvin McLellan, *Huron East*

George Finch, *South Huron*

Lambton

Dan Sageman, *Lambton Shores*

Todd Case, *Warwick*

Middlesex

Dave Manders, *Lucan Biddulph*

Greg Willsie, *Strathroy Caradoc*

Perth

Allan Rothwell, *North Perth*

Jim Craigmile, *St. Marys*



Management



Francis Veilleux
President
since inception



Michelle Courtney
Controller
since 2016



Doug Tilford
Fleet Manager
Since 2001



Terry Erb
MRF Operations Manager
since 2001



Bonnie Stewardson
Mars Operations Coordinator
Since 2000



Adam Hebden
Fleet Maintenance Supervisor
Since 2018



Richard Vandenberg
Fleet Route Supervisor
Since 2022 (Driver since 2005)



Jillian Elliott
Human Resources Generalist
Since 2018



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

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Barristers & Solicitors
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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

