

Saskatchewan Scrap Tire Corporation  
2002 Annual Report

The Saskatchewan Scrap Tire Corporation is non-government agency that is responsible to administer and manage the provincially legislated scrap tire recycling program. We are accountable to both the provincial government and the public. The Corporation manages the collection and processing of scrap tires for recycling and reuse, in order to eliminate their entry into local landfills. As surplus funds are realized, existing landfills that contain scrap tires are cleaned up and reclaimed. We strive to have all tire dealers in Saskatchewan comply with the legislation and regulations and we readily share research and information with our national associations to further the advancement of tire recycling practices, tire processing opportunities and find innovative new uses for recycled tire material.

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## The Saskatchewan Scrap Tire Corporation

The SSTC is a non-governmental management agency that is comprised of a body of independent stakeholders who represent the industries involved with or affected by the scrap tire issue. Representatives appointed by these stakeholders form the SSTC Board of Directors.

Through the *Environmental Management and Protection Act* (EMPA) and the *Scrap Tire Management Regulations*, there under Section 4(1), the authority is provided to make scrap tires a designated material. Therefore, the SSTC, (being the only approved scrap tire-recycling program in Saskatchewan) is allowed to impose and collect a tire-recycling fee on the sale of all new tires.

The EMPA regulations, under Section 2.2(1) of the act, are enforced by Environment Officers who can administer notices of violation to non-compliant tire retailers not collecting the tire-recycling fee and on members of the public known to be improperly disposing of their tires.

Established in 1996, the SSTC has grown to include 1,226 Members who are involved in the collecting and recycling of approximately 1 million tires a year in a province of nearly 1 million people. The program relies on a user pay principle, which means that the consumer of the tire bears the responsibility for the product once it has reached the end of its useful life.

The Corporation does not regulate ownership, control or use of scrap tires outside the program, nor does it guarantee a supply of tires to processors or encroach on the waste management responsibilities of municipalities. Instead, the SSTC works co-operatively with tire retailers, auto dealers, municipalities, local governments, regional waste authorities, processors, collectors and the general public to ensure that scrap tires are reclaimed and recycled or re-used in an environmentally sound and friendly manner.

The Corporation manages the public funds collected through the recycling levy and uses these funds to pay incentives to private companies to collect, process and recycle scrap tires. Rates and fundamentals of the program are established by the SSTC. Through the reporting of these program fundamentals such as budgets, operations and annual financial reviews, the Corporation fulfils its obligation to be accountable to the Minister.

*The following information reflects the operating year 2002. Every effort has been taken to prepare accurate data; however discrepancies may be present due to human error.*



## Minister's Message

Theresa McQuoid  
Executive Director  
Saskatchewan Scrap Tire Corporation  
PO Box 1936  
REGINA SK S4P 3E1

Dear Ms. McQuoid:

Congratulations to the Saskatchewan Scrap Tire Corporation and its members for the outstanding efforts and commitments to the scrap tire stewardship program.

The way the SSTC's consumer funded tire collection and recycling program contributes to keeping our province clean is highlighted in your 2002 Annual Report.

The province approaches waste minimization through partnerships with industry, municipalities, non-government organizations and other stakeholder groups. These partnerships help protect the environment and effectively manage our resources. The province also uses this collaborative approach to promote recycling initiatives.

Partnerships have proven to be an effective mechanism in developing and delivering environmental management and protection strategies. The SSTC is a leader in the philosophy of product stewardship for product management and recycling. Your program is an integral part of the province's strategy and the overall success of waste diversion and waste minimization activities.

The SSTC regularly achieves a recycling rate of approximately 75 per cent and is directly responsible for diverting 12 million kilograms of rubber annually from the waste stream. In addition, fiscal 2002 saw the SSTC remove and recycle the stockpiles of scrap tires from the landfills of 17 communities.

Congratulations to the SSTC and its members for your outstanding efforts, achievements and commitment to environmental protection. Saskatchewan Environment looks forward to our continued partnership and your continued success with this product management program.

A handwritten signature in black ink, appearing to read 'Buckley Belanger'. The signature is fluid and cursive, with a large loop at the end.

Buckley Belanger  
Minister, Saskatchewan Environment



## Chairman's Report

On behalf of the Board of Directors, I am pleased to present the 5th Annual Report of the Saskatchewan Scrap Tire Corporation. This report represents the corporation's activity this past year and our efforts to achieve our mandate to recycle the Provinces tires.

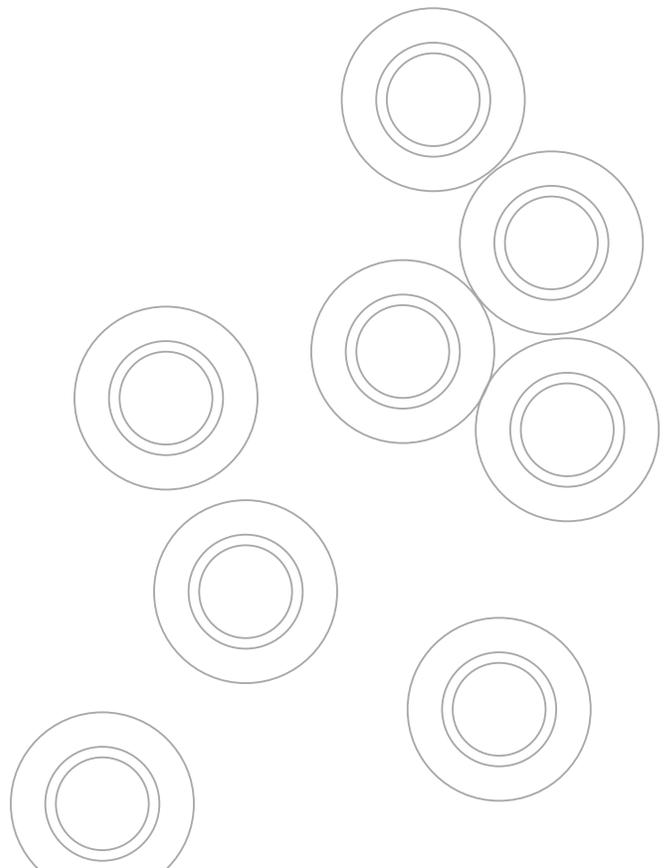
During the reporting year of 2002, the SSTC Board of Directors had two fundamental priorities. The first was to continue to strive towards the realization of the Corporations mandate which is to be accountable for the funds realized through the publicly paid, tire-recycling fee. Second, to maintain the integrity of the SSTC policies, programs and operations by being fully accountable to the Minister of Environment, SSTC Membership and to all Saskatchewan residents.

Since 1996, when the program was established, over 3 million tires have been collected from Saskatchewan's tire/automotive retailers and municipal landfills, and recycled into useable products. The SSTC is very proud to have diverted 3 million tires from disposal. By keeping these tires out of landfills, municipalities have realized large savings in landfill-related costs. These savings are passed on to all Saskatchewan residents through reduced waste management costs.

There is no doubt that the SSTC's recycling program successes are due to the dedicated efforts of the provinces recycling industry, the tire and vehicle dealers who remit the Tire Recycling Fee, and a number of other important stakeholders. All of these groups played an integral role in generating the results achieved throughout the year, which are outlined in the following pages of this report.

My thanks to the staff of the SSTC, the Board of Directors and the various organizations they represent, for their commitment and efforts in advancing the successes of the Scrap Tire Management Program in Saskatchewan. Together, we are making a difference.

Don Schlosser  
Chairman



The SSTC is proud and excited to announce that to date, over 3 million tires have been recycled in Saskatchewan since the start of the program

# 3 Million Tires

in 1996. Diverting 3 million tires from our province's waste stream is a tremendous milestone that is good news for our environment and for the people of Saskatchewan. Based on the corporation's mandate and objectives, our ultimate goal is to have recycled every discarded scrap tire in our province, leaving us to manage whatever level of new tire generation exists in the future. Every year, we move closer to achieving that goal. The future looks very bright for our program. We will continue to strive for excellence in our industry.





## Operations

### 1) Legislative Mandate & Accountability:

The Saskatchewan Scrap Tire Corporation (SSTC) is a not-for-profit, non-government Corporation that operates as an "Administrative Organization" under the auspices of the *Scrap Tire Management Regulations* and the Saskatchewan Minister of Environment. The SSTC allows stakeholders to participate in environmental stewardship initiatives that protect the quality of air, land and water for the benefit and enjoyment of all Saskatchewan residents.

The SSTC is the only organization in Saskatchewan approved by Saskatchewan Environment (SE), to offer a product management program for scrap tires.

*Section 4(1) of the Scrap Tire Management Regulations.... no retailer shall sell, distribute, offer for sale or supply by lease or rental, either directly or indirectly, tires in Saskatchewan unless the retailer:*

- (a) operates a product management program approved by the minister; or*
- (b) enters into an agreement with a person who operates on the retailer's behalf a product management program approved by the minister.*

In addition to our legislative mandate, the SSTC's ultimate goal is to develop a self-sustaining tire recycling industry capable of handling all of the provinces' scrap tires.

The SSTC uses these principles as a management tool to fulfill its mandate. We fund program activities by collecting a Tire Recycling Fee based on a user pay principle and we use that revenue to manage the program and ensure Saskatchewan's scrap tires are recycled.

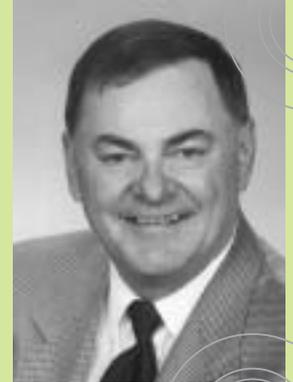
#### **Our operating principles**

- To collect tires that are at the end of their useful life for recycling and reuse, eliminating their disposal in local landfills

## Saskatchewan Urban Municipalities Association (SUMA)

SUMA is the provincial voice of urban municipal governments representing cities, towns and villages. Led by the Environment Committee of the SUMA Board of Directors, we strongly and actively support the achievements of the Sask. Scrap Tire Corporation. The SSTC program helps to downsize municipal spending by providing cost-free scrap tire removal from municipal landfills. This provides incentives for tire dealers and consumers to recycle rather than discard these materials. This furthers the development of the recycling industries in Saskatchewan communities. The SSTC's model of service is a valuable example of how an environmental agency can achieve co-operation among a sizeable group of government and industry stakeholders.

Don Schlosser



- To provide a program that would have all tire dealers in Saskatchewan comply with the *Scrap Tire Management Regulations* by offering the most effective and efficient product management program for scrap tires.
- To work closely with our national counterparts for the purpose of sharing research and information about tire recycling practices, tire processing opportunities and innovative new uses for recycled tire material.

### 2) The Tire Recycling Program

The SSTC program involves three phases of tire recycling:

- **Phase I - Current Generation Tires:** The daily activity of gathering scrap tires accumulated at the retail level. The tires are picked up by the SSTC Collectors to divert them from disposal in the landfills. This is done at no cost to the retailer.
- **Phase II - Landfill Clean Up:** Removal of pre-program tires from all registered cities, towns, rural municipalities and villages that passed a bylaw prohibiting the disposal of scrap tires in their community landfills. This phase is only possible through the generation of surplus revenues from the program.
- **Phase III - Private Stockpiles:** Private stockpiles include tires that rural or urban dwellers have on private properties. The policies of this phase are not extended to private retailers and will only be addressed after the municipal landfill sites have been reclaimed.



Prevost Mftg. Armorback tire

## Canadian Tire Group of Stores

Canadian Tire is a proud advocate of the Saskatchewan Scrap Tire Corporation because it supports our environmental philosophies and the commitments we make to the community, our country and our environment. We are a motorists advocate and therefore support all aspects of consumer and automotive service perspectives.



Don Funk

### 3) Provincial Enforcement

The SSTC program exists as a result of the *Scrap Tire Management Regulations*. As such they are enforced by Saskatchewan Environment (SE).

Saskatchewan Environment Conservation Officers enforce (all of) Saskatchewan Environment's regulations. This includes the environmental regulations that have given life to the SSTC and its program.

Enforcement Officers are mandated to not only serve violation notices to non-compliant retailers but also to individuals who are improperly disposing of their scrap tires. Saskatchewan Environment also operates a confidential phone line to accept reports of non-compliant retailers and illegal dumping activities by the public.

### 4) Financial Accountability

The corporation is accountable for its business activities to both the provincial government and the public.

Accountability is provided through the following policies and procedures:

#### **Financial Management:**

The SSTC is charged with the administration of the collected Tire Recycling Fees and managing the operations of the program. The SSTC has procedures in place to ensure proper financial management and accountability.

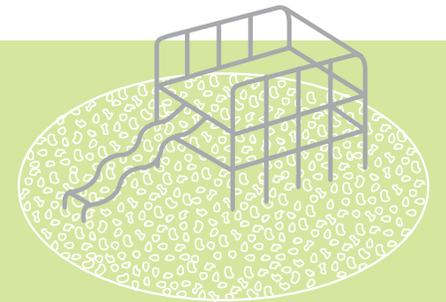
- A comprehensive financial administration and accounting system is maintained to administer and report on revenues and expenditures resulting from SSTC activities.
- An Investment Policy has been established by the Board. It is used as a management tool to ensure the proper security and investment of any funds set aside for future recycling purposes
- The Corporation's financial activity is reviewed annually by an independent auditing firm. The audit provides assurances that the corporation is conducting business in accordance with acceptable accounting practices.



### Surcharge Compliance and Collection Systems:

The SSTC has implemented accounting and tracking systems to fulfill its mandate regarding the compliance of the tire retailer and the accountability of the Tire Recycling Fee. The key strategies related to this include:

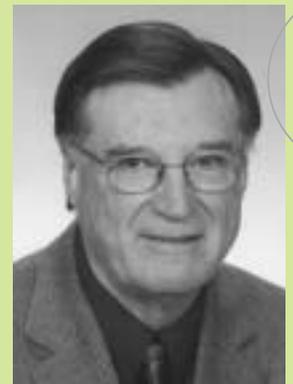
- A system for registering and tracking all companies required to collect and remit the Tire Recycling Fee on the retail sales of new tires. The system deals with over 1200 "Members" (tire dealers, car and truck dealers, farm implement dealers, automotive service companies, etc.).
- Specific procedures have been implemented to ensure complete reporting of the recycling fee revenue collection. These include;
  - a comprehensive tracking system specifically designed to accurately record the incoming tire recycling fees and the supporting tire sales information as reported by the Member. The system also tracks the scrap tire collections as reported by contracted collectors.
  - Ongoing compliance reviews to ensure that retailers are making proper and timely remittances of the recycling fees collected in trust from the consumer. The SSTC uses the contract services of outside sources (accounting firms and legal services) to ensure that the Member is in compliance with our program.
  - The SSTC records the reported recycling and collection activity of its contracted trades. These companies are accountable to the SSTC for their business operations and are subject to annual review by an auditing firm.
- Statistical information is gathered on a variety of tire recycling activities available through these tracking systems and policies. These include:
  - revenue from tire sales; estimated number of tires in individual landfills; the number of tires collected; the poundage of tires recycled; the revenue generated from the collected tires, etc.



PRIMARY PARTNERS & STAKEHOLDERS

### Western Canada Tire Dealers' Association

The Western Canada Tire Dealers' Association provides a platform for its members to unite on issues that effect the industry. Because our members retail tires that in the past ended up in our provinces waste stream, we believe that as an association, we have a responsibility to ensure that the tire products we sell, are being recycled. Our involvement communicates to our members that we fully endorse the SSTC program and through their role of charging and collecting a recycling fee on every tire sold, we are making an environmental difference in our province.



Mel Henning

## 5) Committees of the Board

To ensure the efficient and effective operations of the SSTC, four main committees are in place to assist the Board in dealing with specific issues faced by the program. The Board Directives are carried out by -

### **Executive Committee**

The Executive Committee is comprised of the Chairman, Vice Chairman and Treasurer who act as officers of the Board. This committee has the authority and ability to execute decisions in the absence of the SSTC Directors. The Executive Committee is frequently called upon to address and resolve issues that challenge the corporation.

### **Finance Committee**

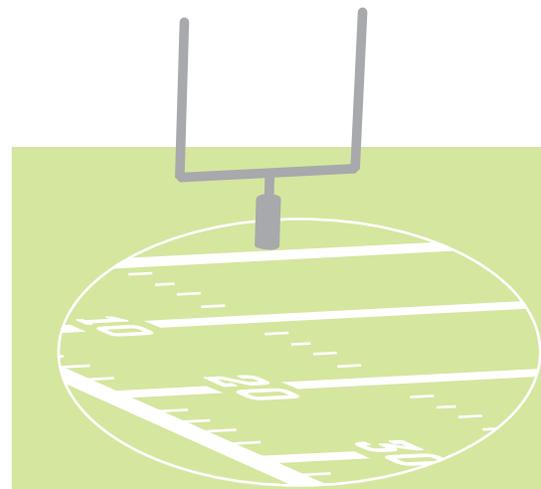
This committee oversees and reviews the financial activity of the Corporation. The Committee assists with the review of the SSTC financial and annual budget to ensure proper processes are in place. As well, the Committee monitors the financial activities of the corporation and reports all issues to the Board of Directors. The Finance Committee is also involved in the Membership Audit selection and review.

### **Industry Committee**

The Industry Committee is responsible to review the operation policies and procedures of the contracted scrap tire collectors and processors registered with our program. The committee monitors and reviews recycling credits, recycling methods, industry development, contracts and applications. The Committee is also a liaison between the industry and the Board, handling all issues and concerns brought forward.

### **Bylaw Committee:**

The Bylaw committee ensures that the operating bylaws of the Corporation are valid and upheld. This Committee solicits the participation of the Member stakeholders, securing fair representation for Members within the program. The Committee also handles the nomination process of the Board.

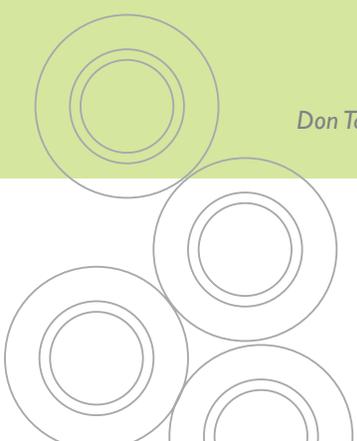


## Saskatchewan Association of Rural Municipalities (SARM)

SARM's mission is to act professionally and competently in providing services and support to meet the expectations of its member municipalities and works in conjunction with other stakeholder groups to operate a program that effectively concentrates on eliminating scrap tires from rural municipal landfills. The ultimate benefit of this program will see the lifespan of most landfills extended by many years saving municipalities very expensive relocation costs.



*Don Taylor*



## Saskatchewan Automobile Dealers' Association (SADA)

One of the founding members of the SSTC, SADA is a non-profit membership organization representing the franchised new car dealers in Saskatchewan. SADA's members charge and remit the tire-recycling fee from the sale or lease of new vehicles. The funds generated from these sales are directed towards landfill clean up under the SSTC program. SADA is proud to support the SSTC through our direct involvement with the program, helping to ensure that tires from new/leased vehicles are recycled.



Vera Hoffert

### 6) External Committees and Partnerships:

The SSTC belongs to a number of organizations that share the same environmental beliefs and we have obtained unlimited support and information from these associations. The SSTC realizes and appreciates the benefits of partnerships in the promotion of this industry and by supporting:

- **Canadian Association of Tire Recycling Agencies (CATRA)**

CATRA is comprised of leaders from the tire recycling programs in our country. Its purpose is to work together for the betterment of tire recycling initiatives in Canada.

- **Saskatchewan Waste Reduction Council (SWRC)**

The SWRC is a strong recycling voice in the province and brings together the major players of the recycling industry in Saskatchewan to create a solid, unified presence in benefit of the environment.



Loose crumbs in playground  
Elks' Community Park,  
Weyburn

### 7) Saskatchewan Industry

The SSTC is responsible to arrange for the pick up of scrap tires from tire retail sites. The SSTC accomplishes this through contracts held with six (6) tire collection companies. These companies pick up the scrap tires generated through the sale of new tires from all registered tire retailers.

In keeping with the theory that a scrap tire is generated as a result of a new tire sale, all tires that are collected are based on the number of tires reported as sold during the operating year.

ALL of the collected tires are delivered to processing facilities for recycling within our province. During 2002 the reporting and collection activity resulted in -

- SSTC Members reported the selling of 1,030,658 tires through their monthly remittances. This is recorded as being comprised of:
  - o 712,383 were passenger car tires
  - o 184,810 medium truck



## Saskatchewan Waste Reduction Council (SWRC)

SWRC mission is "to help Saskatchewan and its people attain the environmental, economic and cultural benefits that come from reducing waste. This is achieved through consultation, communication, education, and related support services."

We strongly support the SSTC and believe that stewardship programs like SSTC are a key component to a less wasteful future.

Joanne Fedyk



- o 111,695 passenger car tires sold on vehicles
- o 20,870 agriculture tires
- o 900 OTR/Mining tires
- The SSTC Collectors collected 608,866 scrap tires of various sizes from the Member's retail location. This is a continued capture rate of 72%. By category, Collectors removed:
  - o 530,807 passenger car tires
  - o 70,717 medium truck tires
  - o 7,110 agriculture tires
  - o 232 OTR/Mining Tires

The SSTC also has contracts with 5 processing & manufacturing facilities. These businesses recycle the provinces scrap tires in an environmentally approved and effective manner into a value-added product or raw material, which can be further processed. The businesses are Saskatchewan operated, employing Saskatchewan people.

The processors are eligible for recycling credits for the level of recycling that they provide. There are three major levels of processing eligible for recycling credits:

- Tire Shred - the shredding of scrap tires to specific standards and specific uses.
  - Rubber Crumb - the recycling of whole scrap tires into various grades of crumb rubber, free of excess fiber and steel.
  - Rubber Manufactured Product - products made from crumb rubber or products fabricated from cut or stamped tire pieces.

Many recycled tire products are beneficial for industrial, commercial, residential and civil engineering applications. Loose playground crumb, pour-in-place rubber, paving stones and parking curbs are just a few examples of these products available to consumers.

During the 2002 operating year

- 34.6 million pounds of scrap tires were delivered to processing facilities by the



Recycled matting used in playground (Sask. Science Centre)



Crumb rubber used at base of climbing wall (Sask. Science Centre)

SSTC Collectors of which 2.7 million pounds of material were tires collected from landfills under Phase II of our program.

Of the 34.6 million pounds of scrap rubber, the following products were processed or manufactured for resale to markets locally and throughout North America

Product	Pounds
Crumb Rubber	15,610,458
Sidewall Rings	53,000
Tire Shred	4,009,851
Molded & Stamped Products	60,212.2
Waste (Steel & Fiber)	5,833,205
Misc.	73.620
<b>TOTAL</b>	<b>25,640,346</b>

- Crumb material was used as playground material, field dressing and paving material and provided primarily to USA markets.
- Sidewall rings used as silage covers, pylon bases, etc.
- Tire shred volume was used at the North Battleford, SK. Landfill in their leachate system as opposed to traditional aggregate material.
- Molded and stamped products consisted of patio/paving tiles, armorback tires, Treadwear guitar straps, Treadwear belts, and mats.
- Waste product is the tire fiber and steel that is removed from the tires during the recycling process.
- Miscellaneous product is scrap tire material that was is or halved and distributed for use.
- 1.495,319 pounds of product was also recycled under the Ford Recall Tire Program.

A whole tire inventory of 7.4 million pounds was carried over at year-end and remains on processor sites.

PRIMARY PARTNERS & STAKEHOLDERS

## CAA Saskatchewan

Our mission statement is to provide excellence in service, product, programs and representations to Government to meet the needs of our members, clients and employees. We have a direct commitment to our community and our country that states we will be good corporate neighbors, engaging in public service consistent with our mission, the needs of members, the communities we serve and the national interest in pursuing public policy positions.



Kevin Lane

## CANWEST Equipment Dealers Association

Representing the interests of farm, industrial and outdoor power equipment dealers, CWED is committed to building the best business environment for western Canadian equipment dealers. As significant retailers in the province, participation in the SSTC is essential to ensure that the environmental concerns of our members are represented. Scrap tires have a great impact to our environment and CWED is very supportive of recycling efforts that find new uses for the waste product.



Pat Zatylny



### 8) Landfills

Keeping the scrap tires out of provincial landfills is very important to the SSTC. Many municipalities are limited to the space available for waste disposal. With the banning of tires coming into the sites, many landfills are able to maximize the land without worrying about tire storage. The SSTC removes scrap tires from registered landfills when excess monies are available.

The SSTC had 291 municipal sites registered to have their properties cleaned of scrap tires. The clean up of these sites was handled in the order in which the SSTC received the bylaw.

- Using excess revenue in 2002, the SSTC removed over 2.7 million pounds of scrap tire material from 17 municipal landfills at no cost to the community.

Since 1999, 80 communities have benefited from this program with the removal of over 14.3 million pounds. As well, 15 sites have been removed from the list because they did not have any tires on site and did not require a clean up under this program. 196 sites remain on the list.

Landfill cleanup  
Before and after

## Saskatchewan Environment

Saskatchewan Environment was one of the original stakeholder groups that participated in the development of the Saskatchewan Scrap Tire Corp. (SSTC). The Saskatchewan Scrap Tire Corp. was formed to help the tire retail industry manage its waste issues.

In response to requests from the stakeholders of the Saskatchewan Scrap Tire Corp., Saskatchewan Environment put forward the Scrap Tire Management Regulations. The intent of the Regulations, which came into effect in the fall of 1998, was to create a sustainable and equitable province wide scrap tire management program.

Saskatchewan Environment also acts as a technical advisor to the SSTC and is in regular contact with the SSTC on such matters as enforcement and compliance, new uses for processed scrap tires and special projects.



Victor Chang  
Richard Wilkins

## 9) Communication

The corporation provides current information about the tire recycling industry in Saskatchewan to its membership affiliates, urban and rural municipalities, provincial colleagues and the public.

- The SSTC maintains a website to assist people both locally and globally in obtaining information about the program in Saskatchewan.
- In 2002, the SSTC worked in partnership with several recycling organizations in Saskatchewan to launch a recycling news tabloid called RENEWS. The tabloid featured recycling initiatives in Saskatchewan, including the SSTC's program. It brought public attention to products, rates, where to recycle, industry innovations, products made from recycled material and major recycling milestones recently celebrated in our province. The publication was distributed to over 350,000 Saskatchewan homes during October 2002. The SSTC also provided complimentary copies to its members, industry participants and both the urban and rural municipality offices.
- The SSTC provides Members ongoing news updates of current events that occur through a fax distributed update. *Fax Flash News* is sent out on an as needed basis to provide program updates.



*Standing (L to R):*  
Jane Relke, Victor Chang,  
Richard Wilkins,  
Joanne Fedyk, Don Taylor,  
Don Schlosser, Mel Hennig,  
Theresa McQuoid,  
Kevin Lane  
*Seated (L to R):*  
Janna Kullman, Don Funk,  
Pat Zatylny, Vera Hoffert

## Board of Directors

The Saskatchewan Scrap Tire Corporation is an independent body of stakeholders who represent the industries involved with or affected by the scrap tire issue. The Corporation is comprised of an appointed Board of Directors, a full-time Executive Director and office staff. The Board Member associations and their representatives for the 2002/2003 term were:

**Saskatchewan Urban Municipalities Association (SUMA)**

Don Schlosser, Chairman  
(Finance Committee, Industry Committee)

**Canadian Tire**

Don Funk, Vice Chairman  
(Finance Committee)

**Western Canada Tire Dealers (WCTD)**

Mel Hennig, Treasurer  
(Finance Committee, Industry Committee)

**CAA Saskatchewan**

Kevin Lane, Director  
(Bylaw Committee)

**Canada West Equipment Dealers Association (Can-West)**

Pat Zatylny, Director

**Saskatchewan Association of Rural Municipalities (SARM)**

Don Taylor, Director  
(Industry Committee, Bylaw Committee)

**Saskatchewan Automobile Dealers Association (SADA)**

Vera Hoffert, Director  
(Finance Committee, Industry Committee)

**Saskatchewan Waste Reduction Council (SWRC)**

Joanne Fedyk, Director

**Saskatchewan Environment (non-voting)**

Victor Chang, Advisor  
Richard Wilkins, Advisor

**Saskatchewan Scrap Tire Corporation**

Theresa McQuoid, Executive Director  
Jane Relke, Accounting & Member Compliance  
Janna Kullman, Administrative Assistant



## Management's Responsibility

To the Members of Saskatchewan Scrap Tire Corporation:

Management has the responsibility for preparing the accompanying financial statements and ensuring that information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors and Audit Committee are composed entirely of directors who are neither management nor employees of the organization. The Audit Committee is appointed by the Board to review the financial statements in detail with management and to report to the Board prior to their approval of the financial statements for publication.

External auditors are appointed by the board members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the management and the Audit Committee to discuss their audit findings.

## Auditors' Report

To the Board members of Saskatchewan Scrap Tire Corporation:

We have audited the balance sheet of Saskatchewan Scrap Tire Corporation as at December 31, 2002 and the statements of revenue, expenditures and surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan  
February 17, 2003

## Balance Sheet

As at December 31, 2002

	2002	2001	2000
<b>Assets</b>			
<b>Current</b>			
Cash	1,300,459	947,680	137,635
Accounts receivable	56,315	37,580	12,553
Prepaid expenses and deposits	14,272	4,304	3,491
	<b>1,371,046</b>	989,564	153,679
<b>Capital assets</b> (Note 3)	<b>29,465</b>	21,101	27,251
<b>Investments</b> (Note 4)	<b>271,344</b>	266,416	160,496
	<b>1,671,855</b>	1,277,081	341,426
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accruals	118,822	28,841	225,569
Goods and Services Tax payable	41,519	-	-
	<b>160,341</b>	28,841	225,569
Surplus			
<b>Surplus</b> (Note 5)	<b>1,511,514</b>	1,248,240	115,857
	<b>1,671,855</b>	1,277,081	341,426

Approved on behalf of the board

## Statement of Revenue, Expenditures and Surplus

For the year ended December 31, 2002

	2002	2001	2000
<b>Revenue</b>			
Tire recycling fee	3,937,470	3,632,387	3,501,800
Interest	29,333	24,590	26,796
	<b>3,966,803</b>	<b>3,656,977</b>	<b>3,528,596</b>
<b>Program Administration</b>			
Advertising and memberships	8,659	21,526	15,363
Amortization	7,616	9,491	7,563
Bad debts	7,772	7,859	888
Computer support	18,035	14,473	29,914
Conferences	13,256	-	-
Director's remuneration	15,850	15,750	12,050
Equipment rental	4,950	4,046	6,194
Insurance and licences	3,261	2,870	2,361
Meeting expense	6,795	3,624	6,821
Office operations	5,727	6,605	7,030
Postage	4,652	5,409	2,860
Printing and publications	25,106	14,734	6,494
Professional fees	103,494	22,065	16,261
Rental	7,061	7,824	7,759
Repairs and maintenance	-	325	999
Salaries and benefits	115,403	93,900	90,211
Summer program	-	22,244	-
Stationary and supplies	7,103	5,279	3,494
Telephone, fax and internet	6,370	7,917	6,940
Travel	8,775	9,430	13,924
	<b>369,885</b>	<b>275,371</b>	<b>237,126</b>
<b>Recycling Costs</b>			
Recycling fee commission	72,866	85,060	113,878
Provision incentive payments - collector	1,261,109	1,350,752	1,479,198
Provision incentive payments - processors	1,766,971	818,116	1,606,320
Processor incentive payments recovered	-	(121,311)	-
Special projects	232,698	116,606	282,522
	<b>3,333,644</b>	<b>2,249,223</b>	<b>3,481,918</b>
<b>Net earnings (loss)</b>	<b>263,274</b>	<b>1,132,383</b>	<b>(190,448)</b>
<b>Surplus, beginning of year</b>	<b>1,248,240</b>	<b>115,857</b>	<b>306,305</b>
<b>Surplus, end of year</b>	<b>1,511,514</b>	<b>1,248,240</b>	<b>115,857</b>

## Statement of Cash Flows

For the year ended December 31, 2002

	2002	2001
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from customers	<b>3,910,962</b>	3,599,502
Cash paid to suppliers	<b>(3,451,206)</b>	(2,610,885)
Cash paid to employees	<b>(115,403)</b>	(93,900)
Interest received	<b>29,333</b>	24,590
	<b>373,686</b>	919,307
<b>Investing</b>		
Purchase of capital assets	<b>(15,979)</b>	(3,342)
Purchase of investments	<b>(4,928)</b>	(105,920)
	<b>(20,907)</b>	(109,262)
<b>Increase in cash resources</b>	<b>352,779</b>	810,045
<b>Cash resources, beginning of year</b>	<b>947,680</b>	137,635
<b>Cash resources, end of year</b>	<b>1,300,459</b>	947,680

## Notes to the Financial Statements

For the year ended December 31, 2002

### 1. Incorporation and commencement of operations

Saskatchewan Scrap Tire Corporation is incorporated under the Not-for-profit Corporation's Act. The purpose of the corporation is to establish and manage a mandatory scrap tire waste reduction program on the behalf of its members.

### 2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

#### **Investments**

Investments are carried at the lower of cost and market value except where the decrease in market value is not considered permanent. Market value of investments at year end was \$238,090 (\$251,980 in 2001).

#### **Capital assets**

Capital assets are recorded at cost. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30%
Computer software	declining balance	100%
Office equipment	declining balance	20%

#### **Revenue recognition**

Revenue from tire recycling fees are recognized when the retailer submits their reports for tires sold in the month. They are then cross checked with reports and billings submitted to the corporation from the tire collectors.

#### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after the evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of capital assets.

As explained in Note 5, the incentive payments to the processors are payable only after the processing is complete and the product is sold. Therefore, an inventory of processed and unprocessed tires exists at the processor's plant. This inventory is estimated based on collector reports and the actual inventory may vary significantly from this estimate. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

**3. Capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2002 Net Book Value</b>	<b>2001 Net Book Value</b>
Computer equipment	24,991	13,047	11,944	11,455
Computer software	11,333	10,737	596	-
Office equipment	27,182	10,257	16,925	9,646
	<b>63,506</b>	<b>34,041</b>	<b>29,465</b>	<b>21,101</b>

**4. Investments**

	<b>2002</b>	<b>2001</b>
Greystone - balanced fund	<b>271,344</b>	266,416

**5. Commitments**

The company has entered into a lease agreement with estimated minimum annual payments as follows:

2003	16,114
2004	16,114
2005	15,203
2006	588
2007	588

The corporation has entered into contracts with various processors and pays them for processed tires when the products are sold. Whole tire inventory not paid at year-end is estimated to be 375,000 (410,000 in 2001) passenger tire equivalents ("PTE's), based on knowledge of collections and processing. The incentive payments to processors range from \$0.50 to \$2.75 per PTE, which could amount to \$1,031,250 (\$1,127,500 in 2001).

Included in cash is a term deposit of \$154,000 being held in trust at the company's lawyer's office until such time that all outstanding GST issues are resolved. This amount is being held to cover the amount, if any, that is determined as payable on completion of the GST review by Canada Customs and Revenue Agency.

**6. Financial instruments**

There are no significant terms and conditions, interest rate or credit risks to financial instruments that may affect the amount, timing and certainty of future cash flows.

