

## **CHAIR'S COMMENTS**

### **APRIL 30, 2011 FINANCIAL STATEMENTS**

The audited financial report is for the fiscal year ending April 30, 2011 and was produced by BDO Canada LLP. In their auditor's report presented on page 2, they find that, in their opinion, the financial statements accurately reflect the financial position of the RCEC as of the end of the fiscal year.

The Balance Sheet, page 3, shows a net increase of just over \$193,000 in the assets of the Corporation from 2010, largely due to the installation of the new pipeline and equipment to the apartment building and the new high school.

The Statement of Operations and Deficit, page 4, shows an increase in revenue of \$188,000 due to additional customers and a full year of operation of the combustor with only regular maintenance shutdowns. Expenses show a substantial decrease in utility costs due to not requiring the use of the propane backup system as much as in 2010. This saving was offset by an increase in expenses in the areas of engineering and management services related to the development of the application to the BC Hydro Community Based Biomass Energy Call (CBBEC). Interest charges were up by nearly \$15,000 due to the City carrying the interim financing for the expansion of the system until payments from the Green Municipal Fund and Towns for Tomorrow Fund were received. Professional fees show a large increase due to the timing of the receipt of the invoices for legal services on the Energy Supply Agreement with the School District and the CBBEC. These shifts in operational revenues and expenses resulted in a net shift in income on the year from a loss of \$126,277 in 2010, to a positive position of \$64,326 on April 30, 2011.

At the bottom of the page there is a new expense item - the financial statements will now show the unpaid dividends accrued to date on the preferred shares held by the City of Revelstoke. With this adjustment and the beginning of the year deficit, the overall deficit now stands at \$662,783, and this is the figure carried onto the Balance Sheet (page 3).

The Notes provide supporting explanations for the financial statements, and are largely the same as last year. Two that should be noted are: Note 4 that indicates the RCFC loan will now bear interest, starting May 1, 2011, and Note 6 shows the additional preferred shares that were reported last year as a "Subsequent Event" are now part of regular schedule.

Not obvious in the financial statements, but that impact on the financial position of the Corporation is the support by the City of Revelstoke. This support includes the provision of some of the required insurance coverage provided through the Municipal Insurance Agency, and the exemption from property tax for the year. RCEC thanks the City for this. RCEC is also appreciative of the short term financial support received for the development and submission of the BC Hydro CBBEC application. This short-term loan has been repaid.