

Statement of Operations

City of Ottawa
In-House Waste Collection
May 31, 2006

AUDITORS' REPORT

To the Members of the Corporate Services and Economic Development Committee and Council

At the request of City of Ottawa In-House Waste Collection [a component of the City of Ottawa], we have audited their statement of operations for the twelve months ended May 31, 2006. This financial information is the responsibility of the management of City of Ottawa Waste Division Management. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, the Statement of Operations presents fairly, in all material respects, the revenue and expenditures of the City of Ottawa In-Waste Collection for the twelve months ended May 31, 2006 in accordance with the significant accounting principles disclosed in note 2 of the statement of operations.

The statement of operations, which has not been, and was not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of the Members of the Corporate Services and Economic Development Committee and Council. The statement of operations is not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Ottawa, Canada,
September 8, 2006.

Ernst & Young LLP

Chartered Accountants

City of Ottawa In-House Waste Collection

STATEMENT OF OPERATIONS

For the twelve months ended May 31

	2006	2005
	\$	\$
REVENUE	3,995,011	3,747,872
EXPENDITURES [schedule]		
Labour costs		
Salaries	1,198,546	1,109,545
Overtime	78,398	92,276
WSIB costs	39,375	59,790
Employer benefit contributions	311,321	285,308
Payroll costs	1,627,640	1,546,919
Labour subcontracted	275,360	239,873
Labour costs	1,903,000	1,786,792
Vehicle related costs		
Maintenance and repairs/tires	1,269,038	1,194,450
Fuel	396,917	320,094
Insurance/licensing	21,458	23,508
Depreciation	519,562	495,717
Vehicle related costs	2,206,975	2,033,769
Materials and supplies		
Personnel/safety supplies	14,070	29,408
Tools and parts	1,308	1,139
Office/administration supplies	3,653	5,570
Training	20,000	20,000
Miscellaneous repairs/services	15,476	9,261
Communications	25,884	20,584
Conferences and receptions	3,913	—
Materials and supplies	84,304	85,962
Professional services	14,932	9,985
Property lease	11,322	11,322
Interest on vehicle loan [note 3]	33,646	48,708
Vehicle write-down [note 4]	158,322	72,066
Other costs	218,222	142,081
Total expenditures	4,412,501	4,048,604
Operating deficit	(417,490)	(300,732)

See accompanying notes



NOTES TO FINANCIAL STATEMENT

May 31, 2006

1. DESCRIPTION OF ORGANIZATION

On September 23, 1998, the Regional Municipality of Ottawa-Carleton [the "Region"] awarded, through a competitive bidding process, a five-year residential waste collection contract for Zone C4 of the Region, to the Solid Waste Division of the Region. On January 1, 2001, the Regional Municipality of Ottawa-Carleton and other municipalities amalgamated to become the City of Ottawa. The contract was assumed by the new City of Ottawa. The statement of operations was prepared to report the operating results of the collection activities of Zone C4 for the twelve months ended May 31, 2006. The City of Ottawa was created through Provincial legislation and is not liable for income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The statement of operations of the In-House Waste Collection has been prepared by management in accordance with accounting principles which are summarized below. The statement of operation differs from Canadian generally accepted accounting principles because rental expense is recorded as an allocation of estimated occupancy costs for the City of Ottawa. In addition, Workplace Safety and Insurance Board (WSIB) and warranty expenses are recorded on a cash basis, and also represent estimated costs, as they include only expenses incremental to the City of Ottawa as a result of providing the contracted collection service to Zone C4.

Revenues and expenditures

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

Expenses are recorded on an accrual basis.

City of Ottawa In-House Waste Collection

NOTES TO FINANCIAL STATEMENT

May 31, 2006

Depreciation for capital assets

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

Vehicles	7 years
Leasehold improvements	5 years

3. INTEREST ON VEHICLE LOAN

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

4. VEHICLE WRITE-DOWN

On January 1st, 2006, the City of Ottawa In-House Waste Collection decommissioned five vehicles. The vehicles were sold on June 1st at a loss of \$158,322. As the vehicles were no longer contributing to City of Ottawa In-House Waste Collection's ability to provide services as of May 31, 2006, these trucks were written down during the fiscal year to their residual value, and a loss of \$158,322 was recorded.



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

[unaudited]

Year ended May 31

	Garbage \$	Recycling \$	Leaf and Yard \$	2006 Totals \$	2005 Totals \$
Labour costs					
Salaries	649,325	440,180	109,041	1,198,546	1,109,545
Overtime	42,473	28,793	7,132	78,398	92,276
WSIB costs	21,332	14,461	3,582	39,375	59,790
Employer benefit contribution	168,661	114,336	28,324	311,321	285,308
Payroll costs	881,791	597,770	148,079	1,627,640	1,546,919
Subcontracted labour	238,457	—	36,903	275,360	239,873
Labour costs	1,120,248	597,770	184,982	1,903,000	1,786,792
Vehicle related costs					
Maintenance and repairs/tires	697,190	451,509	120,339	1,269,038	1,194,450
Fuel	218,388	140,581	37,948	396,917	320,094
Insurance/licensing	10,218	7,153	4,087	21,458	23,508
Depreciation	247,411	173,187	98,964	519,562	495,717
Vehicle related costs	1,173,207	772,430	261,338	2,206,975	2,033,769
Materials and supplies					
Personnel/safety supplies	7,628	5,155	1,287	14,070	29,408
Tools and parts	712	471	125	1,308	1,139
Office/administration supplies	1,986	1,324	343	3,653	5,570
Training	11,012	7,061	1,927	20,000	20,000
Miscellaneous repairs/services	7,370	5,158	2,948	15,476	9,261
Communications	12,326	8,628	4,930	25,884	20,584
Conferences and receptions	2,129	1,414	370	3,913	—
Materials and supplies	43,163	29,211	11,930	84,304	85,962
Professional services	7,111	4,978	2,843	14,932	9,985
Property lease	5,392	3,774	2,156	11,322	11,322
Interest on debt	16,022	11,215	6,409	33,646	48,708
(Gain) loss on disposal	75,391	52,774	30,157	158,322	72,066
Other costs	103,916	72,741	41,565	218,222	142,081
Total expenditures	2,440,534	1,472,152	499,815	4,412,501	4,048,604
Statistical information					
Actual tonnage in metric tonnes	37,921	11,156	5,897	54,974	53,468
Actual cost per tonne	64.36	131.96	84.76	80.27	75.72

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