



**Grant Thornton**

Financial statements

Municipality of the County of Richmond  
Water Utility

March 31, 2010

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## Auditors' report

To His Honour the Warden and Members of the Council

Municipality of the County of Richmond

We have audited the statements of financial position of the Municipality of the County of Richmond Water Utility as at March 31, 2010, and the statements of financial activities, equity, and reserves for the year then ended. These financial statements are the responsibility of the Water Utility'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 misstatements. 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 Water Utility as at March 31, 2010, and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Port Hawkesbury, Nova Scotia

May 29, 2010

*Grant Thornton LLP*  
Chartered accountants

# Municipality of the County of Richmond Water Utility

## Operating fund statement of financial position

March 31

2010

2009

**Assets**

Cash	\$ 89,792	\$ -
Receivables		
Rates (less allowance for doubtful accounts \$7,598; 2009 - \$7,047)	103,205	99,825
Due from General Operating Fund	15,653	11,936
Other receivables	14,224	40,688
	<b>\$ 222,874</b>	<b>\$ 152,449</b>

**Liabilities**

Cheques issued in excess of funds on deposit	\$ -	\$ 77,044
Accounts payable and accrued liabilities	21,410	10,236
Water Utility capital fund	168,651	38,057
	<b>190,061</b>	<b>125,337</b>
<b>Net financial assets</b>	<b>32,813</b>	<b>27,112</b>
<b>Non-financial assets</b>		
Prepaid expenses	4,820	4,734
<b>Net assets</b>	<b>\$ 37,633</b>	<b>\$ 31,846</b>
<b>Fund balance</b>	<b>\$ 37,633</b>	<b>\$ 31,846</b>

On behalf of the Municipality of the County of Richmond

\_\_\_\_\_ Warden \_\_\_\_\_ Clerk

See accompanying notes to the financial statements.

# Municipality of the County of Richmond Water Utility

## Operating fund statement of financial activities

Year ended March 31

2010

2009

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Operating revenues</b>			
Base rate sales	\$ 165,000	\$ 165,145	\$ 222,196
Metered sales	259,000	233,203	118,089
Public fire protection	117,000	117,000	215,842
Other revenue	<u>14,000</u>	<u>16,081</u>	<u>5,246</u>
	<u>555,000</u>	<u>531,429</u>	<u>561,373</u>
<b>Operating expenditures</b>			
Pumping	79,000	61,166	82,791
Water treatment	60,000	47,035	86,330
Transmission and distribution	262,000	286,196	269,956
Administrative and general	51,500	54,318	65,073
Depreciation	<u>72,000</u>	<u>71,760</u>	<u>71,709</u>
	524,500	520,475	575,859
<b>Net operating revenue</b>	30,500	10,954	(14,486)
<b>Non-operating transfers</b>			
Transfer from operating fund balance	-	-	41,000
Capital expenditure out of operations	<u>10,000</u>	<u>(5,167)</u>	<u>(6,328)</u>
	10,000	(5,167)	34,672
<b>Change in fund balance</b>	<u>\$ 20,500</u>	<u>5,787</u>	<u>20,186</u>
<b>Beginning fund balance</b>		31,846	52,660
<b>Transfer to operations</b>		-	(41,000)
<b>Ending fund balance</b>		<u>\$ 37,633</u>	<u>\$ 31,846</u>

See accompanying notes to the financial statements.

# Municipality of the County of Richmond Water Utility

## Capital fund statement of financial position

March 31

2010

2009

**Assets**

Cash		
Depreciation	\$ 395,559	\$ 489,386
Receivables		
Due from Province	-	30,000
Due from Water Utility operating fund	<u>168,651</u>	<u>38,057</u>
	<u>168,651</u>	<u>68,057</u>
	<b>564,210</b>	<b>557,443</b>

**Liabilities**

Accounts payable	-	16,644
Deferred revenue	<u>150,000</u>	<u>150,000</u>
	<b>150,000</b>	<b>166,644</b>

<b>Net financial assets</b>	<u><b>414,210</b></u>	<u><b>390,799</b></u>
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**Non-financial assets**

Net utility plant in service	<u><b>5,729,729</b></u>	<u><b>5,746,202</b></u>
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<b>Net assets</b>	<u><b>\$ 6,143,939</b></u>	<u><b>\$ 6,137,001</b></u>
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**Reserve**

Fund balance	\$ 386,496	\$ 384,724
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**Equity**

Investment in capital assets	<u><b>5,757,443</b></u>	<u><b>5,752,277</b></u>
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	<u><b>\$ 6,143,939</b></u>	<u><b>\$ 6,137,001</b></u>
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On behalf of the Municipality of the County of Richmond

\_\_\_\_\_ Warden \_\_\_\_\_ Clerk

See accompanying notes to the financial statements.

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**Municipality of the County of Richmond Water Utility**  
**Capital fund statement of financial activities**

Year ended March 31 2010 2009

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Transfer of capitalized expenditures			
Interest	\$ 5,000	\$ 1,772	\$ 11,258
<b>Expenditures</b>			
Capital expenditures	<u>10,000</u>	<u>5,167</u>	<u>6,328</u>
Net expenditure	<u>(5,000)</u>	<u>(3,395)</u>	<u>4,930</u>
<b>Financing and transfers</b>			
Transfers from operating fund	<u>\$ -</u>	<u>5,167</u>	<u>6,328</u>
Beginning fund balance		<u>384,724</u>	<u>373,466</u>
Ending fund balance		<u>\$ 386,496</u>	<u>\$ 384,724</u>

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**Municipality of the County of Richmond Water Utility**  
**Capital fund statement of reserve for depreciation**

Year ended March 31 2010 2009

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Balance, beginning of year	\$ 1,286,496		\$ 1,214,787
Depreciation for the year		<u>71,760</u>	<u>71,709</u>
Balance, end of year		<u>\$ 1,358,256</u>	<u>\$ 1,286,496</u>

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See accompanying notes to the financial statements.

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## Municipality of the County of Richmond Water Utility Schedule of utility plant and equipment

March 31

2010

2009

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Work in progress	\$ 50,121	\$ -
Land	52,773	52,773
Structures and improvements		
Lakes, rivers, and other intakes	466,859	466,859
Power and pumping structures	1,510,185	1,510,185
Distribution reservoirs and stand pipes	714,737	714,737
Equipment		
Other	75,263	71,333
Electric pumping	67,715	67,715
Other pumping	30,752	30,752
Water treatment	417,478	417,478
Transmission mains	1,209,751	1,209,751
Distribution mains	1,703,915	1,703,915
Services	265,196	265,196
Meters	209,831	208,595
Hydrants	313,409	313,409
	<b>\$ 7,087,985</b>	<b>\$ 7,032,698</b>

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See accompanying notes to the financial statements.

# Municipality of the County of Richmond Water Utility

## Schedule of operating expenses

Year ended March 31

	2010	2010	2009
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Pumping			
Power	\$ 50,000	\$ 43,686	\$ 52,303
Maintenance	<u>29,000</u>	<u>17,480</u>	<u>30,488</u>
	<u>\$ 79,000</u>	<u>\$ 61,166</u>	<u>\$ 82,791</u>
Water treatment			
Supplies and expenses	<u>\$ 60,000</u>	<u>\$ 47,035</u>	<u>\$ 86,330</u>
Transmission and distribution			
Administration charge – Richmond County	\$ 165,000	\$ 165,000	\$ 160,000
Maintenance of mains and services	80,000	103,924	95,191
Maintenance of other distribution plant	2,000	641	1,732
Maintenance of meters and meter reading	<u>15,000</u>	<u>16,631</u>	<u>13,033</u>
	<u>\$ 262,000</u>	<u>\$ 286,196</u>	<u>\$ 269,956</u>
Administrative and general			
Regulatory expenses	\$ 2,500	\$ 4,376	\$ 3,565
Professional fees	5,000	4,473	14,910
Insurance	20,000	18,718	18,852
Bad debts	1,000	1,181	1,109
Office	3,000	2,798	2,707
Miscellaneous	<u>20,000</u>	<u>22,772</u>	<u>23,930</u>
	<u>\$ 51,500</u>	<u>\$ 54,318</u>	<u>\$ 65,073</u>
Depreciation	<u>\$ 72,000</u>	<u>\$ 71,760</u>	<u>\$ 71,709</u>

See accompanying notes to the financial statements.

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**Municipality of the County of Richmond Water Utility**  
**Capital reserve fund statement of financial position**

March 31

2010

2009

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**Assets**

Cash

\$ 17,395

\$ 17,395

**Reserve**

Excess funds remaining from sinking fund reserve

\$ 17,395

\$ 17,395

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# **Municipality of the County of Richmond Water Utility**

## **Notes to the financial statements**

March 31, 2010

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### **1. Summary of significant accounting policies**

#### **Basis of presentation**

These financial statements have been prepared to conform in all material respects with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, except that interest is not recorded on amounts due between funds.

#### **Revenue and expenditure (operating fund)**

Major revenue and expenditure items are recorded on an accrual basis.

Principal and interest payments relating to term debt are recorded as an expenditure when due.

Utility plant in service acquired with operating funds is recorded as an expenditure when incurred:

#### **Capital Fund**

##### **Utility plant in service**

Utility plant in service is recorded at cost. Funds received prior to January 1, 1985, through capital assistance programs, cost sharing arrangements or loan forgiveness are treated as additions to investment in capital assets. Similar funds received after January 1, 1985, are treated as a reduction in the cost of the capital asset acquired.

##### **Depreciation**

The Water Utility records depreciation which is calculated based on a formula prescribed by the Public Utilities Board. The Public Utilities Board requires that an amount of cash equal to the depreciation claimed is to be transferred to a special bank account which is used to help fund replacement of existing plant in service, or subject to approval by the Public Utilities Board, to repay principal on term debt. The Water Utility has set aside cash in the amount of \$395,559. Interest on depreciation funds is retained in the Capital Fund.

##### **Unamortized debt expense**

The Water Utility capitalizes interest incurred on funds borrowed for capital construction and amortizes the expense over the life of the related debt.

##### **Use of estimates**

In preparing the Water Utility's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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# Municipality of the County of Richmond Water Utility

## Notes to the financial statements

March 31, 2010

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### 1. Summary of significant accounting policies (continued)

#### Financial instruments

The Water Utility's financial instruments consist of cash, receivables, and payables and accruals. Unless otherwise noted, it is management's opinion that the Utility is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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### 2. Depreciation fund

	<u>2010</u>	<u>2009</u>
Cash, beginning of year	\$ 489,386	\$ 403,189
Transfers (to) from operating fund	<u>(93,827)</u>	<u>86,197</u>
Cash, end of year	<u>\$ 395,559</u>	<u>\$ 489,386</u>

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### 3. Rate of return on rate base

For the year ended March 31, 2010, the Water Utility had a rate of return on rate base of 0.19% (2009 - 0.25%).

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