



Grant Thornton

Financial statements

Municipality of the County of Richmond

Water Utility

March 31, 2011

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Independent auditors' report

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To the Warden and members of Council of the

Municipality of the County of Richmond

We have audited the accompanying statements of financial position of the Municipality of the County of Richmond Water Utility (the "Utility") as at March 31, 2011, and the statements of financial activities, equity, and reserves for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Utility's management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements 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 Utility's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Utility's management, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Under Canadian public sector accounting standards complete financial statements include a statement of financial position, a statement of financial activities, a statement of changes in net debt and a statement of cash flows. The statements of changes in net debt and cash flows have not been prepared as management feels they add no additional useful information to the financial statements and additionally they are included in the consolidated financial statements.

Qualified opinion

In our opinion, except for the matter described in the *basis for qualified opinion* paragraph, these financial statements present fairly, in all material respects, the financial position of the Municipality of the County of Richmond Water Utility as at March 31, 2011, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Sydney, Canada

June 13, 2011

Grant Thornton LLP
Chartered accountants

Municipality of the County of Richmond Water Utility

Operating fund statement of financial position

March 31

2011

2010

Assets		
Cash	\$ -	\$ 89,792
Receivables		
Rates (less allowance for doubtful accounts \$8,702; 2010 - \$7,598)	107,132	103,205
Due from General operating fund	124,183	15,653
Other receivables	<u>17,376</u>	<u>14,224</u>
	<u>\$ 248,691</u>	<u>\$ 222,874</u>
<hr/>		
Liabilities		
Cheques issued in excess of funds on deposit	\$ 55,557	\$ -
Accounts payable and accrued liabilities	8,458	21,410
Due to Water Utility capital fund	<u>69,139</u>	<u>168,651</u>
	<u>133,154</u>	<u>190,061</u>
Net financial assets	<u>115,537</u>	<u>32,813</u>
Non-financial assets		
Prepaid expenses	<u>4,921</u>	<u>4,820</u>
Net assets	<u>\$ 120,458</u>	<u>\$ 37,633</u>
Fund balance	<u>\$ 120,458</u>	<u>\$ 37,633</u>

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

2011

2010

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues			
Base rate sales	\$ 176,000	\$ 173,008	\$ 165,145
Metered sales	277,000	251,207	233,203
Public fire protection	120,000	120,570	117,000
Other revenue	10,000	24,747	16,081
	<u>583,000</u>	<u>569,532</u>	<u>531,429</u>
Operating expenditures			
Pumping	85,000	68,379	61,166
Water treatment	65,000	38,387	47,035
Transmission and distribution	275,000	223,836	286,196
Administrative and general	55,000	51,246	54,318
Depreciation	75,000	72,088	71,760
	<u>555,000</u>	<u>453,936</u>	<u>520,475</u>
Net operating revenue	28,000	115,596	10,954
Non-operating transfers			
Capital expenditure out of operations	(10,000)	(32,771)	(5,167)
	<u>(10,000)</u>	<u>(32,771)</u>	<u>(5,167)</u>
Change in fund balance	<u>\$ 18,000</u>	82,825	5,787
Beginning fund balance		<u>37,633</u>	<u>31,846</u>
Ending fund balance		<u>\$ 120,458</u>	<u>\$ 37,633</u>

See accompanying notes to the financial statements.

Municipality of the County of Richmond Water Utility

Capital fund statement of financial position

March 31

2011

2010

Assets

Cash		
Depreciation	\$ 469,091	\$ 395,559
Receivables		
Due from Province	75,000	-
Due from Water Utility operating fund	<u>69,139</u>	<u>168,651</u>
	<u>144,139</u>	<u>168,651</u>
	613,230	564,210

Liabilities

Accounts payable	8,049	-
Deferred revenue	<u>150,000</u>	<u>150,000</u>
	<u>158,049</u>	150,000

Net financial assets

	<u>455,181</u>	<u>414,210</u>
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Non-financial assets

Net utility plant in service	<u>5,725,255</u>	<u>5,729,729</u>
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Net assets

	<u>\$ 6,180,436</u>	<u>\$ 6,143,939</u>
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Reserve

Fund balance	\$ 390,219	\$ 386,496
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Equity

Investment in capital assets	<u>5,790,217</u>	<u>5,757,443</u>
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	<u>\$ 6,180,436</u>	<u>\$ 6,143,939</u>
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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

Capital fund statement of financial activities

Year ended March 31	2011		2010
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Transfer of capitalized expenditures			
Interest	\$ 3,000	\$ 3,723	\$ 1,772
Expenditures			
Capital expenditures	<u>10,000</u>	<u>32,771</u>	<u>5,167</u>
Net expenditure	<u>(7,000)</u>	<u>(29,048)</u>	<u>(3,395)</u>
Financing and transfers			
Transfers from operating fund	<u>\$ -</u>	32,771	5,167
Beginning fund balance		<u>386,496</u>	<u>384,724</u>
Ending fund balance		<u>\$ 390,219</u>	<u>\$ 386,496</u>

Municipality of the County of Richmond Water Utility

Capital fund statement of reserve for depreciation

Year ended March 31	2011		2010
Balance, beginning of year		\$ 1,358,256	\$ 1,286,496
Depreciation for the year		<u>72,088</u>	<u>71,760</u>
Balance, end of year		<u>\$ 1,430,344</u>	<u>\$ 1,358,256</u>

See accompanying notes to the financial statements.

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

March 31	2011	2010
Work in progress	\$ 84,964	\$ 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	95,029	75,263
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	222,836	209,831
Hydrants	<u>313,409</u>	<u>313,409</u>
	<u>\$ 7,155,599</u>	<u>\$ 7,087,985</u>

See accompanying notes to the financial statements.

Municipality of the County of Richmond Water Utility

Schedule of operating expenses

Year ended March 31	2011	2010	
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Pumping			
Power	\$ 53,000	\$ 39,064	\$ 43,686
Maintenance	<u>32,000</u>	<u>29,315</u>	<u>17,480</u>
	<u>\$ 85,000</u>	<u>\$ 68,379</u>	<u>\$ 61,166</u>
Water treatment			
Supplies and expenses	<u>\$ 65,000</u>	<u>\$ 38,387</u>	<u>\$ 47,035</u>
Transmission and distribution			
Administration charge – Richmond County	\$ 165,000	\$ 165,000	\$ 165,000
Maintenance of mains and services	91,000	41,557	103,924
Maintenance of other distribution plant	2,000	125	641
Maintenance of meters and meter reading	<u>17,000</u>	<u>17,154</u>	<u>16,631</u>
	<u>\$ 275,000</u>	<u>\$ 223,836</u>	<u>\$ 286,196</u>
Administrative and general			
Regulatory expenses	\$ 3,000	\$ 2,821	\$ 4,376
Professional fees	5,000	4,600	4,473
Insurance	20,000	18,280	18,718
Bad debts	1,500	1,407	1,181
Office	2,500	2,400	2,798
Miscellaneous	<u>23,000</u>	<u>21,738</u>	<u>22,772</u>
	<u>\$ 55,000</u>	<u>\$ 51,246</u>	<u>\$ 54,318</u>
Depreciation	<u>\$ 75,000</u>	<u>\$ 72,088</u>	<u>\$ 71,760</u>

See accompanying notes to the financial statements.

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

March 31

2011

2010

Assets

Cash	\$ <u> </u> -	\$ <u>17,395</u>
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Reserve

Excess funds remaining from sinking fund reserve	\$ <u> </u> -	\$ <u>17,395</u>
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Municipality of the County of Richmond Water Utility

Notes to the financial statements

March 31, 2011

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 and there are no statements of net debt or cash flows.

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 \$469,091. 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.

Municipality of the County of Richmond Water Utility

Notes to the financial statements

March 31, 2011

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.

2. Depreciation fund

	<u>2011</u>	<u>2010</u>
Cash, beginning of year	\$ 395,559	\$ 489,386
Transfers from (to) operating fund	<u>73,532</u>	<u>(93,827)</u>
Cash, end of year	<u>\$ 469,091</u>	<u>\$ 395,559</u>

3. Rate of return on rate base

For the year ended March 31, 2011, the Water Utility had a rate of return on rate base of 2.02% (2010 - 0.19%).
