

MANITOBA) Order No. 93/09
)
THE PUBLIC UTILITIES BOARD ACT) June 9, 2009

BEFORE: Graham Lane, CA, Chairman
Susan Proven, P.H.Ec., Member
Monica Girouard, C.G.A., Member

REGULATORY REQUIREMENTS - RATE SETTING,
REQUIRED DUE TO ADOPTION OF THE
PUBLIC SECTOR ACCOUNTING BOARD
ACCOUNTING STANDARDS FOR LOCAL GOVERNMENTS

1.0 Introduction

The implementation of Public Sector Accounting Board (PSAB) accounting standards for all levels of government, including municipalities and their utilities, has been mandated by the Manitoba government. The adoption of these accounting standards will have significant implications for municipalities, not only with respect to the presentation of annual financial reporting, but also on utility rate making.

These changes will also affect Public Utilities Board (Board) practices with respect to the Board's statutorily required regulation of municipally owned water and sewer utilities.

This Order is intended to provide assistance and direction to municipalities, with respect to their utilities.

2.0 Background

2.1 Public Sector Accounting Board Accounting Requirements - Developments to Date

In preparing for PSAB's standards, some municipalities have begun amending their accounting practices. The Board understands that 2009 municipal financial statements will be the first to be issued in accordance with PSAB, with 2008 financial information to be restated for comparative purposes.

The changes resulting from adopting PSAB have required the Board to reconsider its practices and requirements with respect to municipal water and sewer utility rate setting.

On November 7, 2008, the Board issued Order 151/08 (Financial Reporting Requirements) in which it noted PSAB developments and

advised that the Board's response to anticipated PSAB implementation would be set out in an Order to follow. This is that Order, and it takes effect immediately.

PSAB changes are significant and require municipalities to become knowledgeable of PSAB standards.

For future utility rate setting, the Board will assume that revenue and expense recognition and the treatment of municipal utility assets and liabilities will be in accordance with PSAB, except with respect to the treatment of capital grants - this exception is discussed in more detail later in this Order.

In this Order, the Board highlights areas where accounting changes are likely and may directly affect the derivation of "just and reasonable" rates.

This Order is intended to assist municipalities. Board staff will be available to municipalities and their consultants to assist in their understanding of amended Board requirements.

Municipal representatives, auditors and Manitoba Inter-governmental Affairs (IAF) have been working cooperatively to develop resource documents. As well, training sessions are to be provided to assist municipalities with their transition to PSAB standards.

The following manuals have been prepared:

1. *Tangible Capital Assets* - released in June 2007;
2. *The Municipal Reporting Entity & Consolidation* - released in April 2008; and
3. *Obligation, Environmental Liability & Landfills* - released

in April 2008.

Board staff participated in the preparation of a fourth manual, *Financial Statement Presentation & Disclosure*, intended for release in 2009.

The *Financial Statement Presentation & Disclosure* manual will include samples of the typical schedules required for municipal audited financial statement packages. Schedules 8 and 9 to those statements are to be prepared to represent utility operations, and schedule 6 is for the recording and reporting of reserve fund transactions and balances.

2.2 Jurisdictional Matters

The Public Utilities Board Act and *The Municipal Act* set out provincial requirements pertaining to the operation of water and sewer utilities.

Utilities are regulated by the Board following their being declared to be a "public utility". Water utilities are utilities by definition. However, the Board understands that a small number of sewer utilities have yet to be identified and declared public utilities; it is the Board's intention to declare all sewer utilities "public utilities" (other than those exempted by statute). The financial reporting of all municipal utilities must comply with PSAB requirements.

While the Board has general oversight responsibilities over municipal utilities, it neither seeks to nor manages the operations of utilities, that being the responsibility of the owners. The Board's primary focus is the reasonableness of rates, reviews of operating deficits and the appropriate

recovery of deficits.

In exercising its jurisdiction, the Board is also sensitive to the objects of *The Sustainable Development Act*, conservation, the efficient and the objectives related to safe water and compliance with environmental licences.

Historically, the Board has met its rate setting responsibilities following an application for revised rates from a municipality and subsequent analysis of the municipality's utility financial position and known future requirements. In the past, utility financial reporting was on a "cash" basis. This will no longer be the case with the adoption of PSAB standards, which requires the transition of all public sector reporting to accrual accounting.

With large capital projects, such as new water or wastewater treatment plants, municipalities have generally financed their portion of project costs by issuing debentures, which are usually less than the overall project cost due to grants from outside agencies, such as the Manitoba Water Services Board (MWSB), and the Canada Manitoba Infrastructure Secretariat (CMIS), as well as funds drawn from Utility Reserves. The servicing costs of those debentures have usually been recovered through property tax levies - though reliance on rates is becoming more common.

Municipal borrowing is required to be approved by the Municipal Board (MB), which examines project justification as well the municipality's capacity for debt.

Increasingly in recent years, municipalities are seeking to

service debenture debt through municipal water and sewer rates, rather than taxes. While the MB's role is important and their approval is still required as it pertains to municipal debt, where rates are involved, the Public Utilities Board may also review the justification of such projects, as the impact of capital projects on utility operating expenses and the collection of debt servicing costs in rates are matters within the Board's jurisdiction.

3.0 PSAB Implications

PSAB-generated changes have significant implications not previously considered by municipalities. As noted earlier, municipalities have generally operated on a "cash" basis. However, PSAB standards involve non-cash entries, with significant implications for financial reporting and rate setting.

Again, this Order focuses on the new accounting related reporting requirements in the regulatory and rate setting environment.

3.1 Capitalization of Expenditures, Grants and Donated Assets

3.1.1 Expenditures

In the past, consideration as to whether or not an expense ought to be capitalized, and subsequently amortized over future years, was not required. This changes under PSAB.

Municipalities will now be required to review all expenditures to determine if they are of a capital nature, and with respect to those that are, such expenses are to be capitalized and

amortized over the asset's expected useful service life.

PSAB changes apply to fixed assets, which may include expenditures other than capital expenditures, such as rate hearing expenses and the cost of engineering assessments (which may be amortized over a reasonable period of time).

Municipalities will now be required to establish amortization rates and record annual amortization as an expense of their utility. Of course, the reasonableness of management's capitalization and amortization decisions will be subject to review by the municipal auditor, as well as by the Board if rates are affected.

The treatment of such expenditures is critical, not only for fair financial statement presentation but also for the establishment of just and reasonable rates.

Section 78(2) of *The Public Utilities Board Act* noted below sets out the requirements for depreciation:

"Fixing of rates of depreciation

78(2) The board shall, from time to time, ascertain and determine, and by order in writing after a hearing fix, proper and adequate rates of depreciation of the property of each public utility, in accordance with the regulations or classifications, and the rates shall be sufficient to provide the amounts required, over and above the expense of maintenance, to keep the property in a state of efficiency corresponding to the progress of the industry."

The Tangible Capital Asset (TCA) manual was released in June 2007, and pertains to utility assets.

During transition, the Board will accept TCA schedules developed in accordance with the manual for rate setting purposes, recognizing that the reasonableness of the amortization rate will be reviewed through audit engagements.

When a municipality deviates from the TCA schedule, it must advise the Board and provide justification for the deviation. With more experience, the Board may consider recommending different amortization schedules for rate setting purposes.

During any operating year, unforeseen expenditures may arise and, depending on management's treatment of the expenditure, may cause a utility to incur an operating deficit.

Statements submitted to the Board may not yet be audited when an application for recovery of a deficit is made. In such cases, the Board may determine whether the accounting treatment was appropriate before approving the operating deficit and recovery of same.

For example, if the cost of replacing a pump was entirely expensed in any given year and at the end of the year a deficit results, an application to the Board for recovery of the deficit is required. If the cost of this pump should have been capitalized, the Board may determine the financial statements need to be restated. Further, the municipality will need to determine if rates are adequate to meet operating expenditures on a go-forward basis.

The mandate of the Board is to set just and reasonable rates. Although PSAB requires that an asset be amortized over its useful life in a rational and systemic manner appropriate to its nature and use by the municipality, there may be circumstances where an alternative accounting treatment may be more suitable for a regulatory agency. While the Board expects that such circumstances will be rare, it is important to be aware of

situations where regulatory accounting treatment differs from generally accepted accounting principles.

The inclusion in rates of amounts intended to be set-aside in reserves has been a "surrogate" for amortization expense. Historically, the amount has not been tied to any particular asset and has generally been used to fund small capital projects.

In some cases municipalities have provisions included within rates which are intended to build reserve funds, while other utilities build reserves only from surpluses arising in favourable operating years. Often, reserves are built only when deemed to be "affordable" within the rates charged to consumers. So, while reserves may be viewed as a surrogate for amortization expense, reserves are not necessarily present in all utilities. Where reserve provisions are included in rates, they will provide a cushion for the rate implications of recognizing amortization expense. Otherwise, amortization will add a new element for expense and rate determination.

3.1.2 Grants

A further complicating factor is the method to be used to determine what amount of amortization expense should be recognized. Currently, the cost of large capital projects is often offset by grants from other agencies, such as the MWSB and CMIS. PSAB financial statement presentation requires that the amortization expense be set up based on the gross cost of such projects.

For example, if a project cost \$1.0 million and \$500,000 was

received as a grant, and the project is to be amortized over 20 years, the annual amortization expense would be \$50,000 ($\$1,000,000/20$).

However, if this approach were adopted for regulatory purposes, and not offset in part by a portion of a related grant, it could well have a significant rate impact, resulting in possible rate shock.

Accordingly, and to relieve some rate pressure, for rate setting purposes the Board will require that amortization expense be offset in the reflection of rates by the amortization of related capital grants. For example, that same \$1.0 million project with the \$500,000 grant, over a 20 year amortization period would require an annual net expense of \$25,000 ($\$500,000/20$).

The Board recognizes that this would not meet current PSAB standards, and will therefore require municipalities to report grants separately. This will result in the need to prepare two separate, but very similar schedules for utility operations - one which is PSAB compliant and audited, the other for regulatory rate setting purposes, unaudited.

The audited and unaudited schedules will be identical, except that the unaudited schedule will have adjustments for capital grants and the amortization of deferred capital grants. The unaudited schedule is attached to this Order as Appendix "D". The audited Schedule 9 is part of the financial statement template provided by IAF. The financial statement template can be downloaded from IAF's website, at:
www.gov.mb.ca/ia/programs/local_gov/index.html.

Even after providing for the amortization expense on a netted basis, the Board recognizes deficits may result. The Board expects that if large deficits are recorded as a result of these transactions that are not manageable in the short term, municipalities will be required to develop and file a long-term rate plan for recovery.

3.1.3 Donated Assets

Often municipalities acquire assets from a Developer where, for example, a new subdivision is developed involving considerable infrastructure, which may include water and/or sewer systems (including lines installed as part of a development agreement). Terms of such agreements vary, but often such assets are turned over to the municipality to operate and maintain after a defined period of time.

As the date for the transfer of ownership of any utility assets approaches, the municipality should prepare a rate study so as to be able to impose rates upon assuming ownership.

The municipality will have to record donated assets as part of its non-financial assets and amortize them. The value of the donation, usually the same as the value of the asset, should be set up as a deferred asset and amortized in step with the asset. This means for the rate study, the annual amortization expense will be offset by the amortization of the grant of the donation, i.e. no net revenue requirement will be needed for these assets.

3.2 Debenture Debt Repayment

Pursuant to PSAB standards, when annual debt payments for the

utility are collected by taxes, the entire amount will be recorded as revenue in the utility. However, only the interest portion of debt will be recorded as an expense; the principal portion reduces balance sheet liabilities. In other words, only the interest component of debt payments will be considered an expense for rate setting purposes.

For example, if your annual payment is \$10,000 - \$3,500 is interest and \$6,500 principal - only \$3,500 will be recorded as an expense. The \$6,500 principal portion will reduce the amount of liability.

This \$6,500 principal portion will also offset the annual amortization expense that is required to be recovered in rates. For example, the \$25,000 amortization expense noted earlier would be reduced by the \$6,500 principal payment, so rates would only need to generate \$18,500 to cover the expense.

Where debenture debt repayment is collected by taxes, this will create an issue when the debt repayment term does not match the amortization period of the related assets, for example, where the asset is amortized over 40 years and the debenture has a 20 year repayment term. While the annual amortization expense will continue beyond the term of the debenture, taxation revenue will cease once the debenture is repaid. As the amortization expense continues an annual revenue shortfall for the utility will likely result.

While the Board expects that these mismatches will be resolved on a case-by-case basis, a rate review should be contemplated in the final year of the debt repayment term in order to ensure

that rates are adjusted to provide sufficient revenue to offset operating expenses, to now include amortization expense.

A further complicating factor is that debt interest costs decline as the debt is repaid. Since debenture repayments tend to be the same each year over the life of the debenture, there will be a mismatch between revenue and interest expense throughout the period of debenture repayment.

The regulatory adjustment to amortization expense described in 3.1 is currently not PSAB compliant, but will better reflect the net costs incurred by today's ratepayers. In other words, it will reflect the ratepayer's use of the net cost of the asset. Amortization expense does not and is not intended to reflect replacement cost accounting, because it will be based on historical cost, not the future replacement costs. When the plant requires replacement, the users of the future plant will need to address funding for that project's costs.

3.3 Revenue deferrals

Many utilities bill for and receive minimum quarterly payments in advance of water actually being consumed. Municipalities will have to check their current rates by-law to confirm this. Therefore, as at December 31 of any year, the utility will have deferred revenue to record. As well, there may be other accruals, not previously considered; these too will have to be recognized.

3.4 Allocation of Shared Personnel Costs (including Benefits) and Equipment Expenses

While not a PSAB issue, the allocation of costs for shared

services has been an area of concern to the Board for some time. An appropriate allocation of the shared costs between the general operations of the municipality and the utility are critical to ensure that rates are just and reasonable.

While the Board's Guidelines, available at the Board's website, address this matter, the Board has noted that there is no consistent approach taken by municipalities.

The Board supports a user-pay principle. All utility related costs have to be attributed fairly if rates are to reflect the "true" cost of providing the service and avoid unfair cross-subsidization from general municipal operations. The Board is aware that as a result of grants, few utilities are truly and fully "user-pay".

The Board has developed a matrix of methodologies to be used as a guide only for cost allocations. This matrix is included in the manual titled *Financial Statement Presentation & Disclosure* and also attached hereto as Appendix "A". This matrix is provided so that utilities consider all areas where sharing of personnel, services and equipment may occur.

Municipalities will be required to adopt an appropriate methodology, to be approved by the Board. At minimum, the Board expects such methodologies will be included for approval as rate applications are submitted. Municipal utilities should ideally provide these methodologies for Board approval in advance of their rate submissions.

Municipalities will also be required to provide a Management Representation letter, a sample of which is attached hereto as

Appendix "C". This letter is a statement that confirms that the utility's approved allocation methodologies were properly applied in all financial reports to the Board.

3.5 Contingency Allowance

The Board has made no change with respect to the annual contingency allowance, and a reasonable provision will continue to be allowed in rate calculations.

3.6 Future Liabilities

Historically, the future cost of remediation of a utility asset, such as the decommissioning costs of a wastewater treatment facility, has not been included as an expense of the utility during the life of the asset. Therefore, future ratepayers have been required to pay this cost at the time that decommissioning occurs, rather than during its useful life.

This practice will change, as PSAB requires municipalities to estimate and record these future costs as a liability; for utilities these amounts must be reflected in rates. Rate studies should consider all such liabilities and include what amount should be reflected in rates.

3.7 Rate Study Reporting

The Board continues to review its Guidelines for the development of water and/or sewer rates and much of what has been discussed above will be reflected in the amended Guidelines.

3.7.1 Expenditure and revenue determination

To assist municipalities in making rate applications, pending

completion of a full review and amendment of the Board's guidelines, the Board has developed and attached Appendix "B". This schedule suggests the kinds of expenditures and revenues which a utility should include in its rate studies.

Note: This schedule is not prescriptive; it is a guide only, intended to assist in the development of revenue requirements. Utility specific conditions will determine how an expense or revenue is best recorded.

While rate studies have not historically recognized potential offsetting revenues in calculating a utility's revenue requirement (except for fire hydrant revenue), in the future, revenues such as connection revenues, late payment charges, investment income and other service charges (and any consequential costs) will need to be considered in determining net rate revenue requirements.

3.7.2 Reserves

The Board will continue to consider the inclusion of provisions for building reserves for specific purposes in rate setting. However, the Board will require increased thought and rationale in rate studies, in terms of defining and justifying the need for reserves.

3.7.3 Provision for contributions to surplus

All utilities require financial security in the form of either accumulated surplus or reserves, to provide a buffer against adverse events. This is especially true for non-profit organizations, which generally do not have profit margins built into their rate schedules, and municipal utilities are no

exception.

The Board, in Order 151/08 established a minimum accumulated surplus to be maintained by utilities in an amount equal to 20% of the prior year's operating expenses. The Board will continue its requirement with a modification; the working capital surplus must be equal to or greater than 20% of annual expenses. The working capital surplus is defined as the utility fund balance excluding any capital related items plus utility reserves.

Municipal utilities may find the following formula helpful:

Fund surplus / deficit (schedule 8)	w
Deduct Tangible Capital Assets (schedule 8)	x
Add Long-term debt (schedule 8)	y
Add utility reserves (schedule 6)	<u>z</u>
Equals - working capital surplus	w-x+y+z

Working capital surplus \geq 20% of operating expenses

For rate setting purposes, the Board expects that where a municipal utility's accumulated surplus is less than the 20% target, a minimum provision of 1% of expenses, as determined in Appendix "B", will be built into the revenue requirements until such a time as the target is reached. This will be over and above any provisions for special reserves as described in 3.7.2.

4.0 Board Findings

The Board recognizes that making extensive changes to accounting policies and practices will likely be difficult and time consuming, yet the PSAB requirements are mandatory for municipalities and their utilities. However, the changes will provide additional information that may assist municipalities, ratepayers and the Board in fully appreciating the overall cost of providing utility services.

With better information, municipalities and the Board are more likely to make better-informed rate decisions.

Water is a limited resource. Rate setting principles that more fully reflect the costs involved in providing sufficient safe water and proper effluent management will provide an opportunity for setting rates that will send proper price signals to users, while providing an increased incentive for conservation.

IT IS THEREFORE ORDERED THAT:

1. All municipalities adopt a cost allocation methodology for shared personnel, services and equipment with respect to the general operations of the municipality and those of the utility, using Appendix "A" as a guide, and file same for Board approval when either submitting a rate application or amending the cost sharing approach.
2. All municipalities when filing rate studies complete a schedule similar to Appendix "B" attached.
3. All municipalities attach a Management Representation letter, a sample of which is attached hereto as Appendix "C", indicating that allocation methodologies have been properly followed (when submitting financial reports to the Public Utilities Board).
4. All municipalities complete the unaudited Schedule 9 when submitting financial information to the Public Utilities Board, attached hereto as Appendix "D".

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, CA"
Chairman

"GERALD GAUDREAU, CMA"
Secretary

Certified a true copy of Order
No. 93/09 issued by The Public
Utilities Board

Secretary

Appendix "A"

Allocation Plan for Shared Costs					
<u>Shared Overhead:</u>			Activity Based	Tracked Increments	Flat Rate
Includes all direct and indirect costs related to the administration of the utility.					
Sub-Category	Activity	Expenses (object)			
Direct Overhead Costs	Meter reading Billing Receipting and collection	<ul style="list-style-type: none"> • Salaries & wages • Benefits 			
Indirect Overhead Costs	General administrative costs Shared office costs	<ul style="list-style-type: none"> • CAO salaries and benefits • Council costs • Audit and legal • Interest cost on office space • Lease costs • Utilities (i.e. telephone, heat) • Photocopying (etc.) 			
<u>Shared Direct Operating Costs:</u>			Activity Based	Tracked Increments	Flat Rate
Includes all costs directly attributable to the maintenance and repair of the utility. Public works employees repair and maintain both transportation and utility infrastructure. A portion of the cost for the public works department should be allocated to the utility.					
Sub-Category	Equipment/Activity	Expenses (object)			
Direct equipment costs	Public works buildings Vehicles Machinery and equipment Road construction and maintenance equipment	<ul style="list-style-type: none"> • Maintenance • Fuel • Insurance • Amortization • Interest cost on equipment • Lease costs 			
Direct labour	Labour costs directly attributable to the maintenance and repair of utility TCA.	<ul style="list-style-type: none"> • Salaries and wages • Benefits 			

Shared Capital Costs:

These shared costs **should not** be directly charged to utility operations. Capital costs should be capitalized as a tangible capital asset (TCA) and amortized to utility operations over its useful life.

Includes all costs directly attributable to the development and construction of a TCA for a utility. Public works projects often construct transportation and utility assets at the same time. In these cases a portion of the road work should be allocated to utility TCA based on the relative fair market value of the assets.

The cost of a TCA can include interest costs on debt directly attributable to the development and construction of a TCA. Only interest owed to external parties such as banks or debenture holders. Capitalization of interest cost must end when there is no construction or when the asset is put into use.

Sub-Category	Equipment/Activity	Expenses (object)	Activity Based	Tracked Increments	Flat Rate
Direct overhead costs	Administrative	<ul style="list-style-type: none">• Legal fees• Survey costs• Design and engineering fees• Interest on debt			
Direct equipment costs	Operating costs for <ul style="list-style-type: none">• Vehicles• Machinery and equipment• Road construction and maintenance equipment	<ul style="list-style-type: none">• Maintenance• Fuel• Insurance• Amortization• Interest cost on equipment• Lease costs			
Direct labour	Labour costs directly attributable to the development and construction of a utility TCA	<ul style="list-style-type: none">• Salaries and wages• Benefits			

Appendix "B"

Schedule of Utility Rate Requirements

Introduction

The following schedule of utility revenue requirements is intended to be a guide to assist utilities in quantifying and classifying their expenses and offset revenue to determine rate requirements.

As a general rule of thumb, expenses and offset revenue are best allocated to either water or sewer as appropriate. In those cases, rows should be inserted in the appropriate sections and the category inserted.

Where it is not possible or practical to break down items such as surcharges or penalties, the items should be grouped and considered as part of net general revenue.

The spreadsheet has built in formulae, which may need to be adjusted depending on altered categorization.

NAME OF MUNICIPALITY AND UTILITY:						
SCHEDULE OF UTILITY RATE REQUIREMENTS		Appendix "B"				
Projected for the rate year(s)		with comparative numbers for current and past year				
***Only insert information in blue areas		Inflation Rate:			%	
		Prior year	Current year	Budget forecasts		
		Actual	Projected	Next year	Next year +1	Next year +2
General						
<i>Expenses:</i>						
Administration (building, office, staff, etc.)					-	-
Billing and collection					-	-
Total general expenses		-	-	-	-	-
Equity surcharge (1% of annual expenses)				-	-	-
Deficit Recovery Provision						
<i>Revenue:</i>						
Surcharges					-	-
Service charges					-	-
Penalties					-	-
Total general revenue		-	-	-	-	-
Net revenue general		-	-	-	-	-
Water						
<i>Expenses:</i>						
Staffing					-	-
Purification and treatment					-	-
Water purchases					-	-
Service of Supply					-	-
Transmission and Distribution					-	-
Other Water Supply Costs					-	-
Connections - Net Loss					-	-
Amortization/ depreciation					-	-
Interest on long term debt		-	-	-	-	-
Reserves					-	-
Minor capital upgrades					-	-
Contingency					-	-
Sub-total- water expenses		-	-	-	-	-
<i>Revenue:</i>						
Connection Revenue					-	-
Hydrant rentals					-	-
Investment Income					-	-
Amortization of capital grants					-	-
Taxation revenues (1)		-	-	-	-	-
Other revenue					-	-
Total non-rate revenue - water		-	-	-	-	-
Net rate revenue - water		-	-	-	-	-

NAME OF MUNICIPALITY AND UTILITY: _____
SCHEDULE OF UTILITY RATE REQUIREMENTS **Appendix "B"**
Projected for the rate year(s) _____ with comparative numbers for current and past year

***Only insert information in blue areas Inflation Rate: _____ %

	Prior year	Current year	Budget forecasts		
			Next year	Next year	
	Actual	Projected	Next year	+1	+2
Sewer					
<i>Expenses:</i>					
Staffing				-	-
Sewage Collection System				-	-
Sewage Lift Station				-	-
Sewage Treatment and Disposal				-	-
Other Sewage Collection & Disposal Costs				-	-
Connection - Net Loss				-	-
Amortization/ depreciation				-	-
Interest on long term debt	-	-	-	-	-
Future Remediation					
Reserves				-	-
Contingency				-	-
Total sewer expenses	-	-	-	-	-
<i>Revenue</i>					
Connection Revenue				-	-
Lagoon Tipping Fees				-	-
Investment Income				-	-
Amortization of capital grants	-	-	-	-	-
Taxation revenues (2)	-	-	-	-	-
Other Revenue				-	-
Total non-rate revenue- sewer	-	-	-	-	-
(1) Water facility- debt servicing taxation revenues					
Principal					
Interest					
(2) Sewer facility- debt servicing taxation revenues					
Principal					
Interest					
(3) Accumulated Surplus (20% Expenses)					
General & W&S Expenses	-	-	-	-	-
Target Surplus	-	-	-	-	-
Actual Surplus					
Shortfall	-	-	-	-	-

Note: This document is intended as an aid for the calculation of rates for a utility. Owners should include the pertinent information on a best efforts basis. Utilities may determine certain line items are better calculated in a different section. Please feel free to move items if required.

Appendix "C"

Management Statement of Responsibility
Municipal Utility (ies)
Municipality of _____

The appended Financial Statements of the Municipality of _____ have been prepared under my direction and fairly represent the financial position and results of the Municipality, and specifically those utilities under its jurisdiction.

It is management's responsibility to assure that the cost allocation methodologies, as have been approved by the Public Utilities Board (or as attached), have been applied consistently in the determination of the schedules to the Financial Statements, as well as the special purpose schedule(s) prepared specifically for the use of the Public Utilities Board.

It is understood that the audit opinion accompanying these statements has been rendered based on the materiality levels determined for the municipality as a whole. It is further understood that this opinion does not extend to the testing of the application or reasonability of the cost allocation methodologies as may have been approved from time to time by the Public Utilities Board for the utility (ies) owned and operated by the Municipality.

This statement represents my assurance as the responsible financial official for the Municipality that the cost allocation methodologies as have been approved by the Public Utilities Board or attached hereto, have been applied appropriately and result in no significant misstatement of the financial position or results of the Utility (ies).

(Signature)

(Name and title)

Date

NAME OF MUNICIPALITY

SCHEDULE 9

SCHEDULE OF UTILITY OPERATIONS - Name of Utility

FOR PUBLIC UTILITIES USE ONLY

Year Ended December 31, 2009

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
REVENUE			
Water fees	\$ -	\$ -	\$ -
Sewer fees	-	-	-
Property taxes	-	-	-
Bulk Water fees	-	-	-
Lagoon tipping fees	-	-	-
Hydrant rentals	-	-	-
Connection charges	-	-	-
Penalties	-	-	-
Government transfers - operating	-	-	-
Government transfers - capital	-	-	-
Investment income	-	-	-
Administration fees	-	-	-
Other income	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES			
General			
Administration	-	-	-
Training costs	-	-	-
Billing and collection	-	-	-
Utilities (telephone, electricity, etc.)	-	-	-
sub-total- general	<u>-</u>	<u>-</u>	<u>-</u>
Water			
Purification and treatment	-	-	-
Transmission and distribution	-	-	-
Transportation services	-	-	-
Water purchases	-	-	-
Connection costs	-	-	-
Amortization	-	-	-
Interest on long term debt	-	-	-
sub-total- water	<u>-</u>	<u>-</u>	<u>-</u>

NAME OF MUNICIPALITY

SCHEDULE 9

SCHEDULE OF UTILITY OPERATIONS - Name of Utility

FOR PUBLIC UTILITIES USE ONLY

Year Ended December 31, 2009

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
EXPENSES - Continued			
Sewer			
Collection system costs	-	-	-
Treatment and disposal cost	-	-	-
Lift Station costs	-	-	-
Transportation services	-	-	-
Water purchases	-	-	-
Connection costs	-	-	-
Amortization	-	-	-
Interest on long term debt	-	-	-
sub-total- sewer	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Revenue before grant adjusment	-	-	-
Deduct Capital Grants Current year (Note 19)	-	-	-
Add Amortization of Capital Grants (Note 19)	-	-	-
NET REVENUES	-	-	-
TRANSFERS			
Transfers from (to) general operating	-	-	-
Transfers from (to) reserve funds	-	-	-
CHANGE IN UTILITY FUND BALANCE	-	-	-
FUND SURPLUS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND SURPLUS, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>