

**Corporation of the
City of Quinte West**
Water Supply and Waste Water System
Municipal Enterprise Supplementary Financial Statements
(Unaudited)

For the year ended December 31, 2010

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Auditor's Comments on Supplementary Financial Information

To the Members of Council of the
Corporation of the City of Quinte West

We have audited the consolidated financial statements of the Corporation of the City of Quinte West, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and notes to consolidated financial statements, and have issued our report thereon dated May 9, 2011 which contained an unmodified opinion on those consolidated financial statements. The audit was performed to form an opinion on the consolidated financial statements as a whole. The water and waste water system municipal enterprise supplementary financial statements are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the consolidated financial statements.

Opinion

The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. The supplementary information is not materially misstated in relation to the consolidated financial statements as a whole.

Restriction on Distribution and Use

The supplementary information is prepared to assist Council of the Corporation of the City of Quinte West with their decision making process. As a result, the supplementary information may not be suitable for another purpose. Our report is intended solely for Council of the Corporation of the City of Quinte West and should not be distributed to or used by parties other than Council of the Corporation of the City of Quinte West.

Chartered Accountants, Licensed Public Accountants

Lindsay, Ontario
May 9, 2011

Corporation of the City of Quinte West
Water Supply and Waste Water System
Municipal Enterprise
Statement of Financial Position
(Unaudited)

December 31	2010	2009
Financial assets		
Cash	\$ -	\$ 707,184
Accounts receivable	1,252,738	862,022
Unbilled revenue	482,634	501,704
Due from Provincial sources	1,979,966	539,858
	<u>3,715,338</u>	<u>2,610,768</u>
Liabilities		
Bank indebtedness	489,308	-
Accounts payable	703,834	321,963
Temporary loan - City of Quinte West	425,898	2,653,881
Due to City of Quinte West	45,788	68,788
Long-term debt	5,351,579	600,000
	<u>7,016,407</u>	<u>3,644,632</u>
Net debt	<u>(3,301,069)</u>	<u>(1,033,864)</u>
Non-financial assets		
Tangible capital assets	89,187,199	85,302,593
Inventory - at average cost	79,606	100,319
	<u>89,266,805</u>	<u>85,402,912</u>
Accumulated surplus	<u>\$ 85,965,736</u>	<u>\$ 84,369,048</u>

**Corporation of the City of Quinte West
Water Supply and Waste Water System
Municipal Enterprise
Statement of Operations
(Unaudited)**

For the year ended December 31	Budget 2010	Actual 2010	Actual 2009
Revenues			
User charges - water	\$ 4,260,898	\$ 4,442,524	\$ 4,155,404
- sewage	2,926,090	2,743,553	2,315,822
Grants	3,333,333	3,944,549	1,323,546
Other			
Contributions from developers	500,000	351,868	71,645
Other	334,300	559,991	860,343
Loss on disposition of assets	-	(159,641)	(39,053)
	11,354,621	11,882,844	8,687,707
Expenses			
Administration	1,402,660	1,436,709	1,399,563
Amortization	2,577,000	2,645,045	2,548,315
Water treatment plant	2,021,870	2,053,317	2,002,203
Water distribution	941,410	1,162,307	1,159,600
Water meter service	296,828	228,809	233,030
Sewage treatment plant	2,220,235	2,484,472	2,149,055
Sanitary sewer maintenance	168,860	233,719	92,742
Lateral rodding maintenance	105,550	41,778	13,550
	9,734,413	10,286,156	9,598,058
Annual surplus (deficit)	1,620,208	1,596,688	(910,351)
Accumulated surplus, beginning of year	84,369,048	84,369,048	85,279,399
Accumulated surplus, end of year	\$ 85,989,256	\$ 85,965,736	\$ 84,369,048

Corporation of the City of Quinte West
Water Supply and Waste Water System
Municipal Enterprise
Statement of Change in Net Financial Assets (Debt)
(Unaudited)

For the year ended December 31	Budget 2010	Actual 2010	Actual 2009
Annual surplus (deficit)	\$ 1,620,208	\$ 1,596,688	\$ (910,351)
Acquisition of tangible capital assets	(6,767,853)	(6,693,975)	(3,599,273)
Amortization of tangible capital assets	2,577,000	2,645,045	2,548,315
Loss on sale of tangible capital assets	-	159,641	39,053
Proceeds on sale of tangible capital assets	-	4,683	-
	<u>(2,570,645)</u>	<u>(2,287,918)</u>	<u>(1,922,256)</u>
Change in inventory	-	20,713	(11,373)
Net change in net debt	(2,570,645)	(2,267,205)	(1,933,629)
Net financial assets (debt), beginning of year	(1,033,864)	(1,033,864)	899,765
Net debt, end of year	\$ (3,604,509)	\$ (3,301,069)	\$ (1,033,864)

**Corporation of the City of Quinte West
Water Supply and Waste Water System
Municipal Enterprise
Statement of Cash Flows
(Unaudited)**

For the year ended December 31	2010	2009
Cash flows from operating activities		
Annual surplus (deficit) (Page 4)	\$ 1,596,688	\$ (910,351)
Items not involving cash		
Amortization of tangible capital assets	2,645,045	2,548,315
Loss on disposal of tangible capital assets	159,641	39,053
	<u>4,401,374</u>	<u>1,677,017</u>
Uses		
Increase in accounts receivable	(390,716)	(521,668)
Increase in unbilled revenue	-	(76,571)
Increase in due from Provincial sources	(1,440,109)	(249,220)
Decrease in temporary loan - City of Quinte West	(2,227,983)	-
Decrease in due to City of Quinte West	(23,000)	-
Increase in inventory	-	(11,373)
	<u>(4,081,808)</u>	<u>(858,832)</u>
Sources		
Decrease in unbilled revenue	19,070	-
Increase in accounts payable	381,872	80,046
Increase in temporary loan - City of Quinte West	-	2,653,881
Decrease in inventory	20,713	-
	<u>421,655</u>	<u>2,733,927</u>
	<u>741,221</u>	<u>3,552,112</u>
Cash flows from capital transactions		
Acquisition of tangible capital assets	(6,693,975)	(3,599,273)
Proceeds on disposal of tangible capital assets	4,683	-
	<u>(6,689,292)</u>	<u>(3,599,273)</u>
Cash flows from financing activities		
Municipal debt incurred	4,865,000	600,000
Debt principal repayments	(113,421)	(103,000)
	<u>4,751,579</u>	<u>497,000</u>
Net change in cash	(1,196,492)	449,839
Cash, beginning of year	<u>707,184</u>	<u>257,345</u>
Cash (bank indebtedness), end of year	<u>\$ (489,308)</u>	<u>\$ 707,184</u>