



# **Uniform System of Accounts for Municipal Utilities**

**2005**

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## TABLE OF CONTENTS

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<b>INDEX OF ACCOUNTS .....</b>	<b>ii</b>
<b>DEFINITIONS.....</b>	<b>x</b>
<b>ACCOUNTING INSTRUCTIONS .....</b>	<b>xiii</b>
<b>EXAMPLES.....</b>	<b>xxxii</b>
<b>BALANCE SHEET ACCOUNTS.....</b>	<b>1</b>
<b>ASSETS.....</b>	<b>1</b>
Current and Accrued Assets .....	1
Fixed Assets.....	7
OVERVIEW - WATER UTILITY PLANT ACCOUNTS .....	13
Water Utility Plant Accounts .....	14
OVERVIEW - SEWER UTILITY PLANT ACCOUNTS.....	30
Sewer Utility Plant Accounts.....	31
Other Property and Investments.....	44
Deferred Debits .....	45
<b>LIABILITIES AND EQUITY.....</b>	<b>48</b>
Current and Accrued Liabilities.....	48
Long-Term Debt .....	49
Deferred Credits .....	50
Contributions in Aid of Construction .....	51
Surplus (Deficit) .....	52
<b>INCOME ACCOUNTS .....</b>	<b>53</b>
<b>UTILITY REVENUES AND EXPENDITURES .....</b>	<b>53</b>
OVERVIEW - WATER OPERATING REVENUE ACCOUNTS .....	54
Water Operating Revenue Accounts.....	55
Water Sales .....	55
Other Water Revenues.....	57
OVERVIEW - WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS.....	59
Water Operation and Maintenance Expense Accounts.....	60
OVERVIEW - SEWER OPERATING REVENUE ACCOUNTS .....	66
Sewer Operating Revenue Accounts .....	67
Sewer Sales.....	67
Other Sewer Revenues.....	69
OVERVIEW - SEWER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS.....	71
Sewer Operation and Maintenance Expense Accounts.....	72
<b>OTHER EXPENDITURES .....</b>	<b>78</b>
OVERVIEW – OTHER OPERATING – WATER & SEWER.....	78
Other Operating – Water .....	79
Other Operating – Sewer .....	80
OVERVIEW – OTHER INCOME AND DEDUCTIONS – WATER & SEWER.....	82
Other Income and Deductions - Water .....	83
Other Income and Deductions - Sewer .....	85
Extraordinary Items .....	87

### Appendices

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## ***INDEX OF ACCOUNTS***

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### **Balance Sheet Accounts**

#### **Assets**

##### **Current and Accrued Assets**

- 131. Cash
  - 131.1 Cash on Hand
  - 131.2 Petty Cash
  - 131.3 Bank
- 132. Special Deposits
- 133. Other Special Deposits
- 135. Temporary Cash Investments
- 141. Customer Accounts Receivable
- 142. Other Accounts Receivable
- 143. Accumulated Provision for Uncollectible Amounts--Cr
- 144. Notes Receivable
- 145. Accounts Receivable from Associated Parties
- 146. Notes Receivable from Associated Parties
- 151. Plant Materials and Supplies
- 152. Materials Inventory
- 153. Other Materials and Supplies
- 162. Prepayments/Prepaid Expenses
- 171. Accrued Interest and Dividends Receivable
- 172. Rents Receivable
- 173. Accrued Utility Revenues
- 174. Miscellaneous Current and Accrued Assets

##### **Fixed Assets**

- 101. Utility Plant in Service
- 102. Utility Plant Leased to Others
- 103. Property Held for Future Use
- 104. Utility Plant Purchased or Sold
- 105. Construction Work in Progress
- 106. Completed Construction Not Classified
- 108. Accumulated Depreciation
  - 108.1 Accumulated Depreciation of Utility Plant in Service
  - 108.2 Accumulated Depreciation of Utility Plant Leased to Others
  - 108.3 Accumulated Depreciation of Property Held for Future Use
- 114. Utility Plant Acquisition Adjustments
- 115. Accumulated Depreciation of Utility Plant Acquisition Adjustments
- 116. Other Utility Plant Adjustments

---

### **Water Utility Plant Accounts**

- 301. Organization
- 303. Land and Land Rights
- 304. Structures and Improvements
- 305. Collecting and Impounding Reservoirs
- 306. Lake, River and Other Intakes
- 307. Wells and Springs
- 308. Infiltration Galleries and Tunnels
- 309. Supply Mains
- 310. Power Generation Equipment
- 311. Pumping Equipment
- 320. Water Treatment Equipment
- 330. Distribution Reservoirs and Standpipes
- 331. Transmission and Distribution Mains
- 333. Services
- 334. Meters and Meter Installations
- 335. Hydrants
- 339. Other Plant and Miscellaneous Equipment
- 340. Office Furniture and Equipment
- 341. Transportation Equipment
- 342. Stores Equipment
- 343. Tools, Shop and Garage Equipment
- 344. Laboratory Equipment
- 345. Power Operated Equipment
- 346. Communication Equipment
- 347. Miscellaneous Equipment
- 348. Other Tangible Plant
- 349. Accumulated Depreciation

### **Sewer Utility Plant Accounts**

- 351. Organization
- 353. Land and Land Rights
- 354. Structures and Improvements
- 360. Collection Sewers
  - 360.1 Collection Sewers – Force
  - 360.2 Collection Sewers – Gravity
  - 360.3 Special Collecting Structures
- 363. Services to Customers
- 364. Flow Measuring Devices
- 365. Flow Measuring Installations
- 370. Receiving Wells
- 371. Pumping Equipment
- 380. Treatment and Disposal Equipment
- 381. Plant Sewers
- 382. Outfall Sewer Lines
- 389. Other Plant and Miscellaneous Equipment
- 390. Office Furniture and Equipment
- 391. Transportation Equipment

- 392. Stores Equipment
- 393. Tools, Shop and Garage Equipment
- 394. Laboratory Equipment
- 395. Power Operated Equipment
- 396. Communication Equipment
- 397. Miscellaneous Equipment
- 398. Other Tangible Plant
- 399. Accumulated Depreciation

#### **Other Property and Investments**

- 121. Nonutility Property
- 122. Accumulated Depreciation and Amortization of Nonutility Property
- 125. Investments

#### **Deferred Debits**

- 181. Interfund Accounts
  - 181.1 Interfund Account – Revenue Fund
  - 181.2 Interfund Account – Capital Fund
- 182. Extraordinary Property Losses
- 183. Preliminary Survey and Investigation Charges
- 185. Temporary Facilities
- 186. Miscellaneous Deferred Debits
  - 186.1 Deferred Rate Case Expense
  - 186.2 Other Deferred Debits

#### **Liabilities and Equity**

##### **Current and Accrued Liabilities**

- 231. Accounts Payable
- 232. Notes Payable
- 233. Accounts Payable to Associated Parties
- 234. Notes Payable to Associated Parties
- 235. Customer Deposits
- 237. Accrued Interest
- 241. Miscellaneous Current and Accrued Liabilities

##### **Long-Term Debt**

- 221. Bonds
- 222. Reacquired Bonds
- 223. Advances from Associated Parties
- 224. Long-Term Debt

## **Deferred Credits**

- 252. Advances for Construction
- 253. Other Deferred Credits

## **Contributions in Aid of Construction**

- 271. Contributions in Aid of Construction
- 272. Accumulated Amortization of Contributions in Aid of Construction

## **Surplus (Deficit)**

- 215. Unappropriated Surplus

## **Income Accounts**

### **Utility Revenues and Expenditures**

#### **Operating Revenues**

- Water: 460 through 474
- Sewer: 521 through 536

#### **Operating Expenses**

- Water: 600 through 695
- Sewer: 700 through 795

## **Water Operating Revenue Accounts**

### **Water Sales**

- 460. Unmetered Water Revenue
- 461. Metered Water Revenue
- 462. Fire Protection Revenue
  - 462.1 Public Fire Protection
  - 462.2 Private Fire Protection
- 464. Other Sales to Public Authorities
- 465. Sales to Irrigation Customers
  - 465.1 Metered Sales to Irrigation Customers
  - 465.2 Flat Rate Sales to Irrigation Customers

**Other Water Revenues**

- 470. Delayed Payment Charges
- 471. Miscellaneous Service Revenues
- 472. Rents from Water Property
- 473. Interdepartmental Rents
- 474. Other Water Revenues

**Water Operation and Maintenance Expense Accounts**

- 600. Salaries and Wages - Operational Employees
- 605. Materials and Supplies
- 610. Repairs and Maintenance
- 615. Rentals
  - 615.1 Building/Real Property
  - 615.2 Equipment
- 620. Power or Electricity
- 625. Chemicals
- 630. Water Testing and Analysis
- 650. Salaries and Wages - Administrative Employees
- 655. Employee Pensions and Benefits
- 660. Office Supplies and Other Office Expenses
- 661. Interest and Bank Service Charges
- 665. Contractual Services
  - 665.1 Engineering
  - 665.2 Accounting/Audit
  - 665.3 Legal
  - 665.4 Management Fees
  - 665.5 Other
- 670. Transportation Expenses
- 675. Insurance
  - 675.1 General Liability
  - 675.2 Vehicle
  - 675.3 Workman's Compensation
  - 675.4 Other
- 680. Amortization - Rate Case Expense
- 685. Regulatory Commission Fees
- 690. Miscellaneous Expenses
- 695. Bad Debt Expense

**Sewer Operating Revenue Accounts**

**Sewer Sales**

- 521. Flat Rate Revenues
  - 521.1 Residential Revenues
  - 521.2 Commercial Revenues
  - 521.3 Industrial Revenues
  - 521.4 Revenues from Public Authorities
  - 521.5 Multiple Family Dwelling Revenues
  - 521.6 Other Revenues

Rev. Mar 06

- 522. Measured Revenues
  - 522.1 Residential Revenues
  - 522.2 Commercial Revenues
  - 522.3 Industrial Revenues
  - 522.4 Revenues from Public Authorities
  - 522.5 Multiple Family Dwelling Revenues
  - 522.6 Other Revenues
- 523. Revenues from Public Authorities
- 525. Interdepartmental Revenues
- 530. Frontage Rates

**Other Sewer Revenues**

- 531. Sale of Sludge
- 532. Delayed Payment Charges
- 534. Rents from Sewer Property
- 536. Other Sewer Revenues

**Sewer Operation and Maintenance Expense Accounts**

- 700. Salaries and Wages - Operational Employees
- 705. Materials and Supplies
- 710. Repairs and Maintenance
- 715. Rentals
  - 715.1 Building/Real Property
  - 715.2 Equipment
- 720. Power or Electricity
- 725. Chemicals
- 750. Salaries and Wages - Administrative Employees
- 755. Employee Pensions and Benefits
- 760. Office Supplies and Other Office Expenses
- 761. Interest and Bank Service Charges
- 765. Contractual Services
  - 765.1 Engineering
  - 765.2 Accounting/Audit
  - 765.3 Legal
  - 765.4 Management Fees
  - 765.5 Other
- 770. Transportation Expenses
- 775. Insurance
  - 775.1 General Liability
  - 775.2 Vehicle
  - 775.3 Workman's Compensation
  - 775.4 Other
- 780. Amortization - Rate Case Expense
- 785. Regulatory Commission Fees
- 790. Miscellaneous Expenses
- 795. Bad Debt Expense



## **Other Expenditures**

### **Other Operating - Water**

- 802. Small Tools Written Off During the Year
- 803. Depreciation Expenses
- 804. Interest on Long-Term Debt
  - 804.1 Interest on Long-Term Debt
  - 804.2 Interest on Customer Deposits
  - 804.3 Interest - Other

### **Other Operating - Sewer**

- 902. Small Tools Written Off During the Year
- 903. Depreciation Expenses
- 904. Interest on Long-Term Debt
  - 904.1 Interest on Long-Term Debt
  - 904.2 Interest on Customer Deposits
  - 904.3 Interest - Other

### **Other Income and Deductions - Water**

- 813. Income from Utility Plant Leased to Others
- 814. Gains (Losses) from Disposition of Utility Property
- 815. Revenues from Merchandising, Jobbing and Contract Work
- 816. Costs and Expenses of Merchandising, Jobbing and Contract Work
- 819. Interest and Dividend Income
- 821. Nonutility Income
- 826. Miscellaneous Nonutility Expenses

### **Other Income and Deductions - Sewer**

- 913. Income from Utility Plant Leased to Others
- 914. Gains (Losses) from Disposition of Utility Property
- 915. Revenues from Merchandising, Jobbing and Contract Work
- 916. Costs and Expenses of Merchandising, Jobbing and Contract Work
- 919. Interest and Dividend Income
- 921. Nonutility Income
- 926. Miscellaneous Nonutility Expenses

## **Extraordinary Items**

- 950. Extraordinary Income
- 951. Extraordinary Deductions

## **Appendices**

Appendix A	IRAC Filing Reports
Appendix B	Annual Depreciation Rates
Appendix C	Model Town Financial Statements
Appendix D	Model Town IRAC Filing Reports

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## ***DEFINITIONS***

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When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.
2. "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.
3. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.
4. "Commission", unless otherwise indicated by the context, means the Island Regulatory and Appeals Commission.
5. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.
6. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a fair market value basis.
7. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.
8. "Debt expense" means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; fees for legal services; fees and commissions paid underwriters, brokers and salesmen or marketing such evidences of debt; and other like costs.
9. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.
10. "Fire main" means any main forming part of an integrated system used exclusively for fire protection purposes.

11. "Multiple family dwelling" means a residential structure or group of structures which is capable of separately housing more than one family unit.
12. "Net salvage value" means the salvage value of property retired less the cost of removal.
13. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to public service.
14. "Person" means an individual, a corporation, a partnership, an association, a business trust, or any organized group of persons whether incorporated or not, or any receiver or trustee.
15. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.
16. "Replacing" or "replacement", when not otherwise indicated in the context, means the construction or installation of utility plant in place of property retired, together with the removal of the property retired.
17. "Surplus (deficit)" means the accumulated net income (loss) of the utility less transfers to other capital accounts, and other adjustments.
18. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the original cost.
19. "Salvage value" means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.
20. "Service life" means the time between the date utility plant is includible in utility plant in service, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.
21. "Service value" means the difference between the original cost and the net salvage value of utility plant.
22. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be re-examined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.
23. "Supply main" means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers.

- 24. "Transmission and distribution main" means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers.
- 25. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

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## ***ACCOUNTING INSTRUCTIONS***

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1. General - Classification of Utilities

This system of accounts applies to all classes of utilities on Prince Edward Island.

2. General - Records

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

B. The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, reports, correspondence, memoranda, etc., which may be useful in developing the history of, or facts regarding, any transaction.

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by the Commission.

D. All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426 - Miscellaneous Nonutility Expenses.

E. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by the Commission.

3. General - Numbering System

A. The account numbering scheme used herein consists of a system of three digit numbers as follows:

101 - 186	Assets and Other Debits
215 - 272	Equity, Liabilities and Other Credits
301 - 349	Water Plant Accounts
351 - 399	Sewer Plant Accounts
460 - 474	Water Operating Revenue Accounts
521 - 536	Sewer Operating Revenue Accounts
600 - 695	Water Operation and Maintenance Expense Accounts
700 - 795	Sewer Operation and Maintenance Expense Accounts
802 - 804	Water Non Operation Expense Accounts
902 - 904	Sewer Non Operation Expense Accounts
813 - 826	Water Other Income and Deductions
913 - 926	Sewer Other Income and Deductions

B. The utility plant and operation and maintenance expense accounts are further subdivided using a suffix of one decimal place as explained in following instructions.

C. In certain instances, numbers have been skipped in order to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.

4. General - Accounting Period

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be so segregated monthly. Each utility shall close its books at the end of December each year unless otherwise authorized by the Commission.

5. General - Submittal of Questions

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

6. General - "Item" Lists

List of "items" appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. The lists are intended to be representative, but not exhaustive. The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion in as much as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

7. General - Extraordinary Items

It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in Accounting Instruction 8. Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the utility shall be considered extraordinary items. Commission approval must be obtained to treat an item as extraordinary. Such request must be accompanied by complete detailed information (see accounts 8 and 9).

8. General - Prior Period Items

A. All prior period adjustments to surplus shall be approved by the Commission. Generally the only type of transactions which will be considered as a prior period adjustment are:

- (1) correction of an error in the financial statements of a prior period; or
- (2) adoption of a uniform policy of depreciating fixed assets net of grants or the adoption of other uniform accounting policies prescribed by the Commission.

B. Prior period adjustments, when approved, shall be charged or credited to account 215 - Unappropriated Surplus, and are not considered in income of the period.

9. General - Estimated Items

Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, then the amount shall be estimated and such estimated amount included in the proper accounts. A complete description of the transactions shall accompany the financial statement. Utilities are not required to anticipate minor items which would not appreciably affect the accounts.



10. General - Allocation of Salaries and Expenses of Employees

Charges to utility plant or to a salaries expense account shall be based upon the actual time engaged in either plant construction or providing operational services. In the event actual time spent in the various activities is not available or practicable, salaries should be allocated upon the basis of a study of the time engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

11. General - Payroll Distribution

Underlying accounting data shall be maintained so that the distribution of the costs of labor charged to the various accounts will be available. The utility may utilize clearing accounts in its accounting process, however, the use of clearing accounts does not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

12. General - Operating Reserves

Additions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided, unless the permission of the Commission is first obtained.

13. General - Records for Each Plant

Separate records shall be maintained by utility plant accounts of the book cost of each plant owned including additions by the utility to plant leased from others and of the cost of operating and maintaining each plant owned or operated.

14. General - Accounting for Other Departments

If the utility also operates other utility departments, such as electric, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts separate in accordance with requirements of the Commission.

15. General - Contingent Assets and Liabilities

Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of material contingent assets and liabilities in its annual report and at such other times as may be requested by the Commission.

16. Utility Plant - To Be Recorded at Cost

A. All amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other utility plant shall be included in the accounts at the cost incurred by the utility except as otherwise provided in the texts of the intangible plant accounts. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (see Accounting Instruction 2D).

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a fair market value basis. In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish the Commission the particulars of its determination of the cash value of the consideration if other than cash.

C. When property is purchased under a plan involving deferred payments, no charge shall be made to the utility plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D. Utility plant accounts shall be charged with construction costs (estimated, if not known) of the utility plant contributed by others or constructed by the utility using contributed cash or its equivalent. For contributed utility plant, the accumulated depreciation or amortization account shall be charged with the estimated amount of depreciation or amortization applicable to the property at the time it was contributed to the utility. Account 271 - Contributions in Aid of Construction shall be credited with the net of the amounts charged to the plant and the accumulated depreciation or amortization accounts. For plant constructed using contributed cash or its equivalent, account 271 - Contributions in Aid of Construction shall be credited with the amount of the cash or its equivalent contribution.

17. Utility Plant - Components of Construction Cost

The cost of construction properly includible in the utility plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

(1) "Contract work" includes amounts paid for work performed under contract by companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.

(2) "Labor" includes the pay and expenses of employees of the utility engaged on construction work, and related workmen's compensation insurance, payroll taxes and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts nor the pay and expenses included in other items hereunder.

(3) "Materials and supplies" includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation, the related stores expenses, and the cost of fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused materials and supplies, for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies.

Note:--The cost of individual items of equipment of small value (for example, \$ 200.00 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefore is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

(4) "Transportation" includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to and from points of construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment (see item 5 following).

(5) "Special machine service" includes the cost of labor, materials, supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies (see item 3, above). When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.

(6) "Shop service" includes the proportion of the expense of the utility's shop department assignable to construction work except that the cost of fabricated materials from the utility's shop shall be included in "materials and supplies."

(7) "Protection" includes the cost of protecting the utility's property from fire or other casualties and the cost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and others for fire protection, and other analogous items of expenditures in connection with construction work.

(8) "Injuries and damages" includes expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others; also the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries to persons incident to construction shall be credited to the account or accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of damages.

(9) "Privileges and permits" includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents.

(10) "Rents" includes amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly includible in construction costs for such facilities jointly used.

(11) "Engineering and supervision" includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.

(12) "Engineering services" includes amounts paid to other companies, firms or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.

(13) "Insurance" includes premiums paid or amounts provided or reserved as self-insurance for the protection against loss and damages in connection with construction, by fire or other casualty, injuries to or death of persons other than employees, damages to property of others, defalcations of employees and agents, and the non-performance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as "labor" in item 2, above.

(14) "Legal expenditures" includes the general legal expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than legal expenses included in protection, item 7, and in injuries and damages, item 8.

(15) "Taxes" includes taxes on physical property (including land) during the period of construction and other taxes properly includible in construction costs before the facilities become available for service.

(16) "Allowance for funds used during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. No allowance for funds used during construction shall be included in these accounts upon expenditures for construction projects which have been abandoned.

Note:--When only a part of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Plant in Service" and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 16, above.

(17) "Earnings and expenses during construction." The earnings and expenses during construction shall constitute a component of construction costs.

(a) The earnings shall include revenues received or earned for services produced by plants during the construction period and sold or used by the utility. Where water is sold to an independent purchaser before intermingling with water from other plants, the credit shall consist of the selling price of the water. Where the water from a plant under construction is

delivered to the utility's water system for distribution and sale, or is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the water so delivered. The revenues shall also include rentals for lands, buildings, etc., and miscellaneous receipts not properly includible in other accounts.

(b) The expenses shall consist of the cost of operating the plant, and other costs incident to the production and delivery of the services for which construction is credited under paragraph (a), above, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includible in other accounts.

18. Utility Plant - Overhead Construction Costs

A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by persons other than the accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so that each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

C. The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the basis of distribution of such costs.

19. Utility Plant - Purchased or Sold

A. When utility plant constituting an operating unit or system is acquired by purchase or otherwise, the costs of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 104 - Utility Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 104 - Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and to account 102 - Utility Plant Leased to Others and account 103 - Property Held for Future Use, and account 105 - Construction Work in Progress, as appropriate.

(2) The requirements for accumulated depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (see Paragraph C), shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated depreciation or amortization.

(3) The cost to the utility of any property includible in account 121 - Nonutility Property, shall be transferred thereto.

(4) The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to account 271 - Contributions in Aid of Construction.

(5) The amount of accumulated amortization applicable to contributed property, and which the purchaser may be required to record, shall be credited to account 104 - Utility Plant Purchased or Sold and concurrently debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction, according to the regulatory treatment of the Commission.

(6) The amount remaining in account 104 - Utility Plant Purchased or Sold, shall then be closed to account 114 - Utility Plant Acquisition Adjustments.

C. If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as a part of the purchase price of the property.

D. When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of utility plant, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114 - Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated depreciation and amortization and in account 252 - Advances for Construction, and account 271 - Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 104 - Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 814/914 - Gains (Losses) from Disposition of Utility Property (see account 104 - Utility Plant Purchased or Sold).

Note:--In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.



20. Utility Plant - Accounting for Capital and Operating Leases

A. For each lease entered into, the utility shall maintain sufficient documents and other background information as necessary to determine whether the lease is a capital or operating lease. This information includes but is not limited to:

- (1) Evidence or documents of ownership;
- (2) Signed copies of the lease agreement;
- (3) Estimated life of the leased property;
- (4) Evidence as to the value of the leased property;
- (5) Evidence as to the lessor's implicit interest rate (if available);
- (6) Evidence as to the lessee's borrowing rate; and
- (7) The amount and disposition of executory costs (taxes, maintenance and insurance).

B. Leases shall be accounted for by the utility as described in the CICA Handbook; however, the Commission may elect to approve the entries made to the utilities' accounts in recording the effect of utility leases.

C. Capitalized leases shall be recorded in the appropriate plant in service account(s) which describe the type of asset leased. These records shall be maintained in sufficient detail such that the utility will be able to report the number, general nature, and residual balances of all capitalized leased assets as well as any related leasehold amortization balances and the balance of any leasehold obligations.

21. Utility Plant - Expenditures on Leased Property

A. The cost of substantial initial improvements (including repairs, rearrangements, additions and betterments) made in the course of preparing for utility property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 803/903 - Depreciation Expenses. However, if the service life is not terminated by action of the lease, but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

B. If improvements made to property leased for a period of more than one year are of relatively minor cost, or if the lease is for a period of not more than one year, the cost of the improvements shall be charged to the account in which the rent is included either directly or by amortization thereof.

22. Utility Plant - Land and Land Rights

A. The accounts for land and land rights include the cost of land owned by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way and other like interests in land. Do not include in the accounts for land, land rights and rights of way costs incurred in connection with first clearing and grading of land and rights of way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

B. Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest account. If any part of the cost of public improvements is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

C. Separate entries shall be made for the acquisition, transfer or retirement of each parcel of land, and each land right (except rights of way for distribution lines), or water and sewer rights, having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, and book and page of record. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition.

D. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 814/914 - Gains (Losses) from Disposition of Utility Property, unless a reserve therefore has been authorized and provided or, unless otherwise authorized or required by the Commission. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

E. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of any interest in land, such interest extends to buildings or other improvements (other than public improvements), which are then devoted to water or sewer operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

F. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

G. Provision shall be made for amortizing amounts carried in the accounts for limited term interests in land so as to apportion equitably the cost of each interest over the life thereof (see account 108.1 - Accumulated Depreciation of Utility Plant in Service, and account 803/903 - Depreciation Expenses).

23. Utility Plant - Structures and Improvements

A. The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also includes those costs incurred in connection with the first clearing and grading of land and rights of way, and the damage costs associated with construction and installation of plant.

B. The cost of specially provided foundations not intended to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of any item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

C. Minor buildings and structures, such as valve towers, telephone stations, etc., which are used directly in connection with or form a part of a reservoir, dam, waterway, etc., shall be considered a part of that facility constructed or operated and the cost thereof accounted for accordingly.

D. Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate plant account, and no part to the building account.

E. Where the structure of a dam forms also the foundation of a building, such foundation shall be considered a part of the dam.

F. The cost of disposing of materials excavated in connection with construction of structures shall be considered as a part of the cost of such work, except as follows: (a) When such material is used for filling, the cost of loading, hauling and dumping shall be equitably apportioned between the work in connection with which the removal occurs and work in connection with which the material is used; (b) When such material is sold, the net amount realized from such sales shall be credited to the work in connection with which the removal occurs. If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess shall be credited to the land account in which the site is carried.

G. Lighting or other fixtures temporarily attached to building for purposes of display or demonstration shall not be included in the cost of the building, but in the appropriate equipment account.

24. Utility Plant - Equipment

A. The cost of equipment chargeable to the utility plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate. Also include those costs incurred in connection with the first clearing and grading of land and rights of way and the damage costs associated with construction and installation of plant.

B. Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have relatively small value (for example \$ 200.00 or less) or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as pumping, transmission and distribution, etc., or in "stores," shall be charged to the plant account appropriate for their use.

C. The equipment accounts shall include angle irons and similar items which are installed at the base of an item of equipment, but piers and foundations which are designed to be as permanent as the buildings which house the equipment, or which are constructed as a part of the buildings and which cannot be removed without cutting into the walls, ceilings or floors or without in some way impairing the building, shall be included in the building accounts.

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement or contract of purchase, may be charged to the appropriate utility plant account.

25. Utility Plant - Additions and Retirements

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof or as may be prescribed by the Commission, with the option, however, of using smaller units, provided the utility's practice in this respect is consistent.

B. The addition and retirement of retirement units shall be accounted for as follows:

- (1) When a retirement unit is added to the utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in Instruction 20.
- (2) When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted for as follows:

- (1) When a minor item of property which did not previously exist is added to plant and a substantial addition results, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, otherwise the charge shall be to the appropriate maintenance expense account.
- (2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the utility plant account in which it is included; and, in the event the minor item is a part of a depreciable plant, the account for accumulated depreciation shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for when such unit is retired, no separate credit to the property account is required.
- (3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance expense account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility plant account.

D. The book cost of the utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 814/914 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

F. The book cost less net salvage of depreciable utility plant retired shall be charged in its entirety to account 108.1 - Accumulated Depreciation of Utility Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182 - Extraordinary Property Losses, shall be credited to account 108.1 - Accumulated Depreciation of Utility Plant in Service.

G. In some instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

26. Utility Plant

Each utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements are classified so as to show the number and the cost of the various retirement units or other appropriate record units included therein.

27. Utility Plant - Transfers of Property

A. When property is transferred from one utility plant account to another, from one utility department to another, such as from water to sewer, from one operating division or area to another, to or from accounts 101 - Utility Plant in Service, 102 - Utility Plant Leased to Others and 103 - Property Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

B. When depreciable property is transferred from the utility plant accounts to account 121 - Nonutility Property, the transfer shall be accomplished by crediting the utility plant accounts and charging the accumulated depreciation with the book cost of the item transferred; the accumulated depreciation shall then be credited and account 121 - Nonutility Property, concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to the accumulated depreciation to adjust the estimated salvage to the amount actually realized.

28. Utility Plant - Multiple Use

Land, rights of way and structures used jointly for several functions, such as supply, and transmission and distribution purposes, shall be classified according to the major use thereof.

29. Operating Income - Depreciation Expense

A. Depreciation charges shall be computed using the straight-line remaining life method (see definition 22). Composite depreciation rates (see definition 5) may be used with prior Commission approval.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. Amortization of Contributions in Aid of Construction (CIAC), if recognized by the Commission, shall be credited to account 803/903 - Depreciation Expense. The concurrent debit is to account 272 - Accumulated Amortization of CIAC. The resulting balance in the depreciation expense account will be net of CIAC amortization. CIAC shall be amortized over a period equal to the estimated service life of the related contributed asset. A group composite or overall composite rate, which ever is applicable, may be used for CIAC that cannot be directly related to a particular plant asset.

30. Operating Income - Accrual Accounting

During the accounting period, certain amounts may have been earned although collection is not to be made until the subsequent period, and certain expenses may have been incurred, although payment is not to be made until a subsequent period. At the end of the accounting period the revenues and expenses shall be recognized by charging the appropriate expense account and corresponding liability or receivable account.

A reversing entry will be necessary at the beginning of the subsequent period.



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## EXAMPLES

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The following examples show how various transactions are recorded.

**Situation:**

A water utility purchases a piece of depreciable pumping equipment. The purchase is for \$10,000.00 and is financed by a \$6,000.00 bank loan to be repaid over five years at 8% interest and receipt of a \$4,000.00 government grant. The monthly loan payments are \$121.66 interest and principal combined for five years.

	<u>Dr</u>	<u>Cr</u>
a) To record advance of bank loan and government grant:		
Revenue Fund		
131.3 Bank	10,000	
181.1 Interfund Account		10,000
Capital Fund		
181.2 Interfund Account	10,000	
224 Long-Term Debt		6,000
271 Contributions in Aid of Construction		4,000
b) To record purchase of pumping equipment:		
Revenue Fund		
181.1 Interfund Account	10,000	
131.3 Bank		10,000
Capital Fund		
311 Pumping Equipment	10,000	
181.2 Interfund Account		10,000
c) At the end of fiscal year, the utility records the annual depreciation entry as follows: The asset has a service life of five years with no residual value after its service life. The annual depreciation charge is \$ 2,000.00.		
Revenue Fund		
803 Depreciation Expense	2,000	
181.1 Interfund Account		2,000

	<u>Dr</u>	<u>Cr</u>
Capital Fund		
181.2 Interfund Account	2,000	
349 Accumulated Depreciation		2,000
d) At the end of fiscal year, the utility records the annual amortization of contributions in aid of construction (i.e. government grant). This amount is being amortized consistent with the related asset depreciation (i.e. over five years' service life). The annual amortization is \$ 800.00.		
Revenue Fund		
803 Depreciation Expense		800
181.1 Interfund Account	800	
Capital Fund		
181.2 Interfund Account		800
272 Accumulated Amortization of Contributions in Aid of Construction	800	
e) The utility records the monthly bank loan payments as follows:		
Revenue Fund		
804 Interest on Long-Term Debt	40.00	
181.1 Interfund Account	81.66	
131.3 Bank		121.66
Capital Fund		
224 Long-Term Debt	81.66	
181.2 Interfund Account		81.66
f) The Utility purchases a miscellaneous item of small tools for \$125.00. The entry to record this purchase is as follows:		
Revenue Fund		
402 Small Tools Written-Off During Year	125	
131.3 Bank		125

Note: At the end of each fiscal year the Interfund Accounts between Revenue Fund and Capital Fund must reconcile.

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## ***BALANCE SHEET ACCOUNTS***

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### **ASSETS**

#### **Current and Accrued Assets**

Current and accrued assets are cash, those assets which are readily convertible into cash or are held for current use in operations or construction, current claims against others, payment of which is reasonably assured, and amounts accruing to the utility which are subject to current settlement, except such items for which accounts other than those designated as current and accrued assets are provided.

There shall not be included in the group of accounts designated as current and accrued assets any item, the amount of collectability of which is not reasonably assured, unless an adequate provision for possible loss has been made therefor. Items of current character but of doubtful value may be written down and for record purposes carried in these accounts at nominal value.

#### 131. Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

B. The following subaccounts shall be maintained:

131.1 Cash on Hand

131.2 Petty Cash

131.3 Bank

#### 132. Special Deposits

This account shall include special deposits with fiscal agents or others for the payment of interest.

#### 133. Other Special Deposits

This account shall include deposits with fiscal agents or others for purposes other than the payment of interest. Such deposits may include cash deposited with federal, provincial or municipal authorities as a guaranty for the fulfillment of obligations; cash deposited with trustees to be held until mortgaged property is sold, destroyed, or otherwise disposed of is replaced; cash realized from the sale of the accounting utility's securities and deposited with trustees to be held until invested in property of the utility. Entries to this account shall specify the purpose for which the deposit is made.

135. Temporary Cash Investments

A. This account shall include the book cost of investments, such as demand and time loans, bankers' acceptances, marketable securities, certificates of deposit, and other similar investments, acquired for the purpose of temporarily investing cash.

B. This account shall be so maintained as to show separately temporary cash investments in securities of associated parties and of others. Records shall be kept of any pledged investments.

141. Customer Accounts Receivable

A. This account shall include amounts due from customers for utility service. This account shall not include amounts due from associated parties.

B. This account shall be maintained so as to show separately amounts due from each type of utility service.

142. Other Accounts Receivable

A. This account shall include amounts due the utility upon open accounts, plus merchandising, jobbing and contract work, other than amounts due from associated parties and from customers for utility services.

B. This account shall be maintained so as to show separately amounts due from officers and employees, but the amount shall not include amounts advanced to officers or others as Petty Cash funds (see account 134 - Petty Cash).

143. Accumulated Provision for Uncollectible Accounts--Cr

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to accounts 695/795 - Bad Debt Expense for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

Utility Customers

Merchandising, Jobbing and Contract Work

Officers and Employees

Other

Note A:--Additions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

Note B:--If provisions for uncollectible notes receivable or for uncollectible receivables from associated parties are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

144. Notes Receivable

This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated parties (See account 135 - Temporary Cash Investments, and account 146 - Notes Receivable from Associated Parties).

Note:--The face amount of notes receivable discounted, sold or transferred, without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

145. Accounts Receivable from Associated Parties

See account 146.

146. Notes Receivable from Associated Parties

These accounts shall include notes and drafts upon which associated parties are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated parties.

Note A:--On the balance sheet, accounts receivable from an associated party may be set off against accounts payable to the same party.

Note B:--The face amount of notes receivable discounted, sold or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transaction.

151. Plant Materials and Supplies

A. This account shall include the cost of fuel on hand and materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such as materials being credited to construction maintenance or accumulated depreciation, respectively, and included herein as follows:

- (1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.
- (2) Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting, shall be included in this account at current prices for such items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.
- (3) Scrap and nonusable materials included in this account shall be carried at the estimated net amount realizable therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account.

B. Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

Items

- (1) Invoice price of materials less cash or other discounts.
- (2) Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
- (3) Customs, duties and excise taxes.
- (4) Costs of inspection and special tests prior to acceptance.
- (5) Insurance and other directly assignable charges.

C. If the utility desires to maintain a separate account for fuel, it should be handled as a separate subaccount of this account.

152. Materials Inventory

This account shall include the book cost of materials and supplies held primarily for merchandising, jobbing and contract work. The principles prescribed in accounting for utility materials and supplies shall be observed in respect to items carried in this account.

153. Other Materials and Supplies

This account shall include the book cost of materials and supplies held primarily for nonutility purposes. The principles prescribed in accounting for utility materials and supplies shall be observed in respect to items carried in this account.

162. Prepayments/Prepaid Expenses

A. This account shall include the amounts representing prepayments of insurance, rents, interest and miscellaneous items and shall be kept or supported in such manner as to disclose the amount of each class of prepayment.

B. This account shall include the amounts of taxes paid in advance of the period in which they are chargeable to income, except amounts chargeable to plant under construction and minor amounts which may be charged direct to the final accounts. As the term expires for which the taxes are paid, this account shall be credited at monthly intervals and the appropriate account charged.

171. Accrued Interest and Dividends Receivable

This account shall include the amount of interest on bonds, mortgages, notes, commercial paper, loans, open accounts, deposits, etc., the payment of which is reasonably assured and the amount of dividends declared or guaranteed on stocks owned.

Note A:--Interest which is not subject to current settlement shall not be included herein but in the account in which is carried the principal on which the interest is accrued.

Note B:--Interest and dividends receivable from associated parties shall be included in account 145 - Accounts Receivable from Associated Parties.

172. Rents Receivable

This account shall include rents receivable or accrued on property rented or leased by the utility to others.

Note:--Rents receivable from associated parties shall be included in account 145 - Accounts Receivable from Associated Parties.

173. Accrued Utility Revenues

At the option of the utility, with approval of the Commission, the estimated amount accrued for service rendered, but not billed at the end of any accounting period, may be included herein. In case accruals are made for unbilled revenues, they shall be made likewise for unbilled expenses, such as for the purchase of energy.

174. Miscellaneous Current and Accrued Assets

This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.



## **Fixed Assets**

### 101. Utility Plant in Service

- A. This account is the control account for plant accounts 301 through 349 and 351 through 399.
- B. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expected life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department and/or division.
- C. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property (See Accounting Instruction 21).

### 102. Utility Plant Leased to Others

- A. This account shall include the original cost of utility plant owned by the utility, but leased to others as operating units or systems, where the lessee has exclusive possession.
- B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

### 103. Property Held for Future Use

- A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.

B. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall notify the Commission of such condition and request approval of journal entries to remove such property from this account.

C. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 814/914 - Gains (Losses) from Disposition of Utility Property. However, when determined to be significant by the Commission the gain or loss shall be transferred to account 253 - Other Deferred Credits, or account 186 - Miscellaneous Deferred Debits. Such deferred amounts shall then be amortized to account 814/914 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

D. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

Note:--Materials and supplies, and meters held in reserve, and normal spare capacity of plant in service shall not be included in this account.

104. Utility Plant Purchased or Sold

A. This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with Accounting Instruction 20.

B. Within six months from the date of acquisition or transfer of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

C. When an existing water system or operating unit is acquired the utility shall be obligated to obtain, from the party acquired from, all existing records, including records of plant construction dates and costs, and records of accumulated depreciation applicable to such properties.

105. Construction Work in Progress

- A. This account shall include the total of the balances of work orders for utility plant in process of construction but not ready for service at the date of the balance sheet.
- B. Work orders shall be cleared from this account as soon as practicable after completion of the job. Further, if a project, such as pumping station or treatment plant, is designed to consist of two or more units which may be placed in service at different dates, any expenditures which are common to and which will be used in the operation of the project as a whole shall be included in utility plant in service upon the completion and the readiness for service of the first unit. Any expenditures which are identified exclusively with units of property not yet in service shall be included in this account.
- C. Expenditures on research and development projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research and development project together with the related costs.

106. Completed Construction Not Classified

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for utility plant which have been completed and placed in service but which work orders have not been classified for transfer to the detailed utility plant accounts.

Note:--For the purpose of reporting to the Commission, the classification of utility plant in service by accounts is required. The utility shall also report the balance in this account tentatively classified as accurately as practicable according to prescribed account classifications. The purpose of this provision is to avoid any significant omissions in reported amounts of utility plant in service.

108. Accumulated Depreciation

- A. This account shall reflect the depreciation accumulated on plant used in utility service.
- B. The utility shall maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.
- C. The following subaccounts shall be maintained:

108.1 Accumulated Depreciation of Utility Plant in Service

A. This account shall be credited with the following:

(1) Amounts charged to account 803/903 - Depreciation Expense, to account 816/916 - Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for current depreciation expense (excludes contributed plant).

(2) Amounts of depreciation applicable to utility properties acquired as operating units or systems (See Accounting Instruction 20).

(3) Amounts charged to account 182 - Extraordinary Property Losses, when authorized by the Commission

(4) Amounts equal to those concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction, if such amortization is recognized by the Commission.

Note:--See Accounting Instruction 8 regarding adjustments for past accrued depreciation.

B. At the time of retirement of depreciable utility plant in service, this account shall be charged with the book cost of the property retired plus the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirement, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate sub-account hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in the following paragraph.

C. When transfers of plant are made from one utility plant account to another, or from or to another utility department, or from or to nonutility property, the accounting for the related accumulated depreciation shall be as provided in Accounting Instruction 27.

D. The utility is restricted in its use of this accumulated depreciation account to the purposes set forth above. It shall not divert any portion of this account or make any other use thereof without authorization by the Commission.

108.2 Accumulated Depreciation of Utility Plant Leased to Others

A. This account shall be credited with amounts charged to account 813/913 - Income from Utility Plant Leased to Others, for current depreciation expense of property included in account 102 - Utility Plant Leased to Others. Include, also, credits for depreciation applicable to leased plant acquired as operating units or systems, to leased plant donated to the utility or for losses transferred to account 182 - Extraordinary Property Losses.

B. The requirements of account 108.1 - Accumulated Depreciation of Utility Plant in Service, regarding retirements chargeable thereto and of subsidiary data to be maintained shall be applicable likewise to this account.

108.3 Accumulated Depreciation of Property Held for Future Use

This account shall be credited with amounts charged to account 826/926 - Miscellaneous Nonutility Expenses, for depreciation expense on property included in account 103 - Property Held for Future Use. Include, also, the balance of accumulated depreciation on property which may be transferred to account 103 - Property Held for Future Use, from other property accounts.

Note:--Normally, this account will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in utility plant in service. However, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 826/926 - Miscellaneous Nonutility Expenses.

114. Utility Plant Acquisition Adjustments

A. This account shall include the difference between (a) the cost to the accounting utility of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and (b) the original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated depreciation, accumulated amortization and contributions in aid of construction with respect to such property.

B. This account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others (see Accounting Instruction 20).

C. The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

115. Accumulated Depreciation of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 826/926 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

116. Other Utility Plant Adjustments

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of utility plant to the extent that such difference is not properly includible in account 114 - Utility Plant Acquisition Adjustments (see Accounting Instruction 16B).

B. Amounts included in this account shall be classified in such manner as to show the origin of each amount and shall be disposed of as the Commission may approve or direct.

Note:--The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of utility plant.

## **OVERVIEW - WATER UTILITY PLANT ACCOUNTS**

- 301. Organization
- 303. Land and Land Rights
- 304. Structures and Improvements
- 305. Collecting and Impounding Reservoirs
- 306. Lake, River and Other Intakes
- 307. Wells and Springs
- 308. Infiltration Galleries and Tunnels
- 309. Supply Mains
- 310. Power Generation Equipment
- 311. Pumping Equipment
- 320. Water Treatment Equipment
- 330. Distribution Reservoirs and Standpipes
- 331. Transmission and Distribution Mains
- 333. Services
- 334. Meters and Meter Installations
- 335. Hydrants
- 339. Other Plant and Miscellaneous Equipment
- 340. Office Furniture and Equipment
- 341. Transportation Equipment
- 342. Stores Equipment
- 343. Tools, Shop and Garage Equipment
- 344. Laboratory Equipment
- 345. Power Operated Equipment
- 346. Communication Equipment
- 347. Miscellaneous Equipment
- 348. Other Tangible Plant
- 349. Accumulated Depreciation

## **Water Utility Plant Accounts**

The water utility plant accounts have been designed utilizing an account matrix. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccounts. The instructions for segregating the object accounts to the function subaccounts are contained in Accounting Instruction 31. Listed below are the object account descriptions.

### 301. Organization

This account shall include all fees paid to federal or provincial governments for the privilege of organization and expenditures incident to organizing the utility and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for organization.
3. Office expenses incident to organizing the utility.
4. Minute books and seal.

Note A:--This account shall not include any discounts upon securities issued or assumed; nor shall it include any costs incident to negotiating loans or selling bonds or other evidences of debt.

Note B:--Exclude from this account and include in the appropriate expense account the cost of preparing and filing papers in connection with the extension of the term of organization unless the first organization costs have been written off.

### 303. Land and Land Rights

This account shall include the cost of land and land rights used in connection with source of supply, pumping, water treatment plant, transmission and distribution, and general plant operations (see Accounting Instruction 23). A sample of items to be included in this account are listed below:

1. Bulkheads buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
3. Condemnation proceedings, including court and counsel costs.
4. Consents and abutting damages, payment for.
5. Conveyancers' and notaries' fees.



6. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
7. Leases, cost of voiding upon purchase to secure possession of land.
8. Removing, relocating, or reconstructing property of others, such as buildings, highways, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession.
9. Retaining walls unless identified with structures.
10. Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements.
11. Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land.
12. Taxes assumed, accrued to date of transfer of title.
13. Title, examining, clearing, insuring and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
14. Appraisals prior to closing title.
15. Cost of dealing with distributees or legatees residing outside of the province or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of provincial tax.
16. Filing satisfaction of mortgage.
17. Documentary stamps.
18. Photographs of property at acquisition.
19. Fees and expenses incurred in the acquisition of water rights, and grants.
20. Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
21. Sidewalks and curbs constructed by the utility on public property.
22. Labor and expenses in connection with securing rights of way, where performed by utility employees and agents.

304. Structures and Improvements

This account shall include cost in place of structures and improvements used in connection with source of supply, pumping, water treatment, transmission and distribution and general plant (see Accounting Instruction 24). A sample of items to be included in this account are listed below:

1. Architects' plans and specifications including supervision.
2. Boilers, furnaces, piping, wiring, fixtures and machinery for heating, lighting, signaling, ventilating and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
3. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
4. Commissions and fees to brokers, agents, architects and others.
5. Conduit (not to be removed) with its contents.
6. Damages to abutting property during construction.
7. Drainage systems.
8. Elevators, cranes, hoists, etc., and the machinery for operating them.
9. Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundations, pumping water from cofferdam during construction, test borings.
10. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account).
11. Fire protection systems when forming a part of a structure.
12. Flagpole.
13. Floor covering (permanently attached).
14. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
15. Grading and clearing when directly occasioned by the building of a structure.
16. Intrasite communication system, poles, pole fixtures, wires and cables.
17. Landscaping, lawns, shrubbery, etc.
18. Leases, voiding upon purchase, to secure possession of structures.
19. Leased property, expenditures on.
20. Lighting fixtures and outside lighting systems.
21. Marquee, permanently attached to building.
22. Painting, first cost.
23. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
24. Partitions, including movable.
25. Permits and privileges.
26. Water and sewer systems, for general use.
27. Power boards for services to a building.
28. Retaining walls except when identified with land.
29. Roadways.
30. Roofs.
31. Scales, connected to and forming a part of a structure.
32. Sidewalks, culverts, curbs and streets constructed by the utility on its property.

33. Sprinkling systems.
34. Sump pumps and pits.
35. Stacks--brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
36. Steel inspection during construction.
37. Storage facilities constituting a part of a building.
38. Storm doors and windows.
39. Tanks, constructed as part of a building or as distinct structural units.
40. Temporary heating during construction (net cost).
41. Temporary water connection during construction (net cost).
42. Temporary shanties and other facilities used during construction (net cost).
43. Topographical maps.
44. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates and those constructed to house mains.
45. Vaults constructed as part of a building.
46. Watchmen's sheds and clock systems (net cost when used during construction only).
47. Water basins or reservoirs.
48. Water front improvements.
49. Water supply piping, hydrants and wells.
50. Water meters and supply system for a building or for general company purposes.
51. Yard surfacing, gravel, concrete, or oil (first cost only).
52. Plant metering.

305. Collecting and Impounding Reservoirs

This account shall include the cost in place of structures and improvements used for impounding, collecting and storing water in the source of supply system. A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of collecting and impounding reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Drainage conduits.
6. Embankments.
7. Fish ladders and elevators.
8. Fences.
9. Gate houses and equipment.
10. Landscaping.

11. Lighting systems.
12. Retaining walls.
13. Roads and paths.
14. Sewers.
15. Spillways and channels.
16. Any other permanent improvement to collecting and impounding reservoirs.

306. Lake, River and Other Intakes

This account shall include the cost installed of lake, river and other intakes used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Conduits.
3. Cribs.
4. Fences.
5. Gate houses and equipment.
6. Intake pipes (up to suction header).
7. Intake wells.
8. Lighting systems.
9. Screens and racks.

307. Wells and Springs

This account shall include the cost installed of wells and springs used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Collecting basins.
3. Collecting pipes.
4. Fences.
5. Landscaping.
6. Lighting systems.
7. Overflow spillways and channels.
8. Sewers.
9. Springs and appurtenances.
10. Wells, casings and appurtenances, including cost of test wells and nonproductive wells drilled as part of a project resulting in a source of water within the same supply area.

308. Infiltration Galleries and Tunnels

This account shall include the cost installed of infiltration galleries and tunnels used as a source of water supply. A sample of items to be included in this account are listed below:

1. Conduits.
2. Gate houses and equipment.
3. Piping.

309. Supply Mains

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Canals.
5. Electrolysis control equipment.
6. Manholes.
7. Municipal inspection or permits.
8. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
9. Pipes, aqueducts or conduits.
10. Placing mains and accessories.
11. Special castings.
12. Sterilizing new mains.
13. Surge tanks.
14. Trenching, including shoring, bracing, bridging, pumping, backfill and disposal of excess excavated material.
15. Tunnels.
16. Valves, valve vaults and appurtenances.

310. Power Generation Equipment

A. This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

B. Subaccounts shall be maintained hereunder for the cost of equipment used for each type of power generating equipment.

311. Pumping Equipment

This account shall include the cost of pumping equipment driven by electric power, diesel engines, steam engines and hydraulic water wheels and turbines. A sample of items to be included in this account are listed below:

1. Engines, motors, water wheels and turbines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
5. Oil supply lines and accessories.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.

320. Water Treatment Equipment

This account shall include the cost installed of apparatus, equipment and other facilities used for the treatment of water. A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of the water treatment plant).
2. Chemical treating plant.
3. Clear water basin.
4. Filter plant.
5. Mixing chambers.
6. Sedimentation or coagulation basin.
7. Softening plant.

Note:--Protecting superstructures shall be included in account 304 - Structures and Improvements.

330. Distribution Reservoirs and Standpipes

This account shall include the cost in place of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution (see Accounting Instruction 24). A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of distribution reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Embankments.
6. Fences.
7. Foundations.
8. Gates and gate houses.
9. Landscaping.
10. Lighting systems.
11. Piping system within reservoirs.
12. Retaining walls.
13. Roads and paths.
14. Rust-proofing apparatus.
15. Sewer drain or storm sewer.
16. Spillways and channels.
17. Standpipes.
18. Tanks.
19. Towers.
20. Valves.

331. Transmission and Distribution Mains

A. This account shall include the cost installed of transmission and distribution mains and appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Electrolysis control equipment.
5. Gauges and recorders.
6. Jointing and jointing material.
7. Manholes.
8. Meters and appurtenances.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes.
12. Fire mains.

B. Records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

333. Services

A. This account shall include the cost installed of service pipes and accessories leading to the customers' premises.

B. A complete service begins with the connection on the main and extends to but does not include the connection with the customer's meter. A stub service extends from the main to the property line, or the curb stop (curb stop cock).

C. Services which have been used but have become inactive shall be retired from utility plant in service immediately if there is no prospect for reuse, and, in any event, shall be retired by the end of the second year following that during which the service became inactive unless reused in the interim.

Items

1. Stops or tees.
2. Gate valves and boxes.
3. Goose necks.
4. Jointing and jointing material.
5. Municipal inspection or permits.
6. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
7. Pipes.
8. Placing pipes and accessories.
9. Protection of street openings.
10. Service or curb boxes.
11. Service or curb stops (curb stop cocks).
12. Tapping main.
13. Tapping saddle.

Note:--When a customer pays all or a part of the cost of the service and such cost is properly includible in this account, the amount borne or contributed by the customer shall be credited to account 271 - Contributions in Aid of Construction.



334. Meters and Meter Installations

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.

B. When a meter and/or meter installation is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.

D. A sample of items to be included in this account are listed below:

1. Meters, including badging and initial testing.
2. Remote meter registers.
3. Installation labor (first installation only).
4. Meter coupling.
5. Meter bars.
6. Meter yokes.
7. Meter fittings, connections and shelves.
8. Meter vaults or boxes.
9. Stops.

Note A:--This account shall not include meters for recording the output of a supply or treatment plant, or those located on mains. It includes only those meters to record water delivered to customers, including utility use and for those used elsewhere in the system if a type available for general use.

Note B:--The utility shall maintain a statistical record to show separately the number of each type and size of meter or group of types and sizes as carried in the continuing property record. Underlying records shall be kept so that the utility can determine readily for each such classification the number of utility-owned meters in service (subdivided between active and inactive) and the number of meters carried herein but not in service, the latter to include meters undergoing repairs; and the number of meters in service owned by customers.

Note C:--When a customer pays all or a part of the cost of the meter and such cost is properly includible in this account, the amount borne or contributed by the customer shall be credited to account 271 - Contributions in Aid of Construction.

335. Hydrants

A. This account shall include the cost installed of hydrants in service owned by the utility. A sample of items to be included in this account are listed below:

1. Connections to main.
2. Excavation, backfill, and disposal of excess excavated material.
3. Hydrants and fittings, including barrel and shoe.
4. Manholes.
5. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
6. Pipe including leads and drains.
7. Tee at main.
8. Valves and valve boxes.

339. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, source of supply and pumping, water treatment and transmission and distribution plant not provided for in the foregoing accounts.

340. Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis. A sample of items to be included in this account are listed below:

1. Book cases and shelves.
2. Desks, chairs, and desk equipment.
3. Drafting room equipment.
4. Electronic data processing equipment.
5. Filing, storage and other cabinets.
6. Floor covering.
7. Library and library equipment.
8. Mechanical office equipment such as accounting machines, typewriters, etc.

9. Safes.
10. Tables.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

341. Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes. A sample of items to be included in this account are listed below:

1. Airplanes.
2. Automobiles.
3. Bicycles.
4. Electrical vehicles.
5. Motor trucks.
6. Motorcycles.
7. Repair cars or trucks.
8. Tractors and trailers.
9. Other transportation vehicles.

342. Stores Equipment

A. This account shall include the cost of equipment used for the receiving, shipping, handling and storage of materials and supplies.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location. A sample of items to be included in this account are listed below:

1. Chain falls.
2. Counters.
3. Cranes (portable).
4. Elevating and stacking equipment (portable).
5. Hoists.
6. Lockers.
7. Scales.
8. Shelving.
9. Storage bins.

10. Trucks, hand and power driven.
11. Wheelbarrows.

343. Tools, Shop and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts. A sample of items to be included in this account are listed below:

1. Air compressors.
2. Anvils.
3. Automobile repair shop equipment.
4. Battery charging equipment.
5. Belts, shafts and countershafts.
6. Boilers.
7. Cable pulling equipment.
8. Concrete mixers.
9. Drill presses.
10. Derricks.
11. Electric equipment.
12. Engines.
13. Forges.
14. Furnaces.
15. Foundations and settings specially constructed for and not expected to outlast the equipment for which provided.
16. Gas producers.
17. Gasoline pumps, oil pumps and storage tanks.
18. Greasing tools and equipment.
19. Hoists.
20. Ladders.
21. Lathes.
22. Machine tools.
23. Motor driven tools.
24. Motors.
25. Pipe threading and cutting tools.
26. Pneumatic tools.
27. Pumps.
28. Riveters.
29. Smithing equipment.

- 30. Tool racks.
- 31. Vises.
- 32. Welding apparatus.
- 33. Work benches.

344. Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional plant accounts. A sample of items to be included in this account are listed below:

- 1. Autoclaves.
- 2. Barometers.
- 3. Cameras.
- 4. Centrifuge.
- 5. Distilling apparatus.
- 6. Furnaces.
- 7. Microscopes.
- 8. Ovens.
- 9. Pitometers.
- 10. Rain gauges.
- 11. Refrigerators.
- 12. Scales.
- 13. Sterilizers.
- 14. Stop watches.
- 15. Testing machines.
- 16. Thermometers.
- 17. Voltmeters.
- 18. Other bacteriological, electric, chemical hydraulic or research equipment.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

345. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

1. Air compressors, including driving unit and vehicle.
2. Back filling machines.
3. Boring machines.
4. Bulldozers.
5. Cranes and joists.
6. Diggers.
7. Engines.
8. Pile drivers.
9. Pipe cleaning machines.
10. Pipe coating or wrapping machines.
11. Tractors - Crawler type.
12. Trenchers.
13. Other power operated equipment.

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

346. Communication Equipment

This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations. A sample of items to be included in this account are listed below:

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.
7. Handsets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators desks.
12. Poles and fixtures used wholly for telephone and telegraph wires.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.

17. Switchboards.
18. Teleautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

347. Miscellaneous Equipment

This account shall include the cost of equipment, apparatus, etc., used in utility operations, and which is not includible in any other account. A sample of items to be included in this account are listed below:

1. Recreation equipment.
2. Radios.
3. Signs.
4. Other miscellaneous equipment.

Note:--Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

348. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

349. Accumulated Depreciation

This account shall include the accumulated depreciation and amortization applicable to water utility plant and equipment. See account 108.

## **OVERVIEW - SEWER UTILITY PLANT ACCOUNTS**

- 351. Organization
- 353. Land and Land Rights
- 354. Structures and Improvements
- 360. Collection Sewers
  - 360.1 Collection Sewers – Force
  - 360.2 Collection Sewers – Gravity
  - 360.3 Special Collecting Structures
- 363. Services to Customers
- 364. Flow Measuring Devices
- 365. Flow Measuring Installations
- 370. Receiving Wells
- 371. Pumping Equipment
- 380. Treatment and Disposal Equipment
- 381. Plant Sewers
- 382. Outfall Sewer Lines
- 389. Other Plant and Miscellaneous Equipment
- 390. Office Furniture and Equipment
- 391. Transportation Equipment
- 392. Stores Equipment
- 393. Tools, Shop and Garage Equipment
- 394. Laboratory Equipment
- 395. Power Operated Equipment
- 396. Communication Equipment
- 397. Miscellaneous Equipment
- 398. Other Tangible Plant
- 399. Accumulated Depreciation



## **Sewer Utility Plant Accounts**

The sewer utility plant accounts have been designed utilizing an account matrix. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccounts. The instructions for segregating the object accounts to the function subaccounts are contained in Accounting Instruction 31. Listed below are the object account descriptions.

### 351. Organization

This account shall include all fees paid to federal or provincial governments for the privilege of organization and expenditures incident to organizing the corporation and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for organization.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

Note A:--This account shall not include any discounts upon securities issued or assumed; nor shall it include any costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance and sale of capital stock.

Note B:--Exclude from this account and include in the appropriate expense account the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off. Where charges are made to this account for expenses incurred in mergers, consolidations or reorganizations, amounts previously included herein or in similar accounts in the books of the companies concerned shall be excluded from this account.

### 353. Land and Land Rights

This account shall include the cost of land and land rights used in connection with sewage collection, pumping, treatment and disposal, and general plant operations (see Accounting Instruction 19). A sample of items to be included in this account are listed below:

1. Bulkheads buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
3. Condemnation proceedings, including court and counsel costs.
4. Consents and abutting damages, payment for.
5. Conveyancers' and notaries' fees.
6. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
7. Leases, cost of voiding upon purchase to secure possession of land.
8. Removing, relocating, or reconstructing property of others, such as buildings, highways, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession.
9. Retaining walls unless identified with structures.
10. Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements.
11. Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land.
12. Taxes assumed, accrued to date of transfer of title.
13. Title, examining, clearing, insuring and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
14. Appraisals prior to closing title.
15. Cost of dealing with distributees or legatees residing outside of the province or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of provincial tax.
16. Filing satisfaction of mortgage.
17. Documentary stamps.
18. Photographs of property at acquisition.
19. Fees and expenses incurred in the acquisition of water rights, and grants.
20. Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
21. Sidewalks and curbs constructed by the utility on public property.
22. Labor and expenses in connection with securing rights of way, where performed by utility employees and agents.

354. Structures and Improvements

This account shall include cost in place of structures and improvements used in connection with sewage collection, pumping, treatment and disposal, and general plant operations (see Accounting Instruction 20). A sample of items to be included in this account are listed below:

1. Architects' plans and specifications including supervision.
2. Boilers, furnaces, piping, wiring, fixtures and machinery for heating, lighting, signaling, ventilating and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
3. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
4. Commissions and fees to brokers, agents, architects and others.
5. Conduit (not to be removed) with its contents.
6. Damages to abutting property during construction.
7. Drainage systems.
8. Elevators, cranes, hoists, etc., and the machinery for operating them.
9. Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, test borings.
10. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account).
11. Fire protection systems when forming a part of a structure.
12. Flagpole.
13. Floor covering (permanently attached).
14. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
15. Grading and clearing when directly occasioned by the building of a structure.
16. Intrasite communication system, poles, pole fixtures, wires and cables.
17. Landscaping, lawns, shrubbery, etc.
18. Leases, voiding upon purchase, to secure possession of structures.
19. Leased property, expenditures on.
20. Lighting fixtures and outside lighting systems.
21. Marquee, permanently attached to building.
22. Painting, first cost.
23. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
24. Partitions, including movable.
25. Permits and privileges.
26. Power boards for services to a building.

27. Refrigerating systems for general use.
28. Retaining walls except when identified with land.
29. Roadways.
30. Roofs.
31. Scales, connected to and forming a part of a structure.
32. Water and sewer systems, for general use.
33. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
34. Sprinkling systems.
35. Stacks, brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
36. Steel inspection during construction.
37. Storage facilities constituting a part of a building.
38. Storm doors and windows.
39. Temporary heating during construction (net cost).
40. Temporary water connection during construction (net cost).
41. Temporary shanties and other facilities used during construction (net cost).
42. Topographical maps.
43. Vaults constructed as part of a building.
44. Watchmen's sheds and clock systems (net cost when used during construction only).
45. Water meters and supply system for a building or for general company purposes.
46. Water supply piping, hydrants and wells.
47. Yard surfacing, gravel, concrete, or oil (first cost only).
48. Tunnels, intake and discharge when constructed as part of a structure including sluice gates and those constructed to house.

360. Collection Sewers

360.1 Collection Sewers - Force

This account shall include all sewers which are used to lift sewage from a low elevation to a higher elevation. The force sewer will include that pipe between the discharge outlet of the lift station and the receiving manhole.

360.2 Collection Sewers - Gravity

This account shall include the installed cost of all gravity collecting sewers, interceptor, branch, trunk, lateral including services wye, including manholes and lampholes. Manholes shall be included as a separate unit of property.

360.3 Special Collecting Structures

Inverted siphon shall be included in this account but so distinctly noted; also any other special designed structures unusual to sewer system should be included herein but specifically noted as to what they are.

363. Services to Customers

This account shall include the installed cost of service sewers, from collection sewer to the customer's property or curb line. A sample of items to be included in this account are listed below:

1. Jointing and jointing material.
2. Manhole or clean-out.
3. Municipal inspection and permits.
4. Pavement disturbed.
5. Protection of street openings.
6. Tapping saddle.
7. Service connection wye shall be included in account 363 instead of account 360 when company owns service sewers to customers' property or curb line.

364. Flow Measuring Devices

- A. This account shall include the cost of flow measuring and recording equipment and initial testing used for measuring the quantity of sewage or sewage effluent delivered by customers, whether actually in service or held in reserve.
- B. When flow measuring equipment is permanently retired from service, the amount at which it is included herein shall be credited to this account.
- C. The records covering flow measuring equipment shall be so kept that the utility can furnish information s to the number of devices of each type and size in service and in reserve, as well as the location of each device included in this account.

365. Flow Measuring Installations

- A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of customers' flow measuring equipment. A sample of items to be included in this account are listed below:

1. Floats, connections, flumes, or wires.
2. Special manhole, boxes, or other separate housing.

B. When a flow measuring installation is permanently retired from service, the cost thereof shall be credited to this account.

370. Receiving Wells

This account shall include the cost of constructing wells at pumping stations or at other junctions points along the collecting system, used for intercepting sewage for clearing and screening, transfer to a pumping well or otherwise further convey it along the collecting system to the treatment plant or point of final discharge. This account shall include any chemical feed apparatus and holding basins associated with the receiving well.

371. Pumping Equipment

This account shall include the cost installed of pumping equipment driven by electric power or diesel engines. A sample of items to be included in this account are listed below:

1. Motors or engines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Sewage piping within station, including valves.
4. Auxiliary equipment for motors and pumps such as oiling systems, cooling systems, condensers, etc.
5. Electric power lines and switching.
6. Foundations, frames and bed plates.
7. Hoist units.

380. Treatment and Disposal Equipment

This account shall include the cost installed of apparatus, equipment and other facilities used for the treatment of sewage and disposal of sewage wastes. A sample of items to be included in this account are listed below:

1. Aeration chambers.
2. Chemical equipment.
3. Trickling filter.
4. Imhoff tank.
5. Land fill equipment and appurtenances.

6. Oxidation pond or lagoon.
7. Sedimentation equipment.
8. Septic tank.
9. Screen unit.
10. Sludge system.
11. Trucks, tractors, or other equipment used primarily for sludge or other waste disposal.
12. Package mechanical treatment plant.
13. Sedimentation basin.
14. Sludge digestion equipment.
15. Sludge filtration or dewatering equipment.

381. Plant Sewers

This account shall include the cost installed of plant yard piping and appurtenances, and facilities required to dispose of treatment plant liquid effluent into the outfall sewer line. A sample of items to be included in this account are listed below:

1. Unit to unit sections of yard piping.
2. Valves and vaults.
3. Pipe tunnels or galleries.

382. Outfall Sewer Lines

This account shall include the installed cost of sewer line carrying effluent from treatment facility to point of discharge. Includible in this account would be headwall or outlet.

389. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, collection system pumping, and treatment and disposal plant not provided for in the foregoing accounts.

390. Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis. A sample of items to be included in this account are listed below:

1. Book cases and shelves.
2. Desks, chairs, and desk equipment.
3. Drafting room equipment.
4. Electronic data processing equipment.
5. Filing, storage, and other cabinets.
6. Floor covering.
7. Library and library equipment.
8. Mechanical office equipment such as accounting machines, typewriters, etc.
9. Safes.
10. Tables.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

391. Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes. A sample of items to be included in this account are listed below:

1. Airplanes.
2. Automobiles.
3. Bicycles.
4. Electrical vehicles.
5. Motor trucks.
6. Motorcycles.
7. Repair cars or trucks.
8. Tractors and trailers.
9. Other transportation vehicles.

392. Stores Equipment

A. This account shall include the cost of equipment used for the receiving, shipping, handling and storage of materials and supplies.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location. A sample of items to be included in this account are listed below:



1. Chain falls.
2. Counters.
3. Cranes (portable).
4. Elevating and stacking equipment (portable).
5. Hoists.
6. Lockers.
7. Scales.
8. Shelving.
9. Storage bins.
10. Trucks, hand and power driven.
11. Wheelbarrows.

393. Tools, Shop and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts. A sample of items to be included in this account are listed below:

1. Air compressors.
2. Anvils.
3. Automobile repair shop equipment.
4. Battery charging equipment.
5. Belts, shafts and countershafts.
6. Boilers.
7. Cable pulling equipment.
8. Concrete mixers.
9. Drill presses.
10. Derricks.
11. Electric equipment.
12. Engines.
13. Forges.
14. Furnaces.
15. Foundations and settings specially constructed for and not expected to outlast the equipment for which provided.
16. Gas producers.
17. Gasoline pumps, oil pumps and storage tanks.
18. Greasing tools and equipment.
19. Hoists.
20. Ladders.

21. Lathes.
22. Machine tools.
23. Motor driven tools.
24. Motors.
25. Pipe threading and cutting tools.
26. Pneumatic tools.
27. Pumps.
28. Riveters.
29. Smithing equipment.
30. Tool racks.
31. Vises.
32. Welding apparatus.
33. Work benches.

394. Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional plant accounts. A sample of items to be included in this account are listed below:

1. Autoclaves.
2. Barometers.
3. Cameras.
4. Centrifuge.
5. Distilling apparatus.
6. Furnaces.
7. Microscopes.
8. Ovens.
9. Pitometers.
10. Rain gauges.
11. Refrigerators.
12. Scales.
13. Sterilizers.
14. Stop watches.
15. Testing machines.
16. Thermometers.
17. Voltmeters.
18. Other bacteriological, electric, chemical hydraulic or research equipment.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

395. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

1. Air compressors, including driving unit and vehicle.
2. Back filling machines.
3. Boring machines.
4. Bulldozers.
5. Cranes and hoists.
6. Diggers.
7. Engines.
8. Pile drivers.
9. Pipe cleaning machines.
10. Pipe coating or wrapping machines.
11. Tractors - Crawler type.
12. Trenchers.
13. Other power operated equipment.

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

396. Communication Equipment

This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations. A sample of items to be included in this account are listed below:

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.

7. Handsets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators desks.
12. Poles and fixtures used wholly for telephone and telegraph wires.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.
17. Switchboards.
18. Teleautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

397. Miscellaneous Equipment

This account shall include the cost of equipment, apparatus, etc., used in utility operations, and which is not includible in any other account. A sample of items to be included in this account are listed below:

1. Hospital and infirmary equipment.
2. Kitchen equipment.
3. Recreation equipment.
4. Radios.
5. Restaurant equipment
6. Soda fountains.
7. Operator's cottage furnishings.
8. Electric signs advertising the corporate name or symbol, plant or facility name, or otherwise serving only the general purpose of acquainting the public with the facilities and services of the utility.
9. Other miscellaneous equipment.

Note:--Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

398. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

399. Accumulated Depreciation

This account shall include accumulated depreciation and amortization applicable to sewer utility plant and equipment. See account 108.

## **Other Property and Investments**

### 121. Nonutility Property

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 103 - Property Held for Future Use.

B. This account shall be subdivided so as to show the amount of property used in operations which are nonutility in character but nevertheless constitute a distinct operating activity of the company (such as plant merchandising and repair where such activity is not classed as utility) and the amount of miscellaneous property not used in operations. The records in support of each subaccount shall be maintained so as to show an appropriate classification of the property.

Note:--For transfers from utility plant accounts (see Accounting Instruction 27B).

### 122. Accumulated Depreciation and Amortization of Nonutility Property

This account shall include the accumulated depreciation and amortization applicable to property other than utility plant.

### 125. Investments

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to others, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (see account 819/919 - Interest and Dividend Income).

B. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

Note A:--Securities owned and pledged shall be included in this account, but securities held in special deposits or in special funds shall be included in appropriate deposit or fund accounts. A complete record of securities pledged shall be maintained.

Note B:--Securities held as temporary cash investments shall not be included in this account

Rev Mar/06

## **Deferred Debits**

### **181. Interfund Accounts**

These accounts record transactions between the revenue fund and capital fund. The interfund accounts must be in balance.

#### **181.1 Interfund Account - Revenue Fund**

This account records transactions initially recorded in the revenue fund which relate to capital fund transactions. This account can record both debit and credit transactions depending on the nature of the transactions.

#### **181.2 Interfund Account - Capital Fund**

This account records transactions initially recorded in the capital fund which relate to current fund transaction. This account can record both debit and credit transactions depending on the nature of the transaction.

### **182. Extraordinary Property Losses**

A. When authorized or directed by the Commission, this account shall include extraordinary losses on property abandoned or otherwise retired from service which are not provided for by accumulated depreciation or amortization and which could not reasonably have been foreseen and provided for, and extraordinary losses, such as unforeseen damages to property, which could not reasonably have been anticipated and which are not covered by insurance or other provisions.

B. The entire cost, less net salvage, of depreciable property retired shall be charged to accumulated depreciation. If all, or a portion, of the loss is to be included in this account, accumulated depreciation shall then be credited and this account charged with the amount properly chargeable hereto.

183. Preliminary Survey and Investigation Charges

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be to account 826/926 - Miscellaneous Nonutility Expenses, or to the appropriate operating expense account unless otherwise ordered by the Commission (See account - Miscellaneous Expenses).

B. The records supporting the entries to this account shall be so kept that the utility can furnish complete information as to the nature and the purpose of the survey, plans, or investigations and the nature and amounts of the several charges.

Note:--The amount of preliminary survey and investigation charges transferred to utility plant shall not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to utility plant.

185. Temporary Facilities

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders shall be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to account 471 - Miscellaneous Service Revenues.

186. Miscellaneous Deferred Debits

A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, losses on disposition of property deferred by authorization of the Commission, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization, and items the proper final disposition of which is uncertain.

B. This account shall include expenses incurred by the utility relating to rate setting hearings and negotiations before the Commission. Costs incurred which are greater than \$ 200.00 shall be recorded as a deferred debit and amortized against income over 3 years. Prior approval of the Commission is required for different annual amortization rates.



C. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit.

D. The following subaccounts shall be maintained as a minimum unless otherwise authorized by the Commission. The utility may add additional subaccounts, if desired.

186.1 Deferred Rate Case Expense

186.2 Other Deferred Debits

## **LIABILITIES AND EQUITY**

### **Current and Accrued Liabilities**

Current and accrued liabilities are those obligations which have either matured or which become due within one year from the date thereof; except, however, bonds, receiver's certificates and similar obligations which shall be classified as long-term debt until date of maturity; accrued taxes, which shall be classified as accrued liabilities even though payable more than one year from date; compensation awards, which shall be classified as current liabilities regardless of date due; and minor amounts payable in installments which may be classified as current liabilities. If a liability is due more than one year from date of issuance or assumption by the utility, it shall be credited to a long-term debt account appropriate for the transaction, except, however, the current liabilities previously mentioned.

231. Accounts Payable

This account shall include all amounts payable by the utility within one year, which are not provided for in other accounts.

232. Notes Payable

This account shall include the face value of all notes, drafts, acceptance, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue, to other than associated parties.

233. Accounts Payable to Associated Parties

This account shall include all amounts payable by the utility to associated companies which are not provided for in other accounts.

Note:--Exclude from this account amounts which are includible in account 223 - Advances from Associated Parties.

234. Notes Payable to Associated Parties

This account shall include amounts owing to associated parties on notes, drafts, acceptance, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue or creation.

Note:--Exclude from this account notes which are includible in account 223 - Advances from Associated Parties.

235. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

237. Accrued Interest

This account shall include the amount of interest accrued but not matured on all liabilities of the utility not including, however, interest which is added to the principal of the debt on which incurred. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

241. Miscellaneous Current and Accrued Liabilities

This account shall include the amount for all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

### **Long-Term Debt**

221. Bonds

This account shall include, in a separate subdivision for each class and series of bonds, the face value of the actually issued and unmatured bonds, which have not been retired or cancelled; also, the face value of such bonds issued by others the payment of which has been assumed by the utility.

222. Reacquired Bonds

A. This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited as appropriate, to account 821/921 - Nonutility Income, or account 826/926 - Miscellaneous Nonutility Expenses.

223. Advances from Associated Parties

A. This account shall include the face value of notes payable to associated parties and the amount of open book accounts representing advances from associated parties. It does not include notes and open accounts, representing indebtedness, subject to current settlement which are includible in account 233 - Accounts Payable to Associated Parties, or account 234 - Notes Payable to Associated Parties.

B. The records supporting the entries to these accounts shall be so kept that the utility can furnish complete information concerning each note and open account.

224. Long-Term Debt

A. This account shall include, until maturity, all long-term debt not otherwise provided for. This covers such items as receiver's certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated parties, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issuance or assumption.

B. Separate subaccounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Note:--Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 222 - Reacquired Bonds.

### **Deferred Credits**

252. Advances for Construction

This account shall include advances by or on behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to account 271 - Contributions in Aid of Construction.

253. Other Deferred Credits

This account shall include, gains on disposition of property deferred by authorization of the Commission, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

**Contributions in Aid of Construction**

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.
2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.
3. Compensation received from governmental agencies and others for relocation of water mains or other plants.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

C. This account shall be amortized annually using the straight-line remaining life method at rates consistent with the applicable asset depreciation rates (see account 272).

D. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of contributions from (a) federal government, (b) provincial government, (c) municipalities, (d) customers, (e) contractors, and (f) others, and the amount applicable to each utility department.

Note:--There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (see account 252 - Advances for Construction).

272. Accumulated Amortization of Contributions in Aid of Construction

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group of overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 803/903 - Depreciation Expense.

**Surplus (Deficit)**

215. Unappropriated Surplus

This account shall include the balance, either debit or credit, of unappropriated surplus. It shall not include items includible in any of the accounts for paid-in capital.

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## ***INCOME ACCOUNTS***

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### **UTILITY REVENUES AND EXPENDITURES**

#### **Operating Revenues**

The utility revenues are recorded in the following accounts:

Water: 460 through 474

Sewer: 521 through 536

#### **Operating Expenses**

The utility expenditures are recorded in the following accounts:

Water: 600 through 695

Sewer: 700 through 795

## **OVERVIEW - WATER OPERATING REVENUE ACCOUNTS**

### **Water Sales**

- 460. Unmetered Water Revenue
- 461. Metered Water Revenue
- 462. Fire Protection Revenue
  - 462.1 Public Fire Protection
  - 462.2 Private Fire Protection
- 464. Other Sales to Public Authorities
- 465. Sales to Irrigation Customers
  - 465.1 Metered Sales to Irrigation Customers
  - 465.2 Flat Rate Sales to Irrigation Customers

### **Other Water Revenues**

- 470. Delayed Payment Charges
- 471. Miscellaneous Service Revenues
- 472. Rents from Water Property
- 473. Interdepartmental Rents
- 474. Other Water Revenues



## **Water Operating Revenue Accounts**

### **Water Sales**

#### 460. Unmetered Water Revenue

A. This account shall include the net billing for water supplied for residential, commercial and industrial (except irrigation) purposes where the charge is not dependent in any way on the quantity of water delivered but is based on diameter of service pipe, room, foot of frontage or other similar unit.

B. Records shall be maintained so that the estimated quantity of water and the amount of revenue under each rate schedule shall be readily available.

#### 461. Metered Water Revenue

A. This account shall include the net billing for measured water supplied for residential, commercial or industrial (except irrigation) purposes where the total charge is, or may be, in any way dependent on the quantity of water delivered.

B. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

Note:--This account includes all revenues under service classification which consist of a rate for a specified diameter of service pipe, or per meter, fixture, room, foot of frontage, or other similar unit, plus an additional charge or an adjustment dependent upon the quantity of water delivered.

#### 462. Fire Protection Revenue

A. Include herein all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing and similar sources.

B. The following subaccounts shall be used:

462.1 Public Fire Protection

462.2 Private Fire Protection

464. Other Sales to Public Authorities

A. This account shall include the net billing for water supplied to municipalities, or other subdivisions or agencies of state or federal governments, billed under special contracts or agreements or service classifications applicable only to public authorities.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each contract, agreement or rate schedule shall be readily available.

Note:--Do not include herein revenues from water supplied for fire protection or for resale, or from sales billed under general service classification (See accounts 460, 461 and 462).

465. Sales to Irrigation Customers

A. This account shall include the net billing for water supplied for commercial irrigation purposes, under distinct irrigation rates, billed under either metered or flat rate tariff schedules.

B. Records shall be maintained so that the quantity (estimated if not metered) or water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided as follows:

465.1 Metered Sales to Irrigation Customers.

465.2 Flat Rate Sales to Irrigation Customers.

## **Other Water Revenues**

### 470. Delayed Payment Charges

This account shall include the amount of discounts forfeited or additional charges imposed because of failure of customers to pay their water bills on or before a specified date.

### 471. Miscellaneous Service Revenues

This account shall include revenues for all miscellaneous services and charges billed to customers which are specifically provided for in other accounts. This account includes the following items:

#### Items

1. Fees for changing, or reconnecting service.
2. Net credit or debit (cost less net salvage and less payment from customers) on closing of work order for year (See Account 185 - Temporary Facilities).
3. Recovery of expenses in connection with unauthorized taking of water (billing for the water used shall be included in the appropriate water revenue account).
4. Late payment fees.

### 472. Rents from Water Property

A. This account shall include rents received for the use by other of land, buildings and other property devoted to water operations by the utility.

B. When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amounts received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note:--Do not include in this account rents from property constituting an operating unit or system (See account 813/913 - Income from Utility Plant Leased to Others).

473. Interdepartmental Rents

This account shall include rents credited to the water department on account of rental charges made against other departments (ie. sewer of the utility). In the case of property operated under a definite arrangement to allocate the cost among the departments using the property, any reimbursement to the water department for interest, fair return, depreciation or taxes shall be credited to this account.

474. Other Water Revenues

This account shall include revenues derived from water operations not includible in any of the foregoing accounts. This account shall include the following items:

Items

1. Commission on sales or distribution of water of others when sold under rates filed by such others.
2. Compensation for minor or incidental services provided for others such as customer billing, engineering, etc.
3. Profit or loss on sale of materials and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
4. Sale of steam, but not including sales made by a steam-heading department or transfers of steam under joint facility operations.

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## **OVERVIEW - WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS**

- 600. Salaries and Wages - Operational Employees
- 605. Materials and Supplies
- 610. Repairs and Maintenance
- 615. Rentals
  - 615.1 Building/Real Property
  - 615.2 Equipment
- 620. Power or Electricity
- 625. Chemicals
- 630. Water Testing and Analysis
- 650. Salaries and Wages - Administrative Employees
- 655. Employee Pensions and Benefits
- 660. Office Supplies and Other Office Expenses
- 661. Interest and Bank Service Charges
- 665. Contractual Services
  - 665.1 Engineering
  - 665.2 Accounting/Audit
  - 665.3 Legal
  - 665.4 Management Fees
  - 665.5 Other
- 670. Transportation Expenses
- 675. Insurance
  - 675.1 General Liability
  - 675.2 Vehicle
  - 675.3 Workman's Compensation
  - 675.4 Other
- 680. Amortization - Rate Case Expense
- 685. Regulatory Commission Fees
- 690. Miscellaneous Expenses
- 695. Bad Debt Expense

## **Water Operation and Maintenance Expense Accounts**

### 600. Salaries and Wages - Operational Employees

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of administrative employees, officers and directors of the utility.

### 605. Materials and Supplies

This account shall include all materials and supplies used in operation of the water system, other than materials and supplies charged to Contractual Services Accounts.

### 610. Repairs and Maintenance

This account shall include all expenses relating to the ongoing maintenance and repair of the water system. Items include minor repairs and maintenance performed by external contractors.

### 615. Rentals

#### 615.1 Building/Real Property

This account shall include those costs associated with the rental of buildings or real property which are properly treated as period costs.

#### 615.2 Equipment

This account shall include costs associated with the rental of equipment, except vehicles, used in the operation of the utility. Vehicle expenses and leases are properly included in account 670 - Transportation Expenses.

620. Power or Electricity

This account shall include the cost of all electric power expense incurred by the utility.

Alternatives, this account shall include the cost of fuel used in the production of power to operate the pumps.

625. Chemicals

This account shall include the cost of all chemicals used in the treatment of water. Examples include the following items:

Items

1. Activated carbon.
2. Ammonia.
3. Caustic soda.
4. Chlorine.
5. Copper sulphate.
6. Fluorine compound.
7. High test hypochlorite.
8. Iron sulphate.
9. Lime.
10. Soda ash.
11. Sodium chloride.
12. Sulphate of alumina.
13. Sulphuric acid.
14. Other chemicals.

630. Water Testing and Analysis

This account shall include the cost of the collection and the analysis of water quality samples, including laboratory fees.

650. Salaries and Wages - Administrative Employees

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to administrative employees, officers, and directors of the utility.

**Rev. Mar 06**

655. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

660. Office Supplies and Other Office Expenses

This account includes all office supplies and material used in the direct administration of the Utility. In addition, this account includes other miscellaneous direct office expenses.

661. Interest and Bank Service Charges

This account shall include fees paid for monthly bank service charges and interest charges relating to short-term current account overdraft charges.

665. Contractual Services

665.1 Engineering

This account shall include costs paid to outside engineers or engineering firms to perform ongoing, recurring engineering work for the utility. Engineering services for plant items are properly includible in the appropriate plant account. Engineering services for rate relief filings shall be included in accounts 186.1 - Deferred Rate Case Expense and 680 - Amortization - Rate Case Expense, as appropriate.

665.2 Accounting/Audit

This account shall include costs paid to outside accounting companies to maintain or audit the books and records of the utility. Accounting expenses for rate relief filings shall be included in account 186.1 - Deferred Rate Case Expense and 680 - Amortization - Rate Case Expense.



665.3 Legal

This account shall include costs paid to outside legal firms to perform legal services for the utility. Legal services for rate proceedings before the Commission shall be included in account 186.1 - Deferred Rate Case Expense and 680 - Amortization - Rate Case Expense.

665.4 Management Fees

This account shall include contractual costs (other than those properly included in accounts 600 and 650 - Salaries and Wages) paid for the performance of management functions.

665.5 Other

This account shall include those operations costs contracted for which are not included in above accounts.

670. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

675. Insurance

675.1 General Liability

This account shall include insurance costs associated with general liability coverage of the utility company.

675.2 Vehicle

This account shall include costs associated with insurance of automobiles and trucks used for utility purposes.

675.3 Workman's Compensation

This account shall include insurance costs associated with workman's compensation coverage for employees of the utility company.

675.4 Other

This account shall include insurance costs associated with coverage for the utility company which are not included in account 675.1 - 675.3.

680. Amortization - Rate Case Expense

This account shall include amortization of account 186 - Miscellaneous Deferred Debits. Cost associated with rate cases shall be first charged to account 186 and then amortized as prescribed by the Commission to this account.

685. Regulatory Commission Fees

This account shall include all fees incurred by the Utility which are payable to Island Regulatory and Appeals Commission.

690. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expense accounts.

Items

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Other Miscellaneous items.

695. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

## **OVERVIEW - SEWER OPERATING REVENUE ACCOUNTS**

### **Sewer Sales**

- 521. Flat Rate Revenues
  - 521.1 Residential Revenues
  - 521.2 Commercial Revenues
  - 521.3 Industrial Revenues
  - 521.4 Revenues from Public Authorities
  - 521.5 Multiple Family Dwelling Revenues
  - 521.6 Other Revenues
- 522. Measured Revenues
  - 522.1 Residential Revenues
  - 522.2 Commercial Revenues
  - 522.3 Industrial Revenues
  - 522.4 Revenues from Public Authorities
  - 522.5 Multiple Family Dwelling Revenues
  - 522.6 Other Revenues
- 523. Revenues from Public Authorities
- 525. Interdepartmental Revenues
- 530. Frontage Rates

### **Other Sewer Revenues**

- 531. Sale of Sludge
- 532. Delayed Payment Charges
- 534. Rents from Sewer Property
- 536. Other Sewer Revenues

## **Sewer Operating Revenue Accounts**

### **Sewer Sales**

#### **521. Flat Rate Revenues**

A. This account shall be credited with all revenue for sewage service rendered to residential, commercial and industrial property where the charge is not dependent upon metered water consumption or metered effluent output but is based on diameter of service, structure size, area front footage or other similar unit.

B. All revenues credited hereto shall include the following subaccounts:

- 521.1 Residential Revenues
- 521.2 Commercial Revenues
- 521.3 Industrial Revenues
- 521.4 Revenues from Public Authorities
- 521.5 Multiple Family Dwelling Revenues
- 521.6 Other Revenues

#### **522. Measured Revenues**

A. This account shall be credited with all revenue for sewage service rendered to residential, commercial and industrial property where the charge is, or may be, in any way dependent on the quantity of water consumed or the quantity of effluent output by the customers.

B. All revenues credited hereto shall include one of the following subaccounts:

- 522.1 Residential Revenues
- 522.2 Commercial Revenues
- 522.3 Industrial Revenues
- 522.4 Revenues from Public Authorities
- 522.5 Multiple Family Dwelling Revenues
- 522.6 Other Revenues

523. Revenues from Public Authorities

This account shall be credited with revenues derived from sewage service to properties of municipalities or other divisions or agencies of federal or provincial governments where such service is rendered and billed under special contracts or agreements or service classifications applicable only to public authorities. Service to public authority customers billed under general service (flat rate or measured service) rate schedules shall be credited to account 521 or 522 as appropriate.

525. Interdepartmental Revenues

A. This account shall include amounts charged by the sewer department at tariff or other specified rates for sewer service by it to other utility departments.

B. Records shall be maintained so that the sewage service supplied each other department and the charges therefor shall be readily available.

530. Frontage Rates

This account includes the total charges of those customers whose lots are served or capable of being served with sewerage service adjacent to a sewerage main.

## **Other Sewer Revenues**

### 531. Sale of Sludge

This account shall include revenues received from the sale of the by-product sludge sold as fertilizer.

### 532. Delayed Payment Charges

This account shall include the amounts which the utility allows its customers on condition that they pay their sewage bills on or before a specified date and which are forfeited by customers because of failure to pay within the specified time. There shall likewise be credited hereto the amounts of penalties imposed by the utility on its customers because of failure to pay bills within a specified time.

### 534. Rents from Sewer Property

A. This account shall include rents received for the use by others of land, buildings, and other property devoted to sewer operations by the utility.

B. When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amounts received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note:--Do not include in this account amounts from property constituting an operating unit or system.

536. Other Sewer Revenues

This account shall include revenues for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts. This account includes the following items:

Items

1. Fees for changing, or reconnecting service.
2. Profit on maintenance of appliances, piping or other installations on customer's premises.
3. Net credit or debit (cost less net salvage and less payment from customers) on closing of work orders for plant installed for temporary service of less than one year.
4. Recovery of expenses in connection with unauthorized taking of sewage service (billing for service shall be included in the appropriate sewage revenue account).
5. Profit on the sale of materials and supplies not ordinarily purchased for resale.
6. Physical inspection of service sewer connections other than those connections made by the company.
7. Servicing of customer lateral.
8. Late payment fees.



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## **OVERVIEW - SEWER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS**

- 700. Salaries and Wages - Operational Employees
- 705. Materials and Supplies
- 710. Repairs and Maintenance
- 715. Rentals
  - 715.1 Building/Real Property
  - 715.2 Equipment
- 720. Power or Electricity
- 725. Chemicals
- 750. Salaries and Wages - Administrative Employees
- 755. Employee Pensions and Benefits
- 760. Office Supplies and Other Office Expenses
- 761. Interest and Bank Service Charges
- 765. Contractual Services
  - 765.1 Engineering
  - 765.2 Accounting/Audit
  - 765.3 Legal
  - 765.4 Management Fees
  - 765.5 Other
- 770. Transportation Expenses
- 775. Insurance
  - 775.1 General Liability
  - 775.2 Vehicle
  - 775.3 Workman's Compensation
  - 775.4 Other
- 780. Amortization - Rate Case Expense
- 785. Regulatory Commission Fees
- 790. Miscellaneous Expenses
- 795. Bad Debt Expense

## **Sewer Operation and Maintenance Expense Accounts**

### **700. Salaries and Wages - Operational Employees**

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of administrative employees, officers and directors of the utility.

### **705. Materials and Supplies**

This account shall include all materials and supplies used in operation and maintenance of the sewer system, other than materials and supplies charged to Contractual Services Accounts.

### **710. Repairs and Maintenance**

This account shall include all expenses relating to the ongoing maintenance and repair of the sewer system. Items include minor repairs and maintenance performed by external contractors.

### **715. Rentals**

#### **715.1 Building/Real Property**

This account shall include those costs associated with the rental of buildings or real property which are properly treated as period costs.

#### **715.2 Equipment**

This account shall include costs associated with the rental of equipment, except vehicles, used in the operation of the utility. Vehicle rentals and leases are properly included in account 770 - Transportation Expenses.

720. Power or Electricity

This account shall include the cost of all electric power expenses incurred by the Utility. Alternatives, this account shall include the cost of fuel used in the production of power to operate the pumps.

725. Chemicals

This account shall include the cost of all chemicals used in the treatment of sewage. Examples include the following items:

Items

1. Activated carbon.
2. Deodorants.
3. Caustic soda.
4. Chlorine.
5. Copper sulphate.
6. Enzymes.
7. High test hypochlorite.
8. Iron sulphate.
9. Lime.
10. Soda ash.
11. Ferric Chloride.
12. Sulphate of alumina.
13. Sulphuric acid.
14. Other chemicals.

750. Salaries and Wages - Administrative Employees

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to administrative employees, officers, and directors of the utility.

755. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefore. Include also expenses for medical, educational or recreational activities of employees.

760. Office Supplies and Other Office Expenses

This account includes all office supplies and material used in the direct administration of the utility. In addition, this account includes other miscellaneous office expenses.

761. Interest and Bank Service Charges

This account shall include fees paid for monthly bank service charges and interest charges relating to short-term current account overdraft balances.

765. Contractual Services

765.1 Engineering

This account shall include costs paid to outside engineers or engineering firms to perform ongoing, recurring engineering work for the utility. Engineering services for plant items are properly includible in the appropriate plant account. Engineering services for rate relief filings shall be included in account 780 - Amortization - Rate Case Expense and account 186.1 - Deferred Rate Case Expense, as appropriate.

765.2 Accounting/Audit

This account shall include costs paid to outside accounting companies to maintain or audit the books and records of the utility. Accounting expenses for rate relief filings shall be included in account 780 - Amortization - Rate Case Expense or account 186.1 - Deferred Rate Case Expense.

765.3 Legal

This account shall include costs paid to outside legal firms to perform legal services for the utility. Legal services for rate proceedings before the Commission shall be included in account 780 - Amortization - Rate Case Expense or account 186.1 - Deferred Rate Case Expense.

765.4 Management Fees

This account shall include contractual costs (other than those properly included in accounts 700 and 750 - Salaries and Wages) paid for the performance of management functions.

765.5 Other

This account shall include those operations costs contracted for which are not included in above accounts.

770. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

775. Insurance

775.1 General Liability

This account shall include insurance costs associated with general liability coverage of the utility company.

775.2 Vehicle

This account shall include costs associated with insurance of automobiles and trucks used for utility purposes.

775.3 Workman's Compensation

This account shall include insurance costs associated with workman's compensation coverage for employees of the utility company.

775.4 Other

This account shall include insurance costs associated with coverage for the utility company which are not included in account 775.1 - 775.3.

780. Amortization - Rate Case Expense

This account shall include amortization of account 186 - Miscellaneous Deferred Debits. Cost associated with rate cases shall be first charged to account 186 and then amortized as prescribed by the Commission to this account.

785. Regulatory Commission Fees

This account shall include all fees incurred by the utility which are payable to the Island Regulatory and Appeals Commission.

790. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expense accounts.

Items

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Other miscellaneous items.

795. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

## **OTHER EXPENDITURES**

### **OVERVIEW – OTHER OPERATING – WATER & SEWER**

#### **Water**

- 802. Small Tools Written Off During the Year
- 803. Depreciation Expenses
- 804. Interest on Long-Term Debt
  - 804.1 Interest on Long-Term Debt
  - 804.2 Interest on Customer Deposits
  - 804.3 Interest - Other

#### **Sewer**

- 902. Small Tools Written Off During the Year
- 903. Depreciation Expenses
- 904. Interest on Long-Term Debt
  - 904.1 Interest on Long-Term Debt
  - 904.2 Interest on Customer Deposits
  - 904.3 Interest – Other



## **Other Operating – Water**

### **802. Small Tools Written Off During the Year**

This account shall be charged with expenses relating to tools and equipment which cost \$200.00 or less. Most items of this nature represent minor values which do not warrant capitalization as a fixed asset for the utility.

### **803. Depreciation Expenses**

A. This account shall be charged with depreciation credited to account 399 - Accumulated Depreciation of Sewer Plant or account 349 - Accumulated Depreciation of Water Plant and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 27 for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in sewer operations is charged to account 826/926 - Miscellaneous Nonutility Expenses, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

### **804. Interest on Long-Term Debt**

The utility's interest on long-term debt should be recorded in account 804.1 through 804.3

#### **804.1 Interest on Long-Term Debt**

This account shall record interest expense associated with long-term debt (principal due in more than one year).

#### **804.2 Interest on Customer Deposits**

This account shall record interest expense associated with customer deposits.

804.3 Interest - Other

This account shall include in each accounting period all interest charges not provided for elsewhere.

**Other Operating – Sewer**

902. Small Tools Written Off During the Year

This account shall be charged with expenses relating to tools and equipment which cost \$200.00 or less. Most items of this nature represent minor values which do not warrant capitalization as a fixed asset for the utility.

903. Depreciation Expenses

A. This account shall be charged with depreciation credited to account 399 - Accumulated Depreciation of Sewer Plant or account 349 - Accumulated Depreciation of Water Plant and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 27 for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in sewer operations is charged to account 826/926 - Miscellaneous Nonutility Expenses, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

904. Interest on Long-Term Debt

The utility's interest on long-term debt should be recorded in account 904.1 through 904.3

904.1 Interest on Long-Term Debt

This account shall record interest expense associated with long-term debt (principal due in more than one year).

904.2 Interest on Customer Deposits

This account shall record interest expense associated with customer deposits.

904.3 Interest - Other

This account shall include in each accounting period all interest charges not provided for elsewhere.

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## **OVERVIEW – OTHER INCOME AND DEDUCTIONS – WATER & SEWER**

<b>Water</b>		<b>Sewer</b>	
813.	Income from Utility Plant Leased to Others	913.	Income from Utility Plant Leased to Others
814.	Gains (Losses) from Disposition of Utility Property	914.	Gains (Losses) from Disposition of Utility Property
815.	Revenues from Merchandising, Jobbing and Contract Work	915.	Revenues from Merchandising, Jobbing and Contract Work
816.	Costs and Expenses of Merchandising, Jobbing and Contract Work	916.	Costs and Expenses of Merchandising, Jobbing and Contract Work
819.	Interest and Dividend Income	919.	Interest and Dividend Income
821.	Nonutility Income	921.	Nonutility Income
826.	Miscellaneous Nonutility Expenses	926.	Miscellaneous Nonutility Expenses

## **Other Income and Deductions - Water**

### **813. Income from Utility Plant Leased to Others**

A. This account shall include, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 102 - Utility Plant Leased to Others, and the expenses attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

B. The detail expenses shall be kept or supported so as to show separately the following:

- (1) Operation;
- (2) Depreciation; and
- (3) Amortization.

### **814. Gains (Losses) from Disposition of Utility Property**

A. This account shall include, when authorized by the Commission, gains and losses from the sale, conveyance, exchange or transfer of utility property to another.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

### **815. Revenues from Merchandising, Jobbing and Contract Work**

A. These Accounts shall include respectively, all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission, and all expenses incurred in such activities.

B. Records in support of these accounts shall be kept so as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

### **816. Costs and Expenses of Merchandising, Jobbing and Contract Work**

This account shall include all costs relating to merchandising and jobbing or contract work.

819. Interest and Dividend Income

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stocks of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

821. Nonutility Income

In this account is entered all income not includible in operating revenue. Items in this account shall include:

Gross income from nonutility operations; and  
Net gain on sale of nonutility property.

826. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in the proceeding before the Commission.
2. Amortization of an acquisition adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of nonutility plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
  - a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
  - b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
  - c. Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
10. Loss relating to investments in securities written-off or written-down.

11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.

### **Other Income and Deductions - Sewer**

#### **913. Income from Utility Plant Leased to Others**

A. This account shall include, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 102 - Utility Plant Leased to Others, and the expenses attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

B. The detail expenses shall be kept or supported so as to show separately the following:

- (1) Operation;
- (2) Depreciation; and
- (3) Amortization.

#### **914. Gains (Losses) from Disposition of Utility Property**

A. This account shall include, when authorized by the Commission, gains and losses from the sale, conveyance, exchange or transfer of utility property to another.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

#### **915. Revenues from Merchandising, Jobbing and Contract Work**

A. These Accounts shall include respectively, all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a

stipulated profit or commission, and all expenses incurred in such activities.

B. Records in support of these accounts shall be kept so as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

916. Costs and Expenses of Merchandising, Jobbing and Contract Work

This account shall include all costs relating to merchandising and jobbing or contract work.

919. Interest and Dividend Income

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stocks of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

921. Nonutility Income

In this account is entered all income not includible in operating revenue. Items in this account shall include:

Gross income from nonutility operations; and  
Net gain on sale of nonutility property.

926. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in the proceeding before the Commission.
2. Amortization of an acquisition adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of nonutility plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
  - a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of



- referenda, legislation or ordinances.
  - b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
  - c. Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
- 10. Loss relating to investments in securities written-off or written-down.
  - 11. Loss on sale of investments.
  - 12. Loss on reacquisition, resale or retirement of utility's debt securities.
  - 13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
  - 14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.

### **Extraordinary Items**

#### 950. Extraordinary Income

Upon approval of the regulatory authority this account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items.

#### 951. Extraordinary Deductions

Upon approval of the Commission, this account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would distort the current year's income, if not reported separately.

**IRAC**  
**FILING REPORTS**



Charlottetown  
Prince Edward Island

## ANNUAL REPORT

- OF -

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(Municipality/Utility Name)

FOR THE YEAR ENDED

DECEMBER 31, \_\_\_\_\_

Information on this Form is collected pursuant to the *Water & Sewerage Act* and will be used by the Commission in the administration of the said *Act*. For additional information, contact the Commission at 902-892-3501 or by email at [info@irac.pe.ca](mailto:info@irac.pe.ca).

**MUNICIPALITY OF \_\_\_\_\_**

**REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION**

**OF PRINCE EDWARD ISLAND**

**FOR THE YEAR ENDED DECEMBER 31, \_\_\_\_\_**

**GENERAL INSTRUCTIONS**

- All questions and financial statements which form part of this report must be completed. Explanations must be provided if information is not given.
- Each municipality/utility should make its report out in duplicate, keeping one copy for reference purposes in case correspondence with regard to this report becomes necessary.
- A copy of the municipality's annual audited financial statement for the last fiscal period should accompany this report.
- This report must be completed and mailed in order to arrive at the Commission not later than the 31st of March.

**MUNICIPALITY OF \_\_\_\_\_**  
**REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION**  
**OF PRINCE EDWARD ISLAND**  
**FOR THE YEAR ENDED DECEMBER 31, \_\_\_\_\_**

***Schedule 1***

**UTILITY INFORMATION**

Chairman of Sewer and/or Water Committee: \_\_\_\_\_

Town/Community Administrator: \_\_\_\_\_

Office Tel Number: \_\_\_\_\_ Office Fax Number: \_\_\_\_\_

Office Address: \_\_\_\_\_

Office Hours: \_\_\_\_\_ Email: \_\_\_\_\_

Name of Person Making this Report: \_\_\_\_\_

\_\_\_\_\_  
Signature

***Schedule 2***

**MODIFICATIONS AND EXTENSIONS**

Briefly outline all modifications and extensions carried out during the year including number of feet of sewer line and water mains laid (excluding service connections).

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

***Schedule 3***

**CUSTOMERS**

	Sewer	Water
Number of Customers	_____	_____
Number of Proportionate Units Billed	_____	_____
Number of Metered Customers	_____	_____
Number of Feet on Which Frontage Rates are Charged	_____	

**Schedule 4 - Sewer**

**MUNICIPALITY OF \_\_\_\_\_**

**STATEMENT OF REVENUE AND EXPENDITURES - SEWER  
YEAR ENDED DECEMBER 31, \_\_\_\_\_**

**Operating**

Revenues

521	Flat Rate Revenues	\$	
522	Measured Revenues		
523	Revenues from Public Authorities		
525	Interdepartmental Revenues		
530	Frontage Rates		
531	Sale of Sludge		
532	Delayed Payment Charges		
534	Rents from Sewer Property		
536	Other Sewer Revenues	_____	\$ _____

Operating Expenses

700	Salaries and Wages - Operational Employees		
705	Materials and Supplies		
710	Repairs and Maintenance		
715	Rentals		
720	Power or Electricity		
725	Chemicals	_____	_____

General Expenses

750	Salaries and Wages - Administrative Employees		
755	Employee Pensions and Benefits		
760	Office Supplies and Other Office Expenses		
761	Interest and Bank Service Charges		
765	Contractual Services		
770	Transportation Expenses		
775	Insurance		
780	Amortization - Rate Case Expense		
785	Regulatory Commission Fees		
790	Miscellaneous Expenses		
795	Bad Debt Expense	_____	_____

Operating Income (Loss)

**Non-Operating Income and Expenses**

902	Small Tools Written Off During the Year		
903	Depreciation Expenses - Schedule 9A		
904	Interest on Long-Term Debt	_____	_____

Other Income (See Guide) \_\_\_\_\_

Net Income (Loss) \_\_\_\_\_

Surplus (Deficit) January 1 \_\_\_\_\_

Surplus (Deficit) December 31 \$ \_\_\_\_\_

**Schedule 4 - Water**

**MUNICIPALITY OF \_\_\_\_\_**

**STATEMENT OF REVENUE AND EXPENDITURES - WATER  
YEAR ENDED DECEMBER 31, \_\_\_\_\_**

**Operating**

Revenues

460	Unmetered Water Revenues	\$	
461	Metered Water Revenues		
462	Fire Protection Revenues		
464	Other Sales to Public Authorities		
465	Sales to Irrigation Customers		
470	Delayed Payment Charges		
471	Miscellaneous Service Revenues		
474	Other Water Revenues		

Operating Expenses

600	Salaries and Wages - Operational Employees		
605	Materials and Supplies		
610	Repairs and Maintenance		
615	Rentals		
620	Power or Electricity		
625	Chemicals		
630	Water Testing and Analysis		

General Expenses

650	Salaries and Wages - Administrative Employees		
655	Employee Pensions and Benefits		
660	Office Supplies and Other Office Expenses		
661	Interest and Bank Service Charges		
665	Contractual Services		
670	Transportation Expenses		
675	Insurance		
680	Amortization - Rate Case Expense		
685	Regulatory Commission Fees		
690	Miscellaneous Expenses		
695	Bad Debt Expense		

Operating Income (Loss)

**Non-Operating Income and Expenses**

802	Small Tools Written Off During the Year		
803	Depreciation Expenses - Schedule 9A		
804	Interest on Long-Term Debt		

Other Income (See Guide)

Net Income (Loss)

Surplus (Deficit) January 1

Surplus (Deficit) December 31	\$
-------------------------------	----

MUNICIPALITY OF \_\_\_\_\_

**ACCOUNTS RECEIVABLE DATA**  
**YEAR ENDED DECEMBER 31, \_\_\_\_\_**

***Schedule 5***

**BILLING INFORMATION**

(a) Dates(s) on which customers are billed

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(b) Total customer charges billed for current year

\$                     

***Schedule 6***

**ACCOUNTS RECEIVABLE**

Balance outstanding - beginning of year

\$

Add: Item 5(b) customer charges billed for current year

---

Subtotal

Subtract: Customer revenue received in current year

---

Balance outstanding - end of year

\$



**Schedule 7**

**MUNICIPALITY OF \_\_\_\_\_**

**SEWER AND/OR WATER REVENUE FUND  
BALANCE SHEET  
YEAR ENDED DECEMBER 31, \_\_\_\_\_**

**ASSETS**

Cash		\$
Investments (temporary)		
Customer accounts receivable - arrears, Schedule 6	\$	
Less: Allowance for uncollectable accounts	_____	
Other accounts receivable		
Due from other funds (specify)		
Plant materials and supplies		
Prepaid expenses		
Deferred charges		
Other assets (specify)		_____
		\$

**LIABILITIES AND SURPLUS**

Bank loans and overdrafts		\$
Accounts payable		
Accrued liabilities		
Due to other funds (specify)		
Other liabilities		_____
	Subtotal	_____
Surplus (Deficit)		_____
		\$

**MUNICIPALITY OF \_\_\_\_\_**

**SEWER AND/OR WATER CAPITAL AND LOAN FUND  
BALANCE SHEET  
YEAR ENDED DECEMBER 31, \_\_\_\_\_**

**ASSETS**

Cash		\$
Due from other funds (specify)		
Other (specify)		
	Subtotal	_____
		_____
Sewer system - undepreciated cost - Schedule 9A		
Water system - undepreciated cost - Schedule 9A		
	Subtotal	_____
		_____
		\$
		=====

**LIABILITIES AND CONTRIBUTIONS IN AID OF CONSTRUCTION**

Long-term debt - Schedule 10		\$
Bank loans		
Accounts payable		
Due to other funds (specify)		
	Subtotal	_____
		_____
Sewer system - contributions in aid of construction - Schedule 9B		
Water system - contributions in aid of construction - Schedule 9B		
	Subtotal	_____
		_____
		\$
		=====

## Schedule 9A - Sewer

Municipality of \_\_\_\_\_

Sewer and/or Water Capital and Loan Fund

Analysis of Sewer System

Schedule of Depreciation

Year Ended December 31, \_\_\_\_\_

1	2	3	4	5	6	7	8	9	10
			(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
Cost			Cost	Depreciation		Depreciation	Deductions	Depreciation	Undepreciated
January 1	Additions	Deductions	December 31	Rate	Depreciation	Reserve	to	Reserve	Cost
						January 1	Reserve	December 31	December 31

Collection Plant

%

- 353 Land and Land Rights
- 354 Structures and Improvements
- 360 Collection Sewers, Force, Gravity  
and Special
- 389 Other Miscellaneous Equipment  
Other (Specify)

\$	\$	\$	\$		\$	\$	\$	\$	\$

System Pumping Plant

- 353 Land and Land Rights
- 354 Structures and Improvements
- 371 Pumping Equipment
- 389 Other Miscellaneous Equipment  
Other (Specify)


Treatment and Disposal Plant

- 380 Treatment and Disposal Equipment
- 381 Plant Sewers
- 382 Outfall Sewer Lines
- 389 Other Miscellaneous Equipment  
Other (Specify)


General Plant

- 390 Office Furniture and Equipment
- 391 Transportation Equipment
- 392 Stores Equipment
- 393 Tools, Shop and Garage Equipment  
Other (Specify)


Totals

\$	\$	\$	\$	-	\$	\$	\$	\$	\$
----	----	----	----	---	----	----	----	----	----

Less: Amortization - Contributions in Aid of Construction

(Taken from Column 6 of Schedule 9B - Sewer)

Net Depreciation

Line 903

\$

## Schedule 9B - Sewer

Municipality of \_\_\_\_\_

### Sewer and/or Water Capital and Loan Fund

#### Analysis of Sewer System

#### Contributions in Aid of Construction

Year Ended December 31, \_\_\_\_\_

1	2	3	4	5	6	7	8	9	10
			(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
Contributions			Contributions	Amortization		Amortization	Deductions	Amortization	Net
January 1	Additions	Deductions	December 31	Rate	Amortization	Reserve	to	Reserve	Contributions
						January 1	Reserve	December 31	December 31

#### Collection Plant

- 353 Land and Land Rights
- 354 Structures and Improvements
- 360 Collection Sewers, Force, Gravity and Special
- 389 Other Miscellaneous Equipment
- Other (Specify)

%									
\$	\$	\$	\$		\$	\$	\$	\$	\$

#### System Pumping Plant

- 353 Land and Land Rights
- 354 Structures and Improvements
- 371 Pumping Equipment
- 389 Other Miscellaneous Equipment
- Other (Specify)


#### Treatment and Disposal Plant

- 380 Treatment and Disposal Equipment
- 381 Plant Sewers
- 382 Outfall Sewer Lines
- 389 Other Miscellaneous Equipment
- Other (Specify)


#### General Plant

- 390 Office Furniture and Equipment
- 391 Transportation Equipment
- 392 Stores Equipment
- 393 Tools, Shop and Garage Equipment
- Other (Specify)


Totals

\$	\$	\$	\$	-	\$	\$	\$	\$	\$
----	----	----	----	---	----	----	----	----	----

**Schedule 9A - Water**

Municipality of \_\_\_\_\_

**Sewer and/or Water Capital and Loan Fund  
Analysis of Water System  
Schedule of Depreciation  
Year Ended December 31, \_\_\_\_\_**

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Cost			Cost	Depreciation		Depreciation	Deductions	Depreciation	Undepreciated
	January 1	Additions	Deductions	December 31	Rate	Depreciation	Reserve	to	Reserve	Cost
							January 1	Reserve	December 31	December 31
<u>Source of Supply Plant</u>	%									
303 Land and Land Rights	\$	\$	\$	\$		\$	\$	\$	\$	\$
304 Structures and Improvements										
305 Collecting & Impounding Reservoirs										
307 Wells and Springs										
309 Supply Mains										
Other (Specify)										
<u>Pumping Plant</u>										
303 Land and Land Rights										
304 Structures and Improvements										
311 Pumping Equipment										
Other (Specify)										
<u>Water Treatment Plant</u>										
320 Water Treatment Equipment										
Other										
<u>Transmission and Distribution Plant</u>										
303 Land and Land Rights										
331 Transmission & Distribution Mains										
333 Services										
334 Meters & Meter Installations										
335 Hydrants										
Other (Specify)										
<u>General Plant</u>										
340 Office Furniture and Equipment										
341 Transportation Equipment										
342 Stores Equipment										
343 Tools, Shop and Garage Equipment										
347 Miscellaneous Equipment										
348 Other Tangible Property										
Other (Specify)										
Totals	\$	\$	\$	\$	-	\$	\$	\$	\$	\$

Less: Amortization - Contributions in Aid of Construction  
(Taken from Column 6 of Schedule 9B - Water)

Net Depreciation Line 803 \$

## Schedule 9B - Water

Municipality of \_\_\_\_\_

**Sewer and/or Water Capital and Loan Fund  
Analysis of Water System  
Contributions in Aid of Construction  
Year Ended December 31, \_\_\_\_\_**

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Contributions	Additions	Deductions	Contributions	Amortization	Amortization	Amortization	Deductions	Amortization	Contributions
	January 1			December 31	Rate		Reserve	to	Reserve	Net
							January 1	Reserve	December 31	December 31
<u>Source of Supply Plant</u>	%									
303 Land and Land Rights	\$	\$	\$	\$		\$	\$	\$	\$	\$
304 Structures and Improvements										
305 Collecting & Impounding Reservoirs										
307 Wells and Springs										
309 Supply Mains										
Other (Specify)										
<u>Pumping Plant</u>										
303 Land and Land Rights										
304 Structures and Improvements										
311 Pumping Equipment										
Other (Specify)										
<u>Water Treatment Plant</u>										
320 Water Treatment Equipment										
Other										
<u>Transmission and Distribution Plant</u>										
303 Land and Land Rights										
331 Transmission & Distribution Mains										
333 Services										
334 Meters & Meter Installations										
335 Hydrants										
Other (Specify)										
<u>General Plant</u>										
340 Office Furniture and Equipment										
341 Transportation Equipment										
342 Stores Equipment										
343 Tools, Shop and Garage Equipment										
347 Miscellaneous Equipment										
348 Other Tangible Property										
Other (Specify)										
<b>Totals</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

MUNICIPALITY OF \_\_\_\_\_

SEWER AND/OR WATER CAPITAL AND LOAN FUND  
ANALYSIS OF LONG-TERM DEBT  
YEAR ENDED DECEMBER 31, \_\_\_\_\_

Description of Each Loan or Debenture Issue	Outstanding January 1	Add New Debt Incurred	Subtotal	Deduct Repayments	Outstanding December 31
<u>Sewer</u>	\$	\$	\$	\$	\$
<u>Water</u>					
Totals	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

## **SANITARY SEWER SYSTEMS**

	<b>Rate of Straight Line Depreciation</b>
<b>COLLECTION PLANT</b>	
Structures & Improvements	1.20
Sanitary Laterals	1.20
Sewer Mains	1.20
<b>SYSTEM PUMPING PLANT</b>	
Structures & Improvements	1.20
Pumping Equipment	5.00
<b>TREATMENT PLANT</b>	
Lift Equipment	5.00
Pump Equipment	5.00
Outfalls	1.20
<b>GENERAL PLANT</b>	
Office Furniture & Equipment	10.00
Informations Systems	20.00
Transportation	20.00
Tools & Shop	20.00



## **WATER SYSTEMS**

	<b>Rate of Straight Line Depreciation</b>
<b>SOURCE OF SUPPLY PLANT</b>	
Structures & Improvements	1.20
Collecting & Impounding Reservoirs	1.20
Wells & Springs	1.20
Supply Mains	1.20
<b>PUMPING PLANT</b>	
Structures & Improvements	1.20
Electrical Pumping Equipment	5.00
Diesel Pumping Equipment	5.00
<b>WATER TREATMENT PLANT</b>	
Equipment	5.00
<b>TRANSMISSION AND DISTRIBUTION PLANT</b>	
Structures & Improvements	1.20
Transmission Mains	1.20
Distribution Mains	1.20
Services	2.00
Meters	5.00
Hydrants	2.00
Storage Reservoir	1.20
<b>GENERAL PLANT</b>	
Office Furniture & Equipment	10.00
Informations Systems	20.00
Transportation	20.00
Tools & Shop	20.00

**IRAC**  
**STRAIGHT LINE**  
**DEPRECIATION RATES**

## **SANITARY SEWER SYSTEMS**

	<b>Rate of Straight Line Depreciation</b>
<b>COLLECTION PLANT</b>	
Structures & Improvements	1.20
Sanitary Laterals	1.20
Sewer Mains	1.20
<b>SYSTEM PUMPING PLANT</b>	
Structures & Improvements	1.20
Pumping Equipment	5.00
<b>TREATMENT PLANT</b>	
Lift Equipment	5.00
Pump Equipment	5.00
Outfalls	1.20
<b>GENERAL PLANT</b>	
Office Furniture & Equipment	10.00
Informations Systems	20.00
Transportation	20.00
Tools & Shop	20.00

## **WATER SYSTEMS**

	<b>Rate of Straight Line Depreciation</b>
<b>SOURCE OF SUPPLY PLANT</b>	
Structures & Improvements	1.20
Collecting & Impounding Reservoirs	1.20
Wells & Springs	1.20
Supply Mains	1.20
<b>PUMPING PLANT</b>	
Structures & Improvements	1.20
Electrical Pumping Equipment	5.00
Diesel Pumping Equipment	5.00
<b>WATER TREATMENT PLANT</b>	
Equipment	5.00
<b>TRANSMISSION AND DISTRIBUTION PLANT</b>	
Structures & Improvements	1.20
Transmission Mains	1.20
Distribution Mains	1.20
Services	2.00
Meters	5.00
Hydrants	2.00
Storage Reservoir	1.20
<b>GENERAL PLANT</b>	
Office Furniture & Equipment	10.00
Informations Systems	20.00
Transportation	20.00
Tools & Shop	20.00

## **MODEL FINANCIAL STATEMENTS**

Model Town illustrates the information included in the financial statements of a small public utility. It provides an example of a set of financial statements using the accounting instructions provided in this accounting manual. The required IRAC reporting forms are also provided.

Financial Statements of

**MODEL TOWN WATER UTILITY**

Year ended December 31, 1996

## **AUDITORS' REPORT**

To the Board of Directors of Model Town Water Utility

We have audited the balance sheets of the Model Town Water Utility as at December 31, 1996 and the statements of revenue, expenditures and surplus for the year then ended. These financial statements are the responsibility of the 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amount 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 Utility as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Charlottetown, P.E.I.  
January 31, 1997

# MODEL TOWN WATER UTILITY

## Capital Fund Balance Sheet

December 31, 1996, with comparative figures for 1995

	1996	1995
<b>ASSETS</b>		
Property and equipment (note 2):		
Property and equipment	\$211,775	\$211,775
Less accumulated depreciation	26,599	23,885
	<b>\$185,176</b>	<b>\$187,890</b>

## LIABILITIES AND EQUIPMENT

Current liabilities:		
Payable to current fund	\$ 19,589	\$ 15,980
Current portion of long-term debt	4,632	4,202
	<b>24,221</b>	<b>20,182</b>
Long-term debt (note 3)	37,582	42,214
Contributions in aid of construction (note 4)	123,373	125,494
	<b>\$185,176</b>	<b>\$187,890</b>

See accompanying notes to financial statements.

On Behalf of the Utility

\_\_\_\_\_  
Chair, Board of Directors

\_\_\_\_\_  
Member, Board of Directors



# MODEL TOWN WATER UTILITY

## Current Balance Sheet

December 31, 1996, with comparative figures for 1995

	1996	1995
<b>ASSETS</b>		
Current assets:		
Cash	\$ 9,435	\$ 9,592
Accounts receivable	1,023	285
Prepaid expenses	-	108
	10,458	9,985
Receivable from capital fund	19,589	15,979
	<b>\$30,047</b>	<b>\$25,964</b>

## LIABILITES AND EQUITY

Current liabilities:		
Accounts payable	\$ 142	\$ 266
Equity:		
Current surplus	29,905	25,698
	<b>\$30,047</b>	<b>\$25,964</b>

See accompanying notes to financial statements.

On Behalf of the Utility:

\_\_\_\_\_ Chair, Board of Directors

\_\_\_\_\_ Member, Board of Directors

# MODEL TOWN WATER UTILITY

## Statement of Earnings and Surplus

Year ended December 31, 1996, with comparative figures for 1995

		1996		1995
<hr/>				
Revenues:				
Unmetered sales		\$13,983		\$13,780
Other water revenues		8		168
		<hr/>		
		13,991		13,948
<hr/>				
Expenses:				
<b>Operations</b>				
Operation and maintenance	-		80	
Power	861		939	
Repairs to plant	<u>1,123</u>	1,984	<u>343</u>	1,362
<b>General</b>				
Administrative salaries	1,300		1,300	
Office supplies	301		336	
Outside services employed	170		-	
Insurance	123		123	
Regulatory expenses	<u>717</u>	2,611	<u>716</u>	2,475
<b>Other</b>				
Small tools	255		-	
Interest on debt	4,342		7,160	
Depreciation (net)	<u>592</u>	5,189	<u>1,063</u>	8,223
		<hr/>		
		9,784		12,060
<hr/>				
Income from operations		4,207		1,888
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Surplus, beginning of year		25,698		23,810
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Surplus, end of year		\$29,905		\$25,698
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See accompanying notes to financial statements.

# MODEL TOWN WATER UTILITY

## Notes to Financial Statements

Year ended December 31, 1996

Model Town Water Utility is a water utility supplying water to its customers in the Model Town area.

### 1. Significant accounting policies:

#### (a) Property and equipment:

Property and equipment are stated at cost. Depreciation is provided using the straight-line method at the following annual rates:

Asset	Rate
Pump and structure	1.2%
Transmission and distribution	1.2%
Services	2.0%

### 2. Property and equipment:

			1996	1995
	Cost	Accumulated depreciation	Net	Net
Pump and structure	\$ 49,638	\$ 8,600	\$ 41,038	\$ 41,634
Transmission and distribution	140,655	14,347	126,308	127,996
Services	21,482	3,652	17,830	18,260
	\$211,775	\$26,599	\$185,176	\$187,890

# MODEL TOWN WATER UTILITY

Notes to Financial Statements (Continued)

## 3. Long-term debt:

	1996	1995
The bank, 9 ¾%, loan, maturing 1999, payable in equal monthly principal and interest payments of \$ 712., secured by property and equipment	\$42,214	\$46,416
Current portion of long-term debt	4,632	4,202
	<b>\$37,582</b>	<b>\$42,214</b>

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 1996 are as follows: 1997 - \$ 4,632.; 1998 - \$ 5,104.; 1999 - \$ 5,625.; 2000 - \$ 6,198. and 2001 - \$ 6,830.

## 4. Contributions in aid of construction:

The Utility has received government assistance in the amount of \$141,405. This assistance is amortized to income through depreciation using the same method and annual rates as the related assets are depreciated. During the year, \$2,122. (1995 - \$2,122.) was amortized to income.

**IRAC**  
**FILING REPORTS**  
**of**  
**MODEL TOWN**



Charlottetown

Prince Edward Island

## ANNUAL REPORT

- OF -

Model Town Water Utility

(Municipality/Utility Name)

FOR THE YEAR ENDED

DECEMBER 31, 2005

Information on this Form is collected pursuant to the *Water & Sewerage Act* and will be used by the Commission in the administration of the said *Act*. For additional information, contact the Commission at 902-892-3501 or by email at [info@irac.pe.ca](mailto:info@irac.pe.ca).

**MUNICIPALITY OF Model Town Water Utility**

**REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION**

**OF PRINCE EDWARD ISLAND**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

**GENERAL INSTRUCTIONS**

- All questions and financial statements which form part of this report must be completed. Explanations must be provided if information is not given.
- Each municipality/utility should make its report out in duplicate, keeping one copy for reference purposes in case correspondence with regard to this report becomes necessary.
- A copy of the municipality's annual audited financial statement for the last fiscal period should accompany this report.
- This report must be completed and mailed in order to arrive at the Commission not later than the 31st of March.

MUNICIPALITY OF Model Town Water Utility

REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION

OF PRINCE EDWARD ISLAND

FOR THE YEAR ENDED DECEMBER 31, 2005

**Schedule 1**

**UTILITY INFORMATION**

Chairman of Sewer and/or Water Committee: Mr. John Doe

Town/Community Administrator: Ms. Jane Account

Office Tel Number: 902-999-999 Office Fax Number: 902-888-8888

Office Address: 234 Anywhere Street  
Our City, Our Province X0X 1A1

Office Hours: Daily 9:00 to 5:00 Email: utility@here.ca

Name of Person Making this Report: Jane Account



Signature

**Schedule 2**

**MODIFICATIONS AND EXTENSIONS**

Briefly outline all modifications and extensions carried out during the year including number of feet of sewer line and water mains laid (excluding service connections).

No changes during the year.

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**Schedule 3**

**CUSTOMERS**

	Sewer	Water
Number of Customers	<u></u>	<u>210</u>
Number of Proportionate Units Billed	<u></u>	<u>256.5</u>
Number of Metered Customers	<u></u>	<u>33</u>
Number of Feet on Which Frontage Rates are Charged	<u></u>	



**Schedule 4 - Water****MUNICIPALITY OF Model Town Water Utility****STATEMENT OF REVENUE AND EXPENDITURES - WATER  
YEAR ENDED DECEMBER 31, 2005****Operating**

## Revenues

460	Unmetered Water Revenues	\$13,983	
461	Metered Water Revenues		
462	Fire Protection Revenues		
464	Other Sales to Public Authorities		
465	Sales to Irrigation Customers		
470	Delayed Payment Charges		
471	Miscellaneous Service Revenues		
474	Other Water Revenues	<u>8</u>	<u>\$13,991</u>

## Operating Expenses

600	Salaries and Wages - Operational Employees		
605	Materials and Supplies		
610	Repairs and Maintenance	1,123	
615	Rentals		
620	Power or Electricity	861	
625	Chemicals		
630	Water Testing and Analysis	<u></u>	<u>1,984</u>

## General Expenses

650	Salaries and Wages - Administrative Employees	1,300	
655	Employee Pensions and Benefits		
660	Office Supplies and Other Office Expenses	301	
661	Interest and Bank Service Charges		
665	Contractual Services	170	
670	Transportation Expenses		
675	Insurance	123	
680	Amortization - Rate Case Expense		
685	Regulatory Commission Fees	717	
690	Miscellaneous Expenses		
695	Bad Debt Expense	<u></u>	<u>2,611</u>

Operating Income (Loss) \$9,396

**Non-Operating Income and Expenses**

802	Small Tools Written Off During the Year	255	
803	Depreciation Expenses - Schedule 9A	592	
804	Interest on Long-Term Debt	<u>4,342</u>	<u>5,189</u>

Other Income (See Guide)

Net Income (Loss) \$4,207

Surplus (Deficit) January 1 \$25,698

Surplus (Deficit) December 31 \$29,905

MUNICIPALITY OF Model Town Water Utility

ACCOUNTS RECEIVABLE DATA  
YEAR ENDED DECEMBER 31, 2005

***Schedule 5***

**BILLING INFORMATION**

(a) Dates(s) on which customers are billed	<u>Quarterly - 1st business days</u> <u>of January, April, July and</u> <u>October</u>
(b) Total customer charges billed for current year	<u>\$ 13,983</u>

***Schedule 6***

**ACCOUNTS RECEIVABLE**

Balance outstanding - beginning of year	\$ 285
Add: Item 5(b) customer charges billed for current year	<u>13,983</u>
Subtotal	14,268
Subtract: Customer revenue received in current year	<u>13,245</u>
Balance outstanding - end of year	<u>\$ 1,023</u>

**Schedule 7****MUNICIPALITY OF Model Town Water Utility****SEWER AND/OR WATER REVENUE FUND  
BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2005****ASSETS**

Cash		\$9,435
Investments (temporary)		
Customer accounts receivable - arrears, Schedule 6	\$1,223	
Less: Allowance for uncollectable accounts	<u>200</u>	1,023
Other accounts receivable		
Due from other funds (specify)		19,589
Plant materials and supplies		
Prepaid expenses		
Deferred charges		
Other assets (specify)		<u>                    </u>
		<u><u>\$30,047</u></u>

**LIABILITIES AND SURPLUS**

Bank loans and overdrafts		\$
Accounts payable		142
Accrued liabilities		
Due to other funds (specify)		
Other liabilities		<u>                    </u>
	Subtotal	<u>142</u>
Surplus (Deficit)		<u>29,905</u>
		<u><u>\$30,047</u></u>

**Schedule 8**

MUNICIPALITY OF Model Town Water Utility

**SEWER AND/OR WATER CAPITAL AND LOAN FUND  
BALANCE SHEET**

**YEAR ENDED DECEMBER 31, 2005**

**ASSETS**

Cash		\$
Due from other funds (specify)		
Other (specify)		
	Subtotal	<u>                    </u>
Sewer system - undepreciated cost - Schedule 9A		
Water system - undepreciated cost - Schedule 9A		<u>185,176</u>
	Subtotal	<u>185,176</u>
		<u><u>\$185,176</u></u>

**LIABILITIES AND CONTRIBUTIONS IN AID OF CONSTRUCTION**

Long-term debt - Schedule 10		\$42,214
Bank loans		
Accounts payable		
Due to other funds (specify)		<u>19,589</u>
	Subtotal	<u>61,803</u>
Sewer system - contributions in aid of construction - Schedule 9B		
Water system - contributions in aid of construction - Schedule 9B		<u>123,373</u>
	Subtotal	<u>123,373</u>
		<u><u>\$185,176</u></u>

# Schedule 9A - Water

Municipality of Model Town Water Utility

**Sewer and/or Water Capital and Loan Fund**  
**Analysis of Water System**  
**Schedule of Depreciation**  
**Year Ended December 31, 2005**

Source of Supply Plant

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Cost			Cost	Depreciation	Depreciation	Depreciation	Deductions	Depreciation	Undepreciated
	January 1	Additions	Deductions	December 31	Rate		Reserve	to	Reserve	Cost
							January 1	Reserve	December 31	December 31
					%					
303 Land and Land Rights	\$	\$	\$	\$		\$	\$	\$	\$	\$
304 Structures and Improvements										
305 Collecting & Impounding Reservoirs										
307 Wells and Springs										
309 Supply Mains										
Other (Specify)										

Pumping Plant

303 Land and Land Rights										
304 Structures and Improvements	49,638			49,638	1.20	596	8,004		8,600	41,038
311 Pumping Equipment										
Other (Specify)										

Water Treatment Plant

320 Water Treatment Equipment										
Other										

Transmission and Distribution Plant

303 Land and Land Rights										
331 Transmission & Distribution Mains	140,655			140,655	1.20	1,688	12,659		14,347	126,308
333 Services	21,482			21,482	2.00	430	3,222		3,652	17,830
334 Meters & Meter Installations										
335 Hydrants										
Other (Specify)										

General Plant

340 Office Furniture and Equipment										
341 Transportation Equipment										
342 Stores Equipment										
343 Tools, Shop and Garage Equipment										
347 Miscellaneous Equipment										
348 Other Tangible Property										
Other (Specify)										

Totals	\$211,775	\$	\$	\$211,775	-	\$2,714	\$23,885	\$	\$26,599	\$185,176
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Less: Amortization - Contributions in Aid of Constructior  
(Taken from Column 6 of Schedule 9B - Water) -2,122  
Net Depreciation Line 803 \$592

**Schedule 9B - Water**

Municipality of Model Town Water Utility

**Sewer and/or Water Capital and Loan Fund  
Analysis of Water System**

**Contributions in Aid of Construction**

**Year Ended December 31, \_\_\_\_ 2005**

Source of Supply Plant

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Contributions	Additions	Deductions	Contributions	Amortization	Amortization	Amortization	Deductions	Amortization	Contributions
	January 1			December 31	Rate		Reserve	to	Reserve	December 31
							January 1	Reserve	December 31	December 31
	%									
303 Land and Land Rights	\$	\$	\$	\$		\$	\$	\$	\$	\$
304 Structures and Improvements										
305 Collecting & Impounding Reservoirs										
307 Wells and Springs										
309 Supply Mains										
Other (Specify)										

Pumping Plant

303 Land and Land Rights										
304 Structures and Improvements	24,570			24,570	1.20	295	2,211		2,506	22,064
311 Pumping Equipment	8,190			8,190	5.00	410	3,071		3,481	4,710
Other (Specify)										

Water Treatment Plant

320 Water Treatment Equipment										
Other										

Transmission and Distribution Plant

303 Land and Land Rights										
331 Transmission & Distribution Mains	94,471			94,471	1.20	1,134	8,502		9,636	84,835
333 Services	14,174			14,174	2.00	283	2,126		2,409	11,765
334 Meters & Meter Installations										
335 Hydrants										
Other (Specify)										

General Plant

340 Office Furniture and Equipment										
341 Transportation Equipment										
342 Stores Equipment										
343 Tools, Shop and Garage Equipment										
347 Miscellaneous Equipment										
348 Other Tangible Property										
Other (Specify)										

Totals	\$141,405	\$	\$	\$141,405	-	\$2,122	\$15,910	\$	\$18,032	\$123,373
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**Schedule 10****MUNICIPALITY OF Model Town Water Utility****SEWER AND/OR WATER CAPITAL AND LOAN FUND  
ANALYSIS OF LONG-TERM DEBT  
YEAR ENDED DECEMBER 31, 2005**

Description of Each Loan or Debenture Issue	Outstanding January 1	Add New Debt Incurred	Subtotal	Deduct Repayments	Outstanding December 31
<u>Sewer</u>	\$	\$	\$	\$	\$
<u>Water</u>					
Five-year term loan, 9.75%, payable in equal monthly installments of \$712. Principal & interest to Sep. 1, 1999	46,416		46,416	4,202	42,214
<u>Totals</u>	<u>\$46,416</u>	<u>\$</u>	<u>\$46,416</u>	<u>\$4,202</u>	<u>\$42,214</u>

## **WATER SYSTEMS**

	<b>Rate of Straight Line Depreciation</b>
<b>SOURCE OF SUPPLY PLANT</b>	
Structures & Improvements	1.20
Collecting & Impounding Reservoirs	1.20
Wells & Springs	1.20
Supply Mains	1.20
<b>PUMPING PLANT</b>	1.20
Structures & Improvements	5.00
Electrical Pumping Equipment	5.00
Diesel Pumping Equipment	
<b>WATER TREATMENT PLANT</b>	
Equipment	5.00
<b>TRANSMISSION AND DISTRIBUTION PLANT</b>	
Structures & Improvements	1.20
Transmission Mains	1.20
Distribution Mains	1.20
Services	2.00
Meters	5.00
Hydrants	2.00
Storage Reservoir	1.20
<b>GENERAL PLANT</b>	
Office Furniture & Equipment	10.00
Informations Systems	20.00
Transportation	20.00
Tools & Shop	20.00