

WATER

**OURS TO
SAVE**

**OURS TO
PROTECT**



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Financial	2009	2008
Service Revenue	\$10,586,000	\$10,364,000
Annual Surplus (Loss)	\$903,000	\$2,727,000
Total Municipal Position	\$65,796,000	\$64,892,000

Operations	2009	2008
Number of Customers	25,704	25,618
Annual Sales (m3)	9,909,346	10,007,151
Peak Daily System Demand (m3)	48,911	44,044

H.J. Brian Curran P.Eng., MBA

General Manager, Public Utilities Commission

To: Chair Mark Howson and Members of the Public Utilities Commission

The past year was an extremely busy one on a number of fronts. We started the year in a deep freeze that quickly impacted our distribution system. In January we had a record 36 watermain breaks followed by 22 in February. By the end of the annual watermain break period we had repaired 120 breaks, 42% above the five year average. The high number of repairs was also affected by an extensive leak detection study that was carried out during the year. The study identified leaks that might not have been detected until they became much larger at a later date.

Prior to the December 31, 2009 deadline, PUC Services Inc. submitted its application to the Canadian General Standards Board (CGSB) to be accredited as the operating authority for the water treatment and distribution facilities serving the City of Sault Ste. Marie. The application process included the submission of an operating plan for both water treatment and distribution systems. Prior to submitting the application the plan was submitted to the Public Utilities Commission for review and approval by the Commissioners. The comprehensive plan describes how the systems are operated to ensure reliability and security as well as methods to pursue continuous improvement opportunities. The CGSB will perform an audit of our facilities and the manner in which they are operated by PUC Services in 2010. Once the audit has been completed we expect that PUC Services will receive the necessary certification to continue operation of the treatment and distribution systems.

We continued to test for lead in drinking water. This is the third year of the testing program that includes two sampling periods: December 15 to April 15 and from June 15 to October 15. As more than 10% of the samples collected had lead concentrations that exceeded the 10 parts per billion limit we moved forward with the development of a corrosion control plan for the city's waterworks. The original target date for completion of the plan as established by the Ministry of Environment was October 2009. However, that deadline has been extended to December 3, 2010, which we expect to meet.

Changes to public accounting procedures that took effect January 1, 2009 required a review of the Commission's capital assets in order to estimate original asset costs as well as useful lives. With some in-ground assets over 100 years old a significant effort between PUC Services finance and engineering departments was required to obtain the necessary data. Going forward our financial statements will have to track asset depreciation and net book value.

Funding from the federal and provincial levels of government for infrastructure work allowed the city to do more road reconstruction work than in previous years. To take advantage of the economies that are presented with road reconstruction we increased our capital budget for watermain replacement. Capital spending was up approximately \$3.5 million over 2008 to almost \$8 million. While capital expenditures will decrease in 2010 the level of capital replacement in future years will remain high. Given the age and condition of a significant portion of our watermains we will likely have to replace some of them without the benefit of doing it in conjunction with road reconstruction. Replacement options that allow for watermain repair without the need to dig up the roadway are under investigation.

Despite the challenges of the past year I am pleased to report that our drinking water remained safe and secure and that there were no reportable exceedences of water quality for the City of Sault Ste. Marie in 2009.

We increased water rates by an average of 3% effective January 1, 2009 but wet cool weather during the summer and no doubt some conservation practices encouraged by higher water charges over the past several years resulted in a decrease in sales from the previous year.



Year in Review

System Description

The Public Utilities Commission ensures that the municipally owned waterworks provide safe, reliable, potable water at cost to the residential and business customers within the municipal services boundary of Sault Ste. Marie, Ontario. Potable water is also supplied to an area of the Rankin Reserve of the Batchewana First Nation.

Approximately half of the water is supplied from Lake Superior and the other half from wells located in the urban east and west areas of the city. The water intake in Lake Superior is located at Gros Cap. It extends 860 meters into Lake Superior and is situated at a depth of 17 meters. The Gros Cap pumping station delivers water to the Marshall Drive control tanks. Raw water then flows into the water treatment plant through a 45 kilowatt generator that reduces inlet pressure and generates a portion of the plant's electricity requirements. The filtration plant is rated at 40,000 cubic meters/day and uses direct filtration, incorporating chemically assisted coagulation, flocculation and dual filtration media.

The groundwater portion of the water supply comes from six wells. Two wells, both approximately 76 meters deep, are located at the Lorna pumping station. One well, 28 meters deep, is at the Steelton pumping station; one well, 101 meters deep, is located at the Shannon pumping station; and, two wells, each 55 meters deep, are located at the Goulais pumping station. The authorized total well supply capacity is 39,779 cubic meters/day.

The management, maintenance and operations of the water treatment plant, wells and distribution system are carried out by PUC Services Inc. under a 10 year contract to July 25, 2010.

Water Rates

Water rates increased by an average of 3% effective January 1, 2009. The rate increase was required to ensure sufficient capital is available to meet operating requirements as well as for current and projected infrastructure replacements. Water rates for Sault Ste. Marie residents are still amongst the lowest in the province.

Water Quality

Both raw and treated water are routinely tested at various points in the treatment and distribution systems in accordance with the requirements specified by the Ministry of the Environment. All test results are available for review by accessing the "PUC Water Commission - Water Quality Reports" through the PUC website (www.ssmruc.com) or by requesting a copy of the results from the offices of PUC Services Inc.

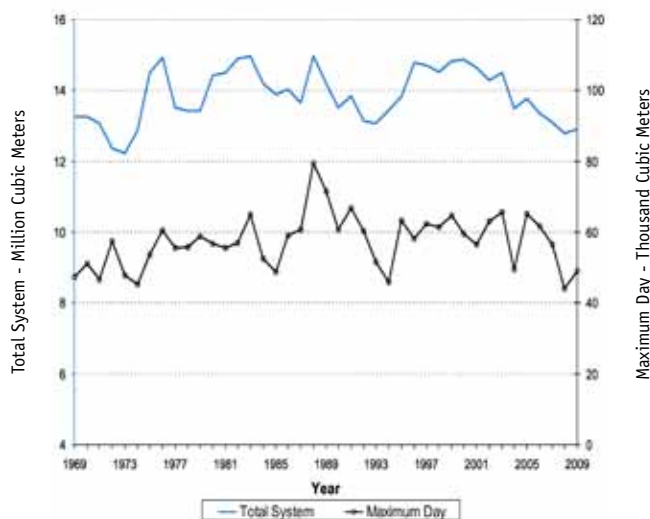
Reportable Incidents

There were no reportable water quality incidents for 2009. All parameters analyzed in accordance with the requirements of the Ontario Drinking Water Standard (ODWS), including volatile organics, inorganics, and pesticides, showed no exceedences.

System Total Pumpage

Water delivered to the distribution system in 2009 was 12.90 million cubic meters compared to 12.79 in 2008. The maximum day consumption in the year was 48.91 thousand cubic meters, which occurred June 24, 2009.

Distribution System Water Production



Water Conservation Program

The Commission is working with the City of Sault Ste. Marie to develop a water conservation strategy. The immediate focus is on the management of peak daily demand which is strongly correlated with summer weather conditions. A hot dry spell during the summer results in a significant spike in consumption that can stress supply capability for a short period of time. Measures are needed to direct consumers to stagger their water demands for lawn watering and other non essential water uses during these periods to avoid costly additions to our production and distribution systems.

A leak detection expert was brought in to survey the entire distribution system during the months of August and September. Thirty one possible leaks were identified, which averages out to approximately one leak in every fifteen kilometers of distribution piping. Some of the leaks were on water services but most were found to be on the watermains. It is thought that some of these leaks could have been running for extended periods of time.

Typically water leaking from the distribution system comes to surface and is easily detected. None of the leaks identified in this exercise were identifiable at surface. The escaping water was either being absorbed by the ground (i.e. sandy conditions) or the water made its way into the storm or sanitary collection systems. All the leaks were repaired before winter set in.

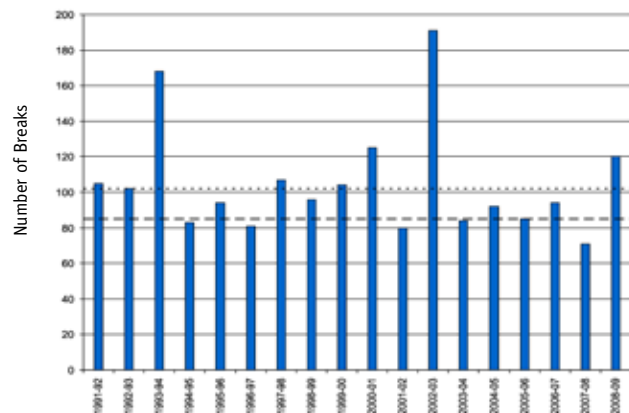
Backflow Prevention

Municipal bylaws in other jurisdictions that call for the mandatory installation and annual inspection of certified backflow prevention devices are being reviewed. It is expected that a similar bylaw will be presented to the Commission for approval in 2010.

Watermain Breaks

There were 120 breaks in 2009 compared to 71 in 2008. The average for the prior five years is 85. The Long Term Break Summary – Annual Totals chart depicts watermain break activity since the winter of 1991-92. Watermain breaks are recorded from November one year to October of the next.

Long-Term Break Summary - Annual Totals



Capital Works for 2009

In 2009 a total of \$7.85 million was spent on capital improvements in the system. Major system works in 2009 included the following:

- Replaced 200mm watermain on McNabb Street from Shannon Road to Southmarket Street extension;
- Constructed 300mm watermain on Southmarket Street extension from McNabb Street to Cambridge Place in conjunction with new road construction;
- Replaced 300mm watermain on Shannon Road from Healy Street to Capp Avenue;
- Replaced 150mm watermain on Borrion Avenue from Fauquier Street to Pim Street
- Replaced 200mm watermain on Wellington Street East from East Street to Simpson Street;
- Constructed new and replaced existing 300mm watermain on Third Line East from Great Northern Road to 1,000m east for the new Sault Area Hospital;
- Constructed 300mm on Fourth Line from Great Northern Road to Old Goulais Bay Road;
- Constructed new and replaced existing 300mm watermain on Third Line East westerly from Great Northern Road to east limit of Fort Creek ravine in conjunction with new road construction;
- Upgraded disinfection systems at the deep wells to provide increased chlorine contact time.

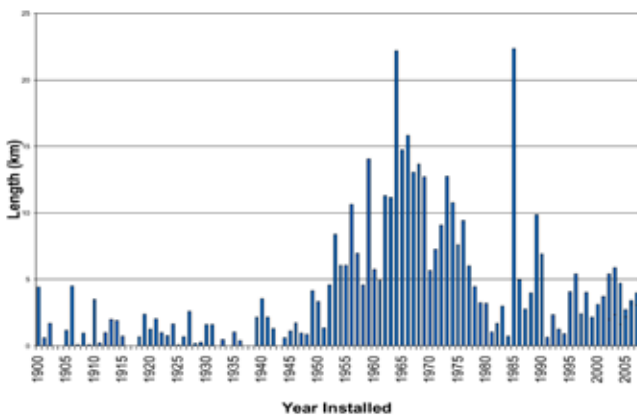
Outlook

Long Term Forecast of Capital Expenditures

There are approximately 450 km of watermains in the ground today. Based on assumed average life of 75 years, long term costs to replace this infrastructure are in the range of \$6 million per year over the life of the system. This somewhat simplified approach assumes that, for example, watermains were installed at a rate of 6,000 meters each year and that all types of watermains deteriorate at the same rate. This approach does not take into account the historical installation rates and actual pipe deterioration times.

The chart below was produced from available GIS data and summarizes the original installation dates for all watermains currently in service. The chart shows the extensive development that occurred in the city from approximately 1949 through 1980. Development since 1980 has been less dramatic but is still significant at times.

Watermain Age Distribution (in-service pipe as of 2007)



The vast majority of pipe in the system today is either cast iron or ductile iron. Depending on soil conditions, the expected service life of these materials can range from 70 years to as little as 35 years.

Based on the age distribution of in-service pipe today depicted by this chart and the range of typical service lives, it is anticipated that annual capital expenditures for watermain replacements will have to reach unprecedented levels in the near future. Anticipated annual expenditures will range from \$6 million up to \$15 million over a period of 25 years.

Municipal Drinking Water Licence

The Safe Drinking Water Act 2002 has a requirement for owners of municipal drinking water systems to obtain a municipal drinking water licence. A key prerequisite to licencing is the preparation of an operational plan which documents the owner/operating authority's processes and procedures for the overall management and operation of the drinking water systems under its jurisdiction.

The Operational Plan must address the 21 elements of the Drinking Water Quality Management Standard. Once the plan has been developed and the procedures documented, implementation of the plan must be undertaken to transform it from a manual of procedures into a way of doing business.

Extensive effort and resources were devoted throughout 2009 to the development of the operational plan. The plan was completed and submitted to the Ministry of Environment by the due date of January 1, 2010. Efforts will continue through 2010 to achieve accreditation.

Community Lead Testing

Amendments to Regulation 170/03 of the Safe Drinking Water Act came into effect July 26, 2007 requiring water supply authorities to test for lead in drinking water twice annually. The first sampling period was from December 15, 2007 to April 15, 2008 and the second period from June 15 to October 15, 2008. Bi-annual testing continued through 2009 with round three in the winter and four in the summer.

The Regulation requires that, if more than ten percent of samples exceed the 10 parts per billion (ppb) limit for lead in two out of three sampling rounds, a plan to reduce lead concentrations below the 10 ppb limit must be submitted within one year to the Ministry of Environment. The plan must assess the sources of lead entering the water supply, provide options to mitigate the problem, indicate a preferred action plan and set out a schedule to implement the proposed plan. Not surprisingly, all four rounds surpassed the 10% threshold since all homes tested had or were suspected of having lead service lines. Lead found in the drinking

water is not present in the source water, either the Lake Superior supply or the wells. The likely source of the lead is the result of leaching from lead service lines and indoor plumbing fixtures.

Since the first two rounds of testing had already exceeded the prescribed threshold, the Commission moved quickly to initiate development of a corrosion control plan in early 2009. A consultant was hired in January 2009 to develop the plan. While there was some data on water chemistry already available, it was soon determined that corrosion monitoring stations should be utilized to provide more detailed analytical data to support development of corrosion control measures. The plan will be submitted to the Ministry in December 2010.



Management Responsibility

To the Members of City Council

The attached financial statements and other financial information have been prepared by the Commission's management which is responsible for their integrity and objectivity. To fulfill this responsibility, the Commission maintains appropriate systems of internal control and policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs. These policies and procedures are designed to provide reasonable assurance that relevant and reliable financial information is produced. The statements have been prepared in conformity with accounting principles as recommended by the public sector accounting board. Where appropriate, they reflect estimates based on judgments of management. Financial information presented elsewhere in this Annual Report is consistent with that shown in the accompanying financial statements.

KPMG LLP, the independent auditors appointed by the Commission, have examined the financial statements of the Commission in accordance with auditing standards generally accepted in Canada to enable them to express to the Commission their opinion, without reservation, on the financial statements. Their report as auditors is set out on the following page.

The statements have been further examined by the Commissioners, who meet regularly with management to review the activities of the Commission. The auditors have full access to the Commissioners. The Commissioners oversee management's financial reporting responsibilities and are responsible for reviewing and approving the financial statements.



Terry Greco, CA
Treasurer



Auditors' Report

To the Commissioners of the Public Utilities Commission of the City of Sault Ste. Marie, Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Sault Ste. Marie

We have audited the statement of financial position of the Public Utilities Commission of the City of Sault Ste. Marie as at December 31, 2009 and the statements of financial activities and fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

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A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants. Licensed Public Accountants

Sault Ste. Marie, Canada
April 30, 2010

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
Financial assets:		
Accounts receivable	\$ 1,962,387	\$ 1,884,662
Unbilled service revenue	502,021	498,741
Local improvements receivable	216,966	321,852
Receivable from related company, PUC Services Inc.	-	1,774,083
	<u>2,681,374</u>	<u>4,479,338</u>
Financial liabilities:		
Loan payable	1,000,000	-
Accounts payable and accrued liabilities	1,494,882	1,050,040
Payable to related company PUC Services Inc.	2,070,554	-
	<u>4,565,436</u>	<u>1,050,040</u>
Total net financial assets (debt)	(1,884,062)	3,429,298
Non-financial assets:		
Tangible capital assets	67,432,845	61,227,318
Inventory	246,738	235,821
	<u>67,679,583</u>	<u>61,463,139</u>
Accumulated surplus (note 7)	\$ 65,795,521	\$ 64,892,437

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008

	Budget	2009 Total	2008 Total (Restated note 2)
Revenues:			
Service revenue:			
Residential	\$ 6,383,382	\$ 5,836,306	\$ 5,719,399
General	4,343,521	4,145,372	4,071,581
Hydrants	580,046	604,449	573,388
	11,306,949	10,586,127	10,364,368
Other:			
Occupancy	276,500	198,217	194,920
Investment income	30,000	7,847	92,594
Non-service revenue	224,807	292,775	525,778
Local improvement revenue	-	-	40,951
Developers contributions	210,000	141,004	684,134
	741,307	639,843	1,538,377
Total revenues	12,048,256	11,225,970	11,902,745
Expenditures:			
Purification and pumping	3,324,859	2,586,617	2,482,149
Transmission and distribution	2,922,985	3,297,274	2,427,642
Amortization of tangible capital assets	-	1,787,574	1,699,031
Hydrants	582,822	455,217	438,979
Billing and collection	934,819	901,630	911,094
Interest on long-term debt	201,873	5,352	-
General and administration	1,441,055	1,289,222	1,216,767
Total expenses	9,408,413	10,322,886	9,175,662
Annual surplus	2,639,843	903,084	2,727,083
Accumulated surplus, beginning of year	64,892,437	64,892,437	62,165,354
Accumulated surplus, end of year	\$ 67,532,280	\$ 65,795,521	\$ 64,892,437

The accompanying notes are an integral part of the financial statements.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Change in Financial Assets (Net Debt)

Year ended December 31, 2009

	2009	2008 (Restated note 2)
Annual surplus	\$ 903,084	\$ 2,727,083
Acquisition of tangible capital assets	(7,993,101)	(5,190,404)
Amortization of tangible capital assets	1,787,574	1,699,031
	(5,302,443)	(764,290)
Acquisition of inventory	(246,738)	(235,821)
Use of inventory	235,821	224,967
Change in net financial assets (net debt)	(5,313,360)	(775,144)
Net financial assets (net debt), beginning of year	3,429,298	4,204,442
Net financial assets (net debt), end of year	\$ (1,884,062)	\$ 3,429,298

The accompanying notes are an integral part of these consolidated financial statements.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used for):		
Operating activities:		
Annual surplus	\$ 903,084	\$ 2,727,083
Items not involving cash:		
Amortization of tangible capital assets	1,787,574	1,699,031
Developers contributions	(141,004)	(684,134)
	2,549,654	3,741,980
Change in non-cash assets and liabilities:		
Local improvements receivable	104,886	176,064
Accounts receivable	(77,725)	171,660
Unbilled service revenue	(3,280)	(23,191)
Inventory	(10,917)	(10,854)
Accounts payable	444,842	26,040
Increase in cash from operating activities	3,007,460	4,081,699
Capital activities:		
Cash used to acquire tangible capital assets	(7,852,097)	(4,506,270)
Financing activities:		
Loan payable	1,000,000	-
Receivable from PUC Services Inc.	3,844,637	424,571
Net change in cash for financing activities	4,844,637	424,571
Net change in cash	-	-
Cash, beginning and end of year	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

The Public Utilities Commission of the City of Sault Ste. Marie (the "Commission") is a body appointed by the Corporation of the City of Sault Ste. Marie to supply water and related services to its residents.

1. Significant accounting policies:

The financial statements of the Commission are prepared by management in accordance with accounting principles generally accepted in Canada for government organizations as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Commission are as follows:

(a) Basis of accounting:

Revenue and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenue as they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

(i) Tangible capital assets (continued)

Asset	Useful Life - Years
Buildings and building improvements	10 to 60
Machinery and equipment	5
Water infrastructure	15 to 100

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Inventory

Inventory, which consists of parts and supplies acquired for internal construction or consumption, is valued at the lower of cost and replacement cost.

(c) Revenue recognition:

Revenue is recognized on the accrual basis, which includes an estimate of unbilled revenue for water consumed by customers since the date of each customer's last meter reading. Actual results could differ from estimates made of actual water usage.

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures, assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

2. Change in accounting policies:

The Commission has implemented Public Sector Accounting Board (“PSAB”) sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Commission applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the Statcan Non-Residential Building Construction Price Index Deflator Table, was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

2. Change in accounting policies (continued):

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at January 1, 2008:	
Operating fund balance	\$ 3,429,409
Capital fund balance	1,000,000
Accumulated surplus, as previously reported	4,429,409
Net book value of tangible capital assets recorded	57,735,945
Accumulated surplus, as restated	\$ 62,165,354
Annual surplus for 2008:	
Net expenditures, as previously reported	\$ (764,290)
Developer contribution of tangible capital assets	684,134
Assets capitalized but previously expensed	4,506,270
Amortization expense not previously recorded	(1,699,031)
Annual surplus, as restated	\$ 2,727,083

3. Budget figures:

The budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they may not be directly comparable with current year actual amounts.

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

4. Related party transactions:

The following entities are identified as related parties to the Commission:

PUC Inc. – 100% owned by the Corporation of the City of Sault Ste. Marie (City).

PUC Distribution Inc. (Distribution) – 100% owned by PUC Inc.

PUC Services Inc. (Services) – 100% owned by PUC Inc.

PUC Energies Inc. (Energies) – 100% owned by PUC Inc.

PUC Telecom Inc. (Telecom) – 100% owned by PUC Inc.

The Commission has a management, operation and maintenance agreement with Services, which expires July 25, 2010, under which Services manages, controls, administers and operates the business of the Commission.

The Commission charges interest on balances receivable from Services at the Royal Bank prime less 2%. Interest of \$7,847 (2008 - \$92,594) was earned during the year.

The Commission was charged management fees and operational fees by Services in the amount of \$2,511,089 (2008 – \$2,368,070). Occupancy fees charged to the other related companies was \$198,217 (2008 – \$194,920). These transactions have been recorded at the exchange amount which is the agreed amount between the related parties.

5. Expenditures by object:

Total expenditures by object are as follows:

	2009	2008
Salaries and benefits	\$ 3,900,006	\$ 3,649,025
Materials, supplies and services	4,635,306	3,827,606
Amortization of tangible capital assets	1,787,574	1,699,031
	\$ 10,322,886	\$ 9,175,662

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

6. Tangible capital assets:

Cost	Balance at December 31, 2008	Additions	Disposals	Balance at December 31, 2009 (note 2)
Land	\$ 795,275	\$ 15,635	\$ -	\$ 810,910
Buildings and building improvements	9,917,955	15,298	-	9,933,253
Water infrastructure	87,473,527	7,962,168	-	95,435,695
Total	\$ 98,186,757	\$ 7,993,101	\$ -	\$ 106,179,858

Accumulated amortization	Balance at December 31, 2008	Disposals	Amortization expense	Balance at December 31, 2009 (note 2)
Buildings and building improvements	\$ 3,999,722	\$ -	\$ 171,133	\$ 4,170,855
Water infrastructure	32,959,717	-	1,616,441	34,576,158
Total	\$ 36,959,439	\$ -	\$ 1,787,574	\$ 38,747,013

	Net book value December 31, 2008	Net book value December 31, 2009
Land	\$ 795,275	\$ 810,910
Buildings and building improvements	5,918,233	5,762,398
Water infrastructure	54,513,810	60,859,537
Total	\$ 61,227,318	\$ 67,432,845

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

6. Tangible capital assets (continued):

Cost	Balance at December 31, 2007	Additions	Disposals	Balance at December 31, 2008 (note 2)
Land	\$ 795,275	\$ -	\$ -	\$ 795,275
Buildings and building improvements	9,694,544	223,411	-	9,917,955
Water infrastructure	82,506,534	4,966,993	-	87,473,527
Total	\$ 92,996,353	\$ 5,190,404	\$ -	\$ 98,186,757

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Accumulated amortization	Balance at December 31, 2007	Disposals	Amortization expense	Balance at December 31, 2008 (note 2)
Buildings and building improvements	\$ 3,827,896	\$ -	\$ 171,826	\$ 3,999,722
Water infrastructure	31,432,512	-	1,527,205	32,959,717
Total	\$ 35,260,408	\$ -	\$ 1,699,031	\$ 36,959,439

	Net book value December 31, 2007	Net book value December 31, 2008
Land	\$ 795,275	\$ 795,275
Buildings and building improvements	5,866,648	5,918,233
Water infrastructure	51,074,022	54,513,810
Total	\$ 57,735,945	\$ 61,227,318

PUBLIC UTILITIES COMMISSION OF THE CITY OF SAULT STE. MARIE

Notes to Financial Statements

Year ended December 31, 2009

6. Tangible capital assets (continued):

Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$111,117 (2008 - \$684,134) comprised of water infrastructure.

7. Accumulated surplus:

Accumulated surplus is comprised of:

	2009	2008
Invested in tangible capital assets	\$ 67,432,845	\$ 61,227,318
Operating fund	(1,637,324)	3,665,119
	\$ 65,795,521	\$ 64,892,437

Governance

The assets of the Public Utilities Commission are owned by the City of Sault Ste. Marie. The Commission is responsible for ensuring that the water treatment and distribution systems are properly managed and maintained. In 2000, a 10 year management agreement was signed with PUC Services Inc. whereby PUC Services will manage, operate and maintain the treatment and distribution systems. Commission assets will continue to be owned by the City.

The Commission is composed of three commissioners, one of whom serves as Chair. These members were appointed by City Council. The Commission holds public meetings as required to review the work of PUC Services, approve capital and operating budgets and annual financial statements and consider matters that are brought to its attention by the General Manager of the Public Utilities Commission.



Mark Howson

Doug Lawson

Pat Mick

Current Members of the Commission

Commission Chair Mark Howson P. Eng., MBA Senior Maintenance Engineer, Algoma Steel Inc.

Doug Lawson, PhD, retired, Past President of Algoma University College

Pat Mick BA City Councillor

Officers

H.J. Brian Curran P. Eng., MBA General Manager

Terry Greco CA Treasurer

Claudio Stefano P. Eng., MBA Secretary



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