



# The Township of North Dundas Drinking Water System

## Financial Plan

November 6, 2013



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## 1. Introduction

The Township of North Dundas has authorized the Ontario Clean Water Agency (OCWA) and Sharratt Water Management Ltd. (SWML) to develop water and wastewater rates and the Financial Plan for the Township's drinking water system.

This Financial Plan has been prepared in accordance with the Financial Plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act, as well as the provisions of the financial planning guidelines published by the Ministry of the Environment (MOE) in August 2007 entitled "Toward Financially Sustainable Drinking-Water and Wastewater Systems".

The water rates are set out in the NORTH DUNDAS DRINKING WATER SYSTEM AND WASTEWATER SYSTEM FINAL RATE REPORT (FINAL RATE REPORT), dated September 30, 2013. The FINAL RATE REPORT estimates the capital and major maintenance costs from the year 2010 to the year 2020 in an operating plan. The revenue needed to support the operating plan is laid out in a funding plan that relies on user fees from rates, connection charges and other sundry sources of revenue. User fees from rates are set so that adequate reserves are developed in order to fund future capital and major maintenance expenses.

The Financial Plan was developed for the Township's drinking water system, based on the FINAL RATE REPORT, as well as tangible capital asset information that the Township generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements. The Financial Plan includes a projection of non-financial tangible capital assets to the year 2020.

### 1.1 Legislative Context to Financial Planning

There have been a number of legislative initiatives affecting water system management and operations over the past decade. These initiatives were a result of the water borne illness tragedy in Walkerton in 2000. Following this event, the Government of Ontario established a public inquiry chaired by the Honourable Dennis O'Connor to look into the tragedy. The Inquiry Report recommended a comprehensive approach to the delivery of safe drinking water in Ontario.

The MOE has responded to the Inquiry recommendations by making legislative changes. One change directly related to the development of this Financial Plan was the passage of the Safe Drinking Water Act, 2002 (SDWA). It requires owners of a municipal drinking

water system to apply for and obtain a Municipal Drinking Water Licence. Five elements must be in place in order for the owner of a drinking water system to obtain a licence:

- 1) A Drinking Water Works Permit to establish or alter a drinking-water system;
- 2) An accepted Operational Plan. The Drinking Water Quality Management Standard (DWQMS) is the standard upon which operational plans are based. The plan documents an operating authority's quality management system (QMS).
- 3) An Accredited Operating Authority. A third party audit of an operating authority's QMS will be the basis for accreditation.
- 4) A Permit to Take Water.
- 5) A Financial Plan that must be prepared and approved in accordance with the prescribed requirements in the Financial Plans Regulation.

Under section 30 of the SDWA, the Financial Plan element of the licence program must either be prepared in accordance with the Sustainable Water and Sewage System Act, 2002 (SWSSA) or in accordance with the requirements set by the Minister of the Environment. SWSSA regulations were never published and the legislation has now lapsed. Accordingly, the requirements set by the Minister of Environment apply as per the 2007 MOE guidelines.

Regulation 453/07 of the Safe Drinking Water Act was passed in 2007 and contains two key provisions that apply to an existing water system:

1. A person who makes an application under the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements of O. Reg. 453/07, S. 1(1).
2. As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed Reg. 453/07. O. Reg. 453, S. 1(3).

Several other provisions are also set out in the regulation that must be met by a municipality operating a water system:

- The Financial Plan must be approved by a resolution that is passed by the Council of the municipality

- The Financial Plan must apply to a period of at least six years.
- The first year to which the Financial Plan must apply is the year in which the first license for the system was issued.

Once a system is licensed, the municipality's Financial Plan is required to be updated every 5 years, in conjunction with every application for license renewal.

## 1.2 Recent Accounting and Policy Changes

In June 2006, the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered accountants approved new municipal financial accounting and reporting standards requiring that tangible capital assets (TCA), including components of the water system, be included in municipal financial statements. The new accounting standard PS 3150 came into effect on January 1, 2009. This provides for a sharper focus on the depreciation of the capital asset base of the water system and the need to plan for renewal and replacement on a timely basis. This data is an integral component of the financial statements included in this Financial Plan.

The Clean Water Act 2006 targets the protection of drinking water supplies through the development of collaborative, locally driven, science and watershed based source protection plans. According to the MOE financial planning guidelines, Financial Plans should include source water protection costs related to the provision of water services. Utilities are encouraged to have, at minimum, estimates of any current source protection costs as a separate cost item by the time that their Financial Plans are required in order to effectively align with the anticipated approval timelines for source protection plans (2010-2012).

In June 2007, the government of Ontario proposed a lead action plan. The Financial Plans regulation contains requirements for municipalities to include in their Financial Plans, the costs associated with replacing lead service pipes that are part of the drinking water system.

## 1.3 Township of North Dundas Water System

The North Dundas water system serves two communities connected with a feeder main:

- Winchester - This system is comprised of six wells, a new reservoir, a water tower and a distribution system. The water system serves approximately 2,300 residents and businesses, including the large dairy. The system is fully metered and currently has about 994 connections.

- Chesterville – This system is comprised of two wells, a treatment plant, a reservoir, a water tower and a distribution system. The system has just been metered and has about 840 connections.

## 2.0 Operating Plan

The operating plan details the recurring operating costs as well as the capital renewal and major maintenance investments costs required to sustain the drinking water system. These costs have been developed using assumptions that are detailed in the FINAL RATE REPORT. Some key assumptions are set out below.

### 2.1 Operations expenses

Operating costs such as labour, chemicals, insurance and other costs are projected to increase at 2.5% per annum and energy is projected to increase at 5% per annum for the 2014-2020 periods.

### 2.2 Capital renewal and major maintenance expenses

Capital renewal and major maintenance costs have been projected to 2020 by OCWA and funding needs for these costs have been included in the rates for 2014-2020. The combined system is expected to add 8 new connections per year. No capital for growth purposes is projected. The intent of the operating plan is to ensure that funding will be available, when needed, for the projected capital and major maintenance costs between 2014 and 2020. Capital and major maintenance costs are projected to increase at 3% per year. The capital renewal and major maintenance needs are set out in the FINAL RATE REPORT. Capital and major maintenance needs beyond 2020 should be considered in the next Financial Plan needed before the next licence renewal. That report will roll the time horizon forward for at least another five years for capital projects.

### 2.3 Debt servicing costs

The system has a projected working capital deficit of \$1,332,431 at the end of 2013. The Township proposes to pay down this deficit with funds from the Hydro proceeds. No additional debt is forecast for the 2014-2020 period.

#### 2.4 Lead replacement costs

There is no lead present in the system and as a result, no funds have been set aside for lead abatement.

#### 2.5 Source water protection costs

The South Nation Conservation Authority is leading a source protection committee that is reviewing the issue of source protection. The Township has spent no money directly nor does it have a budget. The Township is waiting for the results of the work of the source protection committee.

### 3. Funding Plan

The funding plan lays out a plan on how the Township will generate the required funds to meet the expenditure requirements detailed in the operating plan. The funding plan is detailed in the FINAL RATE REPORT. The funding plan proposed will rely primarily on user fees, with some funds provided from connection fees and various sundry charges as well as a one-time contribution from the Hydro proceeds. Some key assumptions and results are presented below.

#### 3.1 Government Grant

No allowance has been made for government grants in the 2014-2020 periods.

#### 3.2 Debt

The system has an estimated working capital deficit of \$1,332,431 at the end of 2013. The Township proposes to pay down this deficit with funds from the Hydro proceeds. No additional debt is forecast for the 2014-2020 period.

#### 3.3 Required User Fees

Based on the current funding plan, the North Dundas user fees and water rates are projected to increase at 4.3% in inflated dollars or about 1.5 to 2% per annum in 2013 dollars for the 2014-2020 periods. This is based on the need to generate adequate revenue to cover capital renewal and major maintenance along with an assumption that most operating as well as capital and major maintenance costs will inflate at 2.5% per annum with energy costs increasing at 5% per annum.



The system users in Chesterville are now metered and starting on January 1, 2014, all users in both systems will be charged according to a fixed two-part rate with an annual fixed charge based on meter size and a constant volumetric charge that applies to all water that passes through the meter. The rate development process is set out in the FINAL RATE REPORT. Table 3.1 below sets out the yearly rates for users in both Chesterville and Winchester from 2014 to 2020 recommended in the FINAL RATE REPORT.

Table 3.1 North Dundas Metered Combined Water Rates 2014-2020 in Inflated \$		2013	2014	2015	2016	2017	2018	2019	2020
<b>Fixed Rate Paid by All Users/Month</b>									
Meter Size (inches)	0.62	7.28	7.41	7.70	8.00	8.31	8.64	8.98	9.33
	0.75	7.28	7.41	7.70	8.00	8.31	8.64	8.98	9.33
	1	10.19	10.37	10.78	11.20	11.64	12.09	12.57	13.06
	1.5	13.11	13.33	13.86	14.40	14.96	15.55	16.16	16.79
	2	21.12	21.48	22.32	23.20	24.10	25.05	26.03	27.05
	2.5	50.97	51.86	53.88	55.99	58.18	60.46	62.83	65.29
	3	80.09	81.49	84.68	87.99	91.43	95.01	98.73	102.60
	4	101.94	103.71	107.77	111.98	116.36	120.92	125.65	130.58
<b>Volumetric Charge for All Water Used</b>									
Per cubic metre (219 imperial gallons)		0.85	0.89	0.93	0.97	1.01	1.05	1.10	1.15
Note 1 2013 shaded information is for Winchester only and is shown only for comparison									
Note 2 2014-2020 proposed rates are for both Winchester and Chesterville customers									

#### 4. Continuous Improvement

The Financial Plan regulation requires that the Financial Plans be updated every 5 years, along with the request for the renewal of the Drinking Water Licence. This on-going update will assist in revisiting the assumptions made to develop the operating and funding plans as well as re-assessing the need for capital renewal and major maintenance expenditures.



## 5. Financial Plan Summary

This section provides a summary of principal features concerning the current and future state of the water system contained in the projected Financial Statements over 11 years (2010-2020) in compliance with O. Reg. 453. The detailed financial statements are set out in tabular form in Section 6. The notes regarding the financial statements are presented at the end of the financial statement section.

### 5.1 Statement of Financial Position (Table 6.1)

One important feature of a water system is the net financial assets/debt. A positive number indicates that the system has the resources to deal with future capital and other needs. A negative number indicates that past capital and other investments must be financed from future revenues. The North Dundas water system's net financial assets are shown in Figure 5.1:

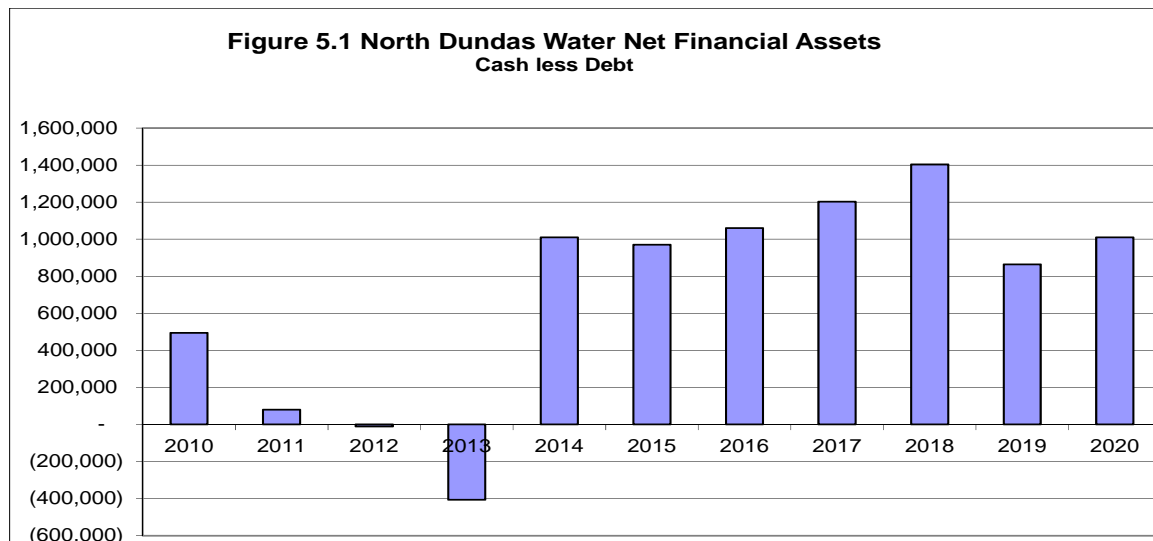
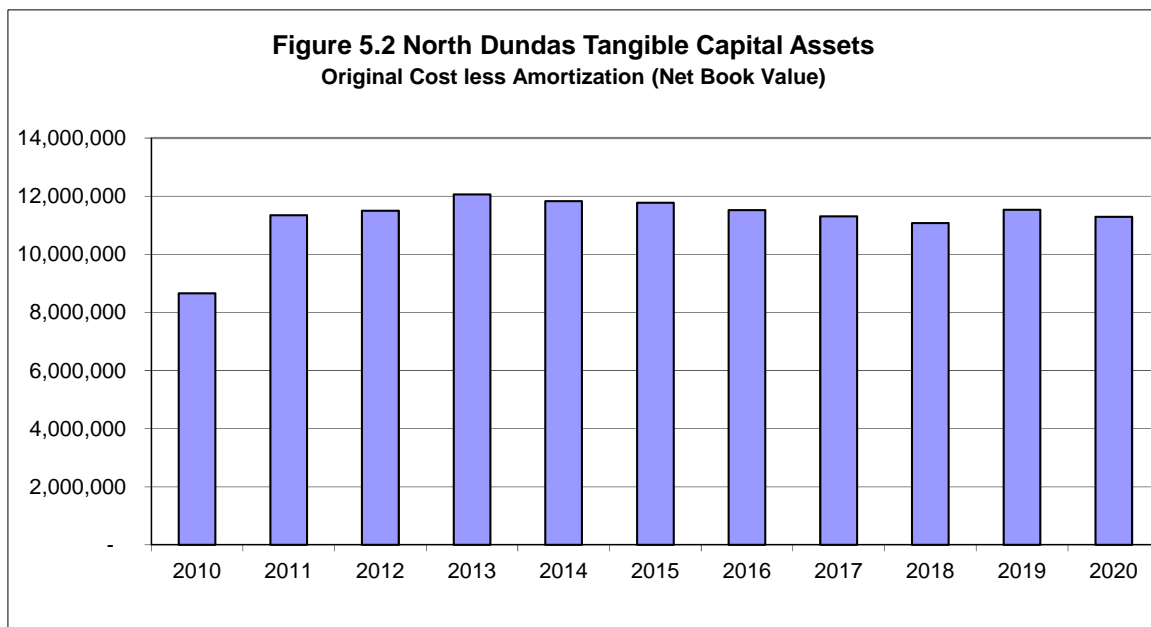


Figure 5.1 shows that that the system had a surplus in 2010 but this projected to become a deficit in 2013 due to the construction of needed new water system assets. However, the use of the Hydro proceeds in 2014 will eliminate the working cash deficit and leave a surplus that lasts at about the same level until 2020 even after replacing meters in Winchester in 2019. All figures are in inflated dollars.

A second feature is the total value of the water system's tangible capital assets such as wells, water towers, reservoirs and water lines. Consideration of the value of tangible capital assets is part of PSAB compliance. The current value of the capital assets is termed net book value (NBV). It is the original cost of an asset less the accumulated amortization. Tangible capital assets, once installed, are being used, and are immediately decreasing in value. Annual amortization is determined by dividing the original cost of an asset by its expected lifetime in years. Amortization is accumulated as the asset wears out so that by the last year of the expected life of the asset, amortization equals the original value of the asset. At that time, the asset has no net book value.

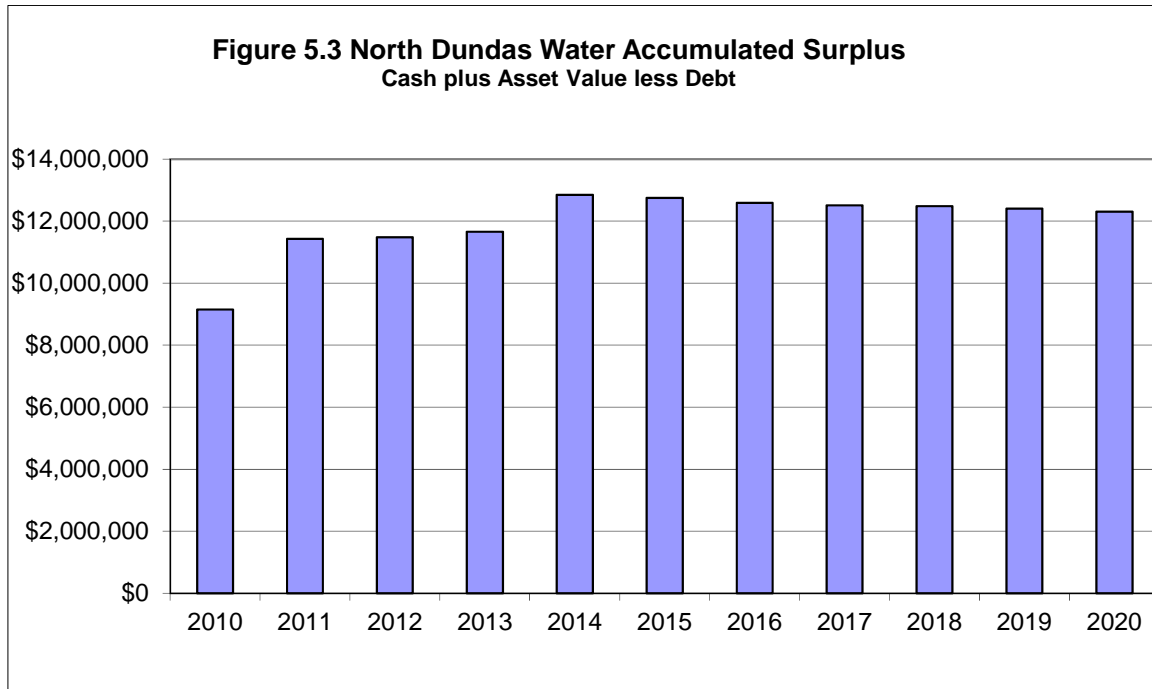
Water systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. As has been noted above, tangible capital assets, once installed, are being used and decrease in value due to amortization. An increase in tangible capital assets is an indication that assets have been renewed faster than they are used. A decrease indicates that assets are being used, or amortized, faster than they are renewed. The value of the Township's water system assets is set out in Figure 5.2.



Net book value increased rapidly from 2010 to 2011 as the new feeder main connecting the two communities was completed, a reservoir built and Chesterville users were metered. From 2013, to 2018, there is a projected decrease, as no capital replacement is needed, for the new components of the system. In 2019, the water meters in

Winchester reach the end of their life and are proposed to be replaced. This increases the net book value in 2019 and then it begins to decrease once more in 2020.

A third feature is the accumulated surplus set out in Figure 5.3. It represents cash on hand plus the net book value of tangible capital assets less debt.



The water system, as illustrated in Figure 5.3, showed a dramatic increase in accumulated surplus from 2010 to 2014 as the feeder main linking the two communities is built, the new reservoir is constructed and the metering project in Chesterville increase asset value. From 2014 until 2020, the accumulated surplus declines slightly as amortization exceeds the growth of cash reserves. The large reserve, shown in Figure 5.5, indicates that the Township’s proposed financial plan is sustainable.

## 5.2 Statement of Operations (Table 6.2)

This statement summarizes the operating revenues and expenditures. The expenditures include ongoing operating costs plus asset amortization. It provides an indication of whether or not the system assets are being maintained on a year over year basis.

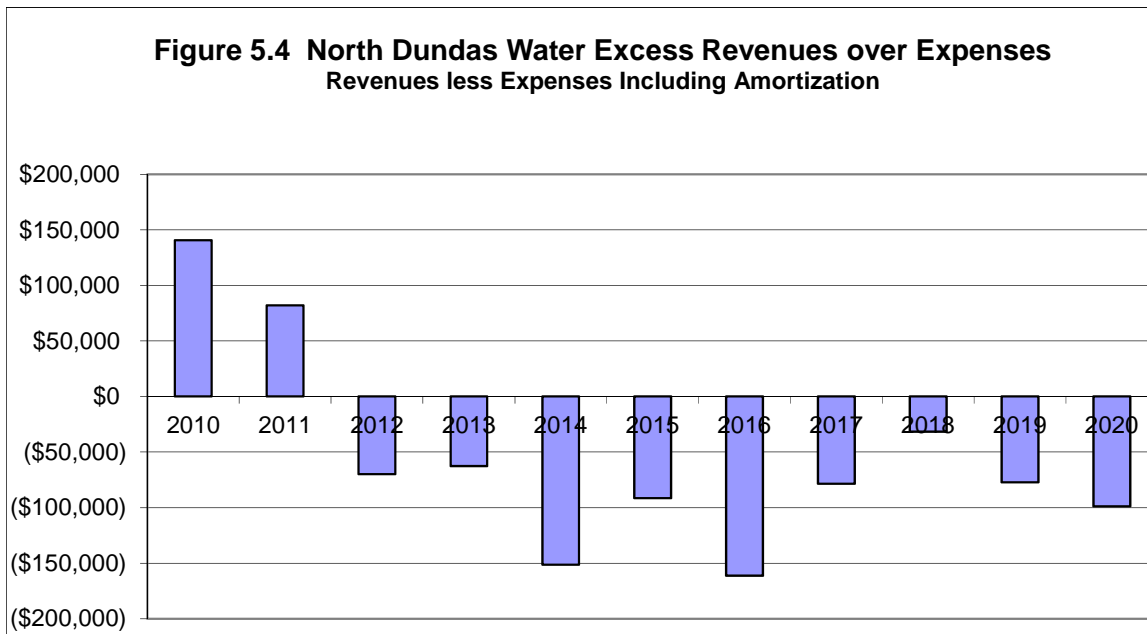


Figure 5.4 indicates that the system had a surplus of revenues over expenses in 2010 and 2011 however, as the major capital projects are added in the 2010 to 2012 periods, the level of amortization increases. This results in an increase in expenses over revenues, which is most pronounced in 2014 and 2016 as the rates of the two systems, are integrated. The deficiency declines in 2017 and 2018 and then begins to increase as more capital and more resulting amortization is added to the system. This indicates that less is spent on renewal than expenses. This is not surprising considering that a large amount of long-lived infrastructure has just been constructed. The Financial Plan has been designed to account for all foreseeable expenditures to 2020. On top of this, there is a substantial reserve to handle unexpected expenditures. Consequently, the system is in good shape for now. The revenue/expense situation should be reviewed when the next financial plan is prepared.

### 5.3 Statement of Cash Flow (Table 6.3)

This fifth feature shows how revenues are generated and spent over the study period. The revenues include user fees assisted by government capital grants from 2010 to 2013, short term loans to cover working capital deficits and a contribution from the Hydro proceeds in 2014. The expenditures include operating expenses and capital acquisitions less any working capital deficit payment. These are shown in Table 6.3 and set out in Figure 5.5.

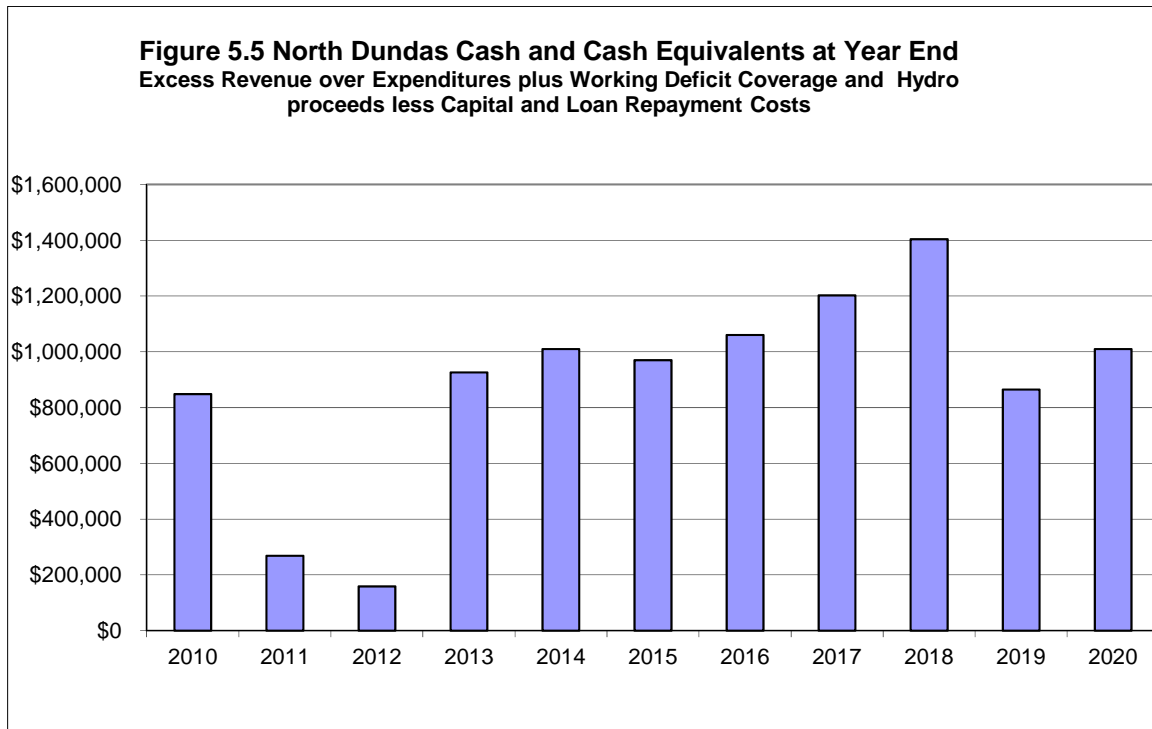


Figure 5.5 indicates that the cash equivalents, in inflated dollars, are positive throughout the study period. The balance is reduced in 2012 due to the large projects being completed at that time and then increases as the contribution from the Hydro proceeds is made in 2014. The cash equivalents increase until 2019 where they are projected to decline due to projected replacement of meters in Winchester. However, in 2020, the cash equivalents are increasing once again. This cash balance puts the Township in a position to fund some unexpected needed maintenance projects before 2020 as well as future capital renewal and major maintenance projects just beyond 2020. The FINAL RATE REPORT provided a plan to maintain the level of cash and cash equivalents for capital renewal and major maintenance over the 2014 to 2020 periods.

## **5.5 Conclusion**

The North Dundas water system has undertaken some major capital projects over the 2010 to 2012 periods. The system is debt free. No more large capital renewal projects are projected until 2019. It has a good reserve. The system is in sound financial condition, if the Township follows the projected rates and the long-range capital renewal and major maintenance plan proposed in the FINAL RATE REPORT. The detailed financial statements set out in tabular form that were the basis for the above summary follow in Section 6.

## **6. Financial Statements**

The detailed financial statements are set out in the following tables followed by the notes that correspond to the numbers in the tables.

<b>Table 6.1 Statement of Financial Position - North Dundas Water System</b>												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Notes
<b>Financial Assets</b>												
Cash and Cash Equivalents	773,981	1,035,250	958,685	926,116	1,010,003	969,796	1,060,521	1,201,984	1,403,877	864,288	1,009,876	1
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-	
Deposits	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Financial Assets</b>	<b>773,981</b>	<b>1,035,250</b>	<b>958,685</b>	<b>926,116</b>	<b>1,010,003</b>	<b>969,796</b>	<b>1,060,521</b>	<b>1,201,984</b>	<b>1,403,877</b>	<b>864,288</b>	<b>1,009,876</b>	
<b>Liabilities</b>												
Accounts Payable (Capital)	-	-	-	-	-	-	-	-	-	-	-	
Debt Principal	-	-	-	-	-	-	-	-	-	-	-	
Working Deficit	278,715	955,506	969,598	1,332,431	-	-	-	-	-	-	-	2
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Liabilities</b>	<b>278,715</b>	<b>955,506</b>	<b>969,598</b>	<b>1,332,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Financial Assets (Debt)</b>	<b>495,266</b>	<b>79,744</b>	<b>(10,913)</b>	<b>(406,315)</b>	<b>1,010,003</b>	<b>969,796</b>	<b>1,060,521</b>	<b>1,201,984</b>	<b>1,403,877</b>	<b>864,288</b>	<b>1,009,876</b>	
<b>Non Financial Assets</b>												
Tangible Capital Asset Cost	7,423,906	11,096,643	14,014,099	14,325,387	15,161,050	15,209,495	15,440,114	15,431,817	15,504,380	15,566,452	16,364,973	3
Additions to Tangible Capital Assets - Cost	3,887,655	2,924,413	380,863	856,258	49,522	243,448	42,986	72,563	62,072	798,521	98,106	4
Accumulated Amortization incl. Addition	2,655,980	2,672,911	2,901,080	3,116,137	3,380,427	3,674,140	3,956,329	4,197,478	4,493,039	4,829,120	5,171,604	5
<b>Total Non Financial Assets</b>	<b>8,655,581</b>	<b>11,348,145</b>	<b>11,493,882</b>	<b>12,065,508</b>	<b>11,830,145</b>	<b>11,778,802</b>	<b>11,526,771</b>	<b>11,306,902</b>	<b>11,073,412</b>	<b>11,535,853</b>	<b>11,291,475</b>	
<b>Accumulated Surplus/(deficit)</b>	<b>\$9,150,847</b>	<b>\$11,427,889</b>	<b>\$11,482,969</b>	<b>\$11,659,193</b>	<b>\$12,840,149</b>	<b>\$12,748,599</b>	<b>\$12,587,291</b>	<b>\$12,508,885</b>	<b>\$12,477,290</b>	<b>\$12,400,141</b>	<b>\$12,301,351</b>	
<b>Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.</b>												



<b>Table 6.2 Statement of Financial Operations - North Dundas Water System</b>												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Notes
<b>Revenues</b>												
User Fees	\$701,843	\$773,158	\$797,796	\$846,000	\$745,000	\$777,333	\$811,069	\$846,270	\$882,998	\$921,320	\$961,305	
Other Revenues	\$163,527	\$76,793	\$40,683	\$44,090	\$45,506	\$46,453	\$47,420	\$48,408	\$48,927	\$49,957	\$51,009	6
Interest on Reserves	\$0	\$0	\$0	\$0	\$27,783	\$30,300	\$29,094	\$31,816	\$36,060	\$42,116	\$25,929	7
Development Charges					\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	
<b>Total Revenues</b>	<b>\$865,370</b>	<b>\$849,951</b>	<b>\$838,479</b>	<b>\$890,090</b>	<b>\$838,290</b>	<b>\$874,086</b>	<b>\$907,583</b>	<b>\$946,493</b>	<b>\$987,985</b>	<b>\$1,033,393</b>	<b>\$1,058,243</b>	
<b>Expenses</b>												
Operating	\$479,018	\$518,473	\$528,770	\$596,959	\$606,960	\$623,316	\$640,139	\$657,445	\$675,248	\$693,565	\$712,412	8
Major Maintenance	\$48,303	\$17,510	\$136,856	\$71,027	\$97,919	\$47,530	\$133,734	\$75,022	\$48,771	\$80,896	\$102,138	9
Debt Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Amortization	\$192,141	\$231,849	\$242,914	\$284,632	\$284,885	\$294,791	\$295,017	\$292,432	\$295,561	\$336,080	\$342,484	10
Loss on Disposal of Assets	\$5,391	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Lead Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Source Water Protection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Expenses</b>	<b>\$724,854</b>	<b>\$767,832</b>	<b>\$908,540</b>	<b>\$952,618</b>	<b>\$989,764</b>	<b>\$965,637</b>	<b>\$1,068,890</b>	<b>\$1,024,899</b>	<b>\$1,019,580</b>	<b>\$1,110,542</b>	<b>\$1,157,034</b>	
<b>Excess (Deficit) of Revenues over Expenses</b>	<b>\$140,516</b>	<b>\$82,119</b>	<b>(\$70,061)</b>	<b>(\$62,528)</b>	<b>(\$151,475)</b>	<b>(\$91,550)</b>	<b>(\$161,307)</b>	<b>(\$78,406)</b>	<b>(\$31,595)</b>	<b>(\$77,148)</b>	<b>(\$98,791)</b>	
<b>Other</b>												
Government Transfers Related to Capital	\$2,512,574	\$1,353,182	\$82,534	\$1,039,162	\$0	\$0	\$0	\$0	\$0	\$0	\$0	11
Hydro Proceeds				\$0	\$1,332,431	\$0	\$0	\$0	\$0	\$0	\$0	12
<b>Excess (Deficit) of Revenues over Expenses</b>	<b>\$2,653,090</b>	<b>\$1,435,301</b>	<b>\$12,473</b>	<b>\$976,634</b>	<b>\$1,180,956</b>	<b>(\$91,550)</b>	<b>(\$161,307)</b>	<b>(\$78,406)</b>	<b>(\$31,595)</b>	<b>(\$77,148)</b>	<b>(\$98,791)</b>	
Accumulated Surplus (Deficit) Beginning of year	\$6,581,695	\$9,234,785	\$10,670,087	\$10,682,559	\$11,659,193	\$12,840,150	\$12,748,599	\$12,587,292	\$12,508,887	\$12,477,291	\$12,400,143	
<b>Accumulated Surplus (Deficit) End of Year</b>	<b>\$9,234,785</b>	<b>\$10,670,087</b>	<b>\$10,682,559</b>	<b>\$11,659,193</b>	<b>\$12,840,150</b>	<b>\$12,748,599</b>	<b>\$12,587,292</b>	<b>\$12,508,887</b>	<b>\$12,477,291</b>	<b>\$12,400,143</b>	<b>\$12,301,352</b>	
<b>Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.</b>												

<b>Table 6.3 Statements of Change in Cash Flow - North Dundas Water System</b>												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Notes
<b>Operating Transactions</b>												
Total Operating Revenues	\$918,357	\$850,441	\$838,479	\$890,090	\$810,506	\$843,786	\$878,489	\$914,677	\$951,925	\$991,277	\$1,032,314	13
Total Cash for Operating Expenses	\$479,018	\$518,473	\$528,770	\$596,959	\$606,960	\$623,316	\$640,139	\$657,445	\$675,248	\$693,565	\$712,412	14
Total Cash for Major Maintenance	\$48,303	\$17,510	\$136,856	\$71,027	\$97,919	\$47,530	\$133,734	\$75,022	\$48,771	\$80,896	\$102,138	9
Excess of Revenues Over Expenses	\$391,036	\$314,458	\$172,853	\$222,104	\$105,627	\$172,940	\$104,617	\$182,210	\$227,906	\$216,816	\$217,765	
<b>Deduct Non Cash Charges to Operations</b>												
Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	15
Loss on the Disposal of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Working Capital Items</b>												
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided/used in Operating Transactions	\$391,036	\$314,458	\$172,853	\$222,104	\$105,627	\$172,940	\$104,617	\$182,210	\$227,906	\$216,816	\$217,765	
<b>Capital Transactions</b>												
Acquisition of TCAs	\$3,887,655	\$2,924,413	\$380,863	\$856,258	\$49,522	\$243,448	\$42,986	\$72,563	\$62,072	\$798,521	\$98,106	4
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided/used in Capital Transactions	\$3,887,655	\$2,924,413	\$380,863	\$856,258	\$49,522	\$243,448	\$42,986	\$72,563	\$62,072	\$798,521	\$98,106	
<b>Investing Transactions</b>												
Proceeds from Investments	\$0	\$0	\$0	\$0	\$27,783	\$30,300	\$29,094	\$31,816	\$36,060	\$42,116	\$25,929	7
Cash (used in) Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided/used in Investing Transactions	\$0	\$0	\$0	\$0	\$27,783	\$30,300	\$29,094	\$31,816	\$36,060	\$42,116	\$25,929	
<b>Financing Transactions</b>												
Hydro Proceeds				\$0	\$1,332,431	\$0	\$0	\$0	\$0	\$0	\$0	12
Proceeds from Debentures/Loans	\$278,715	\$676,791	\$14,092	\$362,833		\$0	\$0	\$0	\$0	\$0	\$0	2
Proceeds from Government Grants	\$2,512,574	\$1,353,182	\$82,534	\$1,039,162	\$0	\$0	\$0	\$0	\$0	\$0	\$0	11
Repayment of Working Deficit	\$0	\$0	\$0	\$0	\$1,332,431	\$0	\$0	\$0	\$0	\$0	\$0	2
Cash Provided by(used) in Financing Activities	\$2,791,289	\$2,029,973	\$96,626	\$1,401,995	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (decrease) in Cash Equivalents	(\$705,330)	(\$579,982)	(\$110,184)	\$767,841	\$83,888	(\$40,207)	\$90,725	\$141,463	\$201,894	(\$539,589)	\$145,587	
Cash and Cash Equivalents at the beginning of the Year	\$1,553,771	\$848,441	\$268,459	\$158,275	\$926,116	\$1,010,004	\$969,796	\$1,060,521	\$1,201,984	\$1,403,878	\$864,289	
Cash and Cash Equivalents at the End of the Year	\$848,441	\$268,459	\$158,275	\$926,116	\$1,010,004	\$969,796	\$1,060,521	\$1,201,984	\$1,403,878	\$864,289	\$1,009,877	

Note: Unaudited for Planning Purposes Only - Actual results will differ from the above and these differences could be material.

#### 6.4 Notes on the North Dundas Water System Financial Plan

1. Cash and cash equivalent is assumed to be in the water system reserves and earning interest as set out in the FINAL RATE REPORT to be utilized for future capital renewal and major maintenance to 2020.
2. The system has a projected working capital cumulative deficit of \$1,332,431 at the end of 2013.
3. The Township to the end of 2009 valued tangible capital assets acquired in the past. Capital works are assumed to have no residual value when they have reached the end of their projected life set out in the FINAL RATE REPORT. Future capital works costs are in 2010 costs inflated to future cost at an inflation rate of 3% per annum. Amortization was determined using the straight-line method. All works are assumed to have been constructed or disposed of on January 1.
4. These are capital projects according to the PSAB definition of capital.
5. Amortization was determined using the straight-line method with construction assumed January 1 and a full year of amortization was provided for in the first year.
6. These include connection charges; interest on late payments and sundry other charges.
7. This revenue is represented by the interest at 3.0% per annum earned on the previous end of year water reserves.
8. Operating costs are projected to increase at 2.5% per annum for most items and 5% per annum for energy.
9. Major maintenance represents substantial one-time equipment repair projects that did not meet the Township's PSAB definition of capital.
10. This is the annual amortization of the water system capital investments.
11. Government grants provided assistance based on one third federal, one third provincial and one-third Township in the construction of the water main linking the two communities, the reservoir construction and the cathodic protection of the ductile iron watermain in Winchester.
12. This was a one-time contribution from the Hydro proceeds to fund the Township's share of the feeder main and reservoir project as well as the Chesterville metering project. It eliminates the cumulative working capital deficit mentioned in note 2.
13. Revenues from all sources are summarized on this line including user fees, other user charges, special homeowner capital payment provisions and development charges fees. Interest earned on funds kept in water reserves is not included on this line and is shown below.
14. Operating expenses on this line exclude amortization.
15. Amortization was not included in the operating expenses listed above and therefore this line is shown with zeros.

Appendix 1

**ONTARIO REGULATION 453/07  
FINANCIAL PLANS**

**Consolidation Period:** From April 1, 2008 to the [e-Laws currency date](#).

Last amendment: O. Reg. 69/08.

*This is the English version of a bilingual regulation.*

**Requirement to prepare financial plans**

**1. (1)** A person who makes an application under clause 32 (1) (b) of the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 2. O. Reg. 453/07, s. 1 (1).

**(2)** A person who makes an application under subsection 32 (4) of the Act for the renewal of a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (2).

**(3)** As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (3).

**(4)** The Director shall include, as a condition in a municipal drinking water licence, the requirement set out in subsection (3) in any amendments to a license made after the application, if the condition is not satisfied at the time when the amendment is made. O. Reg. 453/07, s. 1 (4).

**Financial plan requirements; new systems**

**2.** For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (1) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by,
  - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
  - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans,
  - i. must include a statement that the financial impacts of the drinking water system have been considered, and
  - ii. must apply for a period of at least six years.
3. The first year to which the financial plan must apply is the year in which the drinking water system is expected to first serve the public.
4. For each year in which the financial plans apply, the financial plans must include details of the proposed or projected financial operations of the drinking water system itemized by,
  - i. total revenues, further itemized by water rates, user charges and other revenues,
  - ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
  - iii. annual surplus or deficit, and
  - iv. accumulated surplus or deficit.
5. The owner of the drinking water system must,

- i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
  - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
  - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 2.

**Financial plan requirements; licence renewal**

**3. (1)** For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (2) or a condition that is included in a municipal drinking water licence under subsection 1 (3) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that is passed by,
  - i. the council of the municipality, if the owner of the drinking water system is a municipality, or
  - ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.
2. The financial plans must apply to a period of at least six years.
3. The first year to which the financial plans must apply must be the year determined in accordance with the following rules:
  - i. If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system’s existing municipal drinking water licence would otherwise expire.
  - ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.
4. Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:
  - i. Details of the proposed or projected financial position of the drinking water system itemized by,
    - A. total financial assets,
    - B. total liabilities,
    - C. net debt,
    - D. non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
    - E. changes in tangible capital assets that are additions, donations, write downs and disposals.
  - ii. Details of the proposed or projected financial operations of the drinking water system itemized by,
    - A. total revenues, further itemized by water rates, user charges and other revenues,
    - B. total expenses, further itemized by amortization expenses, interest expenses and other expenses,
    - C. annual surplus or deficit, and
    - D. accumulated surplus or deficit.

- iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,
    - A. operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,
    - B. capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
    - C. investing transactions that are acquisitions and disposal of investments,
    - D. financing transactions that are proceeds from the issuance of debt and debt repayment,
    - E. changes in cash and cash equivalents during the year, and
    - F. cash and cash equivalents at the beginning and end of the year.
  - iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.
  5. The owner of the drinking water system must,
    - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,
    - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
    - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
  6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 3 (1).
- (2) Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:
1. Sub-subparagraphs 4 i A, B and C of subsection (1).
  2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1). O. Reg. 453/07, s. 3 (2).

**Alternative requirements for two or more drinking water systems**

4. If section 3 applies to the financial plans of two or more drinking water systems that are solely owned by the same owner, the requirements prescribed by the section may, as an alternative, be satisfied by financial plans that comply with the section but treat those systems as if they were one drinking water system. O. Reg. 453/07, s. 4.

**Amendment of financial plans**

5. Sections 2 and 3 do not prevent financial plans from being amended. O. Reg. 453/07, s. 5.

**Additional information**

6. The requirements of this Regulation do not prevent a person from providing additional information in financial plans prepared for the purpose of meeting the requirements of the Act. O. Reg. 453/07, s. 6.