



Callander

ONTARIO

*Four Seasons of Reasons*

The Municipality of Callander  
Callander Drinking Water System

Financial Plan

#187-301

January 4, 2012



**Ontario Clean Water Agency**  
**Agence Ontarienne Des Eaux**

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## **1. Introduction**

The financial plan contained herein has been prepared in accordance with O. Reg. 453/07, 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”.

In accordance with O.Reg. 453/07 and Schedule A of the Municipality of Callander Drinking Water Licence, this financial plan (financial plan number 187-301) has been prepared as per the required date of January 18, 2012.

The financial plan was prepared for the Callander Drinking Water System (DWS), based on information supplied by the Municipality, including, future capital and major maintenance projects, water system financial information, as well as tangible capital asset information that the Municipality generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements.

The information supplied by the Municipality was used to generate a financial operating plan which forecasted future annual expenditure requirements from the year 2011 through to 2016. A revenue plan, relying on user fees, debt and senior government grants was generated to support the expenditure requirements outlined in the operating plan. The information generated in the operating and revenue plans along with the tangible capital asset information was used to develop a financial plan for the Callander DWS covering a six year study period from 2011 to 2016 in accordance with O.Reg. 453/07 requirements.

### **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. There are five elements that 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 have not been published. 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 Reg. 453/07. 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 must be the later of July 1, 2010 or six months after the first licence for the system was issued.
- The financial plan must be available, upon request, to members of the public at no charge and posted on the internet (if the municipality maintains a website).
- The municipality must provide notice as deemed appropriate to advise the public of the availability of the financial plan.

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. A full documentation of the financial plan regulation, O.Reg. 453/07 can be found in Attachment 1.

## 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 the assets of drinking water systems, be included in municipal financial statements. Stat 3150 came into effect on January 1, 2009.

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 requires municipalities' Financial Plans to include the costs associated with replacing lead service pipes that are part of their drinking water system.

## 1.3 Municipality of Callander Water System

The Callander Drinking Water System (DWS), located in the Municipality of Callander is owned by the Municipality and is operated by the Ontario Clean Water Agency. Callander is located just a few kilometers south of North Bay, on the eastern shore of Callander Bay (off of Lake Nipissing). The DWS draws its water from Callander Bay through a 400mm intake pipe, extending about 1km into Lake Nipissing. A lakeside low lift pumping station pumps the raw water to the treatment facility where two Ecodyne package treatment plants are located. Sodium hydroxide may be added for pH adjustment, along with alum (for coagulation) and sodium hypochlorite for pre-chlorination.

The Callander Water Treatment Plant (WTP) consists of an in-line static mixer for the addition of the aluminum sulfate coagulate, two Ecodyne package treatment units each rated at 1500m<sup>3</sup>/day, a chlorine contact chamber (62.5m<sup>3</sup>), a two cell clearwell (231m<sup>3</sup>), chemical feed systems for sodium hypochlorite, aluminum sulfate and sodium hydroxide, online chlorine and turbidity analyzers and a 112kW diesel powered standby unit. Each Ecodyne unit contains flocculation and clarification zones with gravity flow filters (Activated Carbon/dual sand media filters).

The treated water travels to a clearwell, and is pumped by three 30HP vertical turbine high lift pumps (each rated at 2300m<sup>3</sup>/day) from the clearwell to the distribution system and a 2272m<sup>3</sup> standpipe. The distribution system is primarily comprised of 8-inch ductile iron pipe installed in 1973, with PVC installations occurring in 2001-2002 in newer residential developments.

## **2. Financial Operating Plan**

The financial operating plan includes the full costs of operating the Callander DWS on an ongoing basis and includes capital investments, operating costs, maintenance costs, administration costs, debt repayment and interest charges.

A financial operating plan for the Callander DWS was developed using historical financial information and projecting the information forward to forecast the annual expenditure requirements, while taking into account, capital needs, inflation and any growth forecast.

### **2.1 Operating Expenses**

Recurring operating expenses for the Callander DWS such as: contracted operating services provided by OCWA; fuel and hydro costs; municipal salaries, wages and benefits and property taxes are forecasted to increase on an annual basis due to inflation. A 3% rate of increase per year was assumed for the above mentioned costs with the exception of hydro costs, which are forecasted to increase at a rate of 5% per year. A component of the operating expenses is due to non-routine operational costs. They are classified under the heading major maintenance and consist of costs related to repair, maintenance and minor upgrades to the drinking water system.

### **2.2 Capital Costs**

Although ongoing yearly maintenance and repair of the Callander DWS is forecasted, many of these costs will be considered an expense rather than capital costs, based on the Municipality's policy for tangible capital asset accounting. There are two primary capital costs that will be implemented during the study period. The first is the water metering program beginning in the year 2012 which will be two thirds funded by the OSWAP3 government grant. The second is the installation of a water tower mixer. Apart from these two items, any additional capital costs incurred are relatively inexpensive in comparison.

### **2.3 Debt Management**

The Callander DWS has an existing water debenture with a principal balance of \$340,000 at the end of 2011. This water debenture is forecasted to be fully paid off at the end of year 2015. Based on the current forecast of expenditure requirements, additional debt is planned each year starting in 2012 through to 2015. The new debts are each over a ten year term at an interest rate of 4.5%.

## 2.4 Lead Pipe Replacement Costs

Although future lead sampling has been forecasted in the financial operating plan, there are no capital costs expected for lead pipe replacement during the study period.

## 2.5 Source Water Protection Costs

There are no costs associated with source water protection forecasted for the Callander DWS during the study period.

## 3. Funding Plan

A funding plan was developed to ensure that the annual expenditures forecasted in the financial operating plan can be sustained over the study period. The funding plan relies on operating revenues from the direct users of the drinking water system through water rates in combination with government grants. Loans to cover capital and operating cost shortfalls are also planned. There are two government grants through the Ontario Small Water Works Assistance Program (OSWAP) that contribute to the funding plan.

### 3.1 Water Rates

The Callander DWS currently (in 2011) services 678 residential connections as well as 72 commercial/industrial connections. Customers of the Callander DWS are charged on a quarterly basis, which reflects the charges based on the volume of water that has been metered during each quarter. The proposed water rates charged to consumers can be found in figure 1.1. The rates for all units (residential or commercial) are the same for all users. These rates are projected to increase by 7.5% each year from 2012 to 2016.

Figure 1.1 – Water Rate Trends

	Water Rate Trends							
	Historical			Proposed				
	2009	2010	2011	2012	2013	2014	2015	2016
Cost per 1000 gal	\$8.00	\$8.64	\$8.90	\$9.57	\$10.29	\$11.06	\$11.89	\$12.78
Cost per m <sup>3</sup>	\$1.76	\$1.90	\$1.96	\$2.10	\$2.26	\$2.43	\$2.61	\$2.81
% Incr. over previous year		8.00%	3.01%	7.50%	7.50%	7.50%	7.50%	7.50%
Ave. Residential Yearly Bill			\$331.18	\$358.14	\$385.00	\$413.88	\$444.92	\$478.29
Ave. Commercial Yearly Bill			\$574.37	\$621.13	\$667.72	\$717.80	\$771.63	\$829.50

The forecasted rates were developed with the assumption that there will be 5 additional residential units connected to the system each year. In addition, water consumption figures of 37,433 gallons/yr (208 m<sup>3</sup>/yr) for residential connections and 64,921 gallons/yr (360 m<sup>3</sup>/yr) for commercial connections were assumed for the study period.

### **3.2 Debt and Cash Reserves**

At the beginning of 2011 the Municipality had a water and wastewater cash reserve balance of \$72,299. This reserve balance was assumed to be fully dedicated to the drinking water system and will be the source of funding to address a revenue shortfall of \$54,777 in 2011. Thereafter, the reserve is forecasted to be built up each year by \$10,000, except for year 2016 in which the contribution to the reserve is forecasted to dip to \$2,207. At the end of year 2016, the total cash reserve balance is forecasted to be approximately \$59,730.

The Municipality's existing debt at the end of 2011 is forecasted to be \$340,000. Based on the current expenditure plan, additional debt is forecasted in each year starting in 2012 through to 2015 to address revenue shortfalls. The accumulated debt is forecasted to peak in 2014 at \$625,693 and be approximately \$536,049 by the end of year 2016.

### **3.3 Government Grant**

The Municipality has received a funding commitment through rounds two and three of OSWAP. The round two funding is received each year (up to and including the year 2012) in the amount of \$40,059.38. The third round of OSWAP funding will cover 2/3 of the cost of the water metering program to install new water meters in the Callander distribution system. The forecasted grant is up to \$173,333.33 and is forecasted to occur in 2012.

## **4. Financial Plan Summary – Callander**

This section provides a summary of principal features concerning the current and projected future state of the Callander Drinking Water System. The financial information is contained in financial statements covering 6 years (2011-2016) in compliance with O. Reg. 453. The detailed financial statements are set out in tabular form in Section 4. The notes regarding the financial statements Plan are presented at the end of the financial statement section of this report.

### **4.1 Statement of Financial Position (Table 1.1)**

An important feature of a water system is its net financial assets. A positive net financial asset indicates that the system has some 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 Callander water system's net financial assets are shown in Figure 2.1.



Figure 2.1 – Callander Net Financial Assets

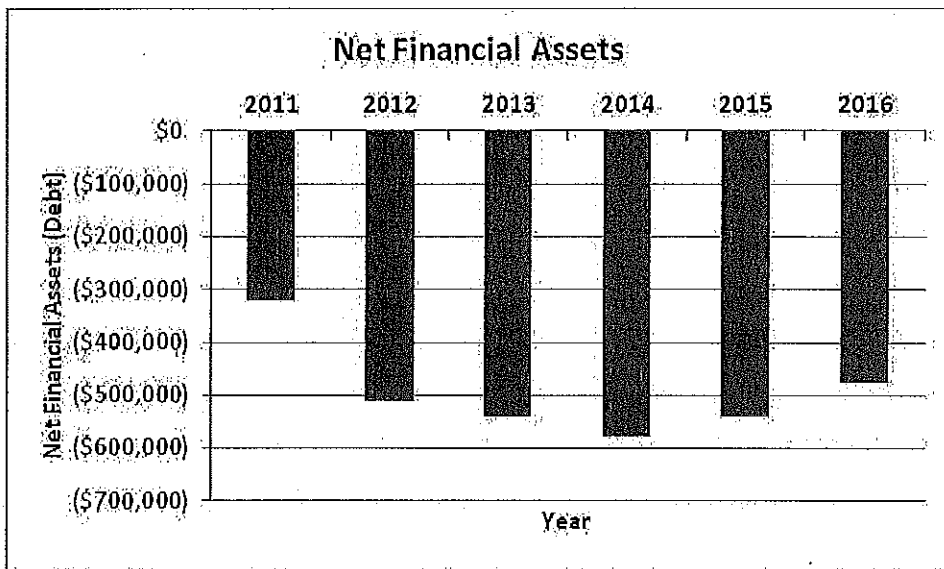


Figure 2.1 shows that a decrease in net financial assets is projected up until the end of 2014. At this point, the net financial assets begin to increase but remain as a debt through the year 2016.

A second feature is the total value of the water system's tangible capital assets (plant equipment, watermains). 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 difference between the original cost of an asset less the accumulated amortization.

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. Tangible capital assets, once installed, are being used, and are decreasing in value. An increase in net book value of tangible capital assets is an indication that assets have been renewed faster than they were used. A decrease in net book value indicates that assets are being used, or amortized, faster than they are renewed. The net book value of the assets is set out in Figure 2.2. The net book value for the Tangible Capital Assets of the Callander DWS increases in 2012 by the addition of the capital works to install the new water tower mixer and the new water meters. However it is expected to decrease yearly from that point to the end of the study period due to amortization occurring at a greater pace than replacement or additions of capital assets.

Figure 2.2 – Callander Tangible Capital Assets

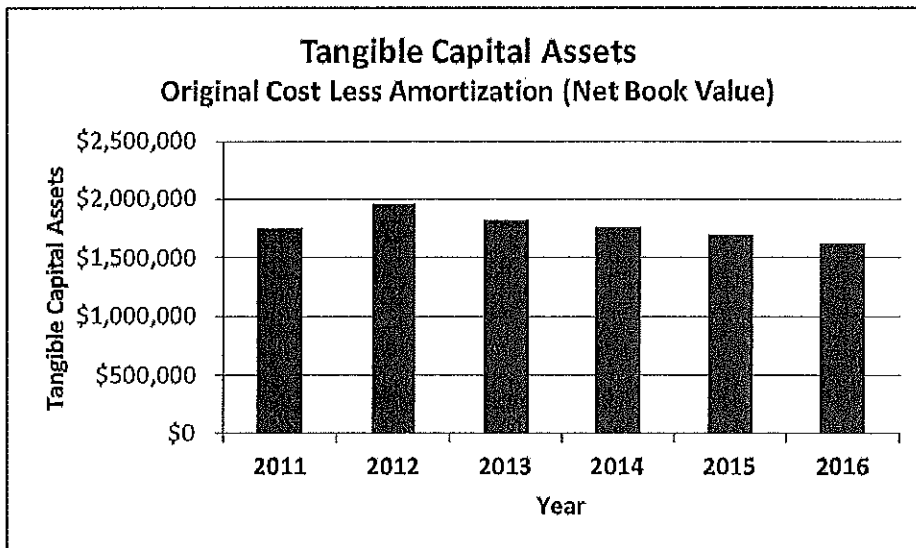
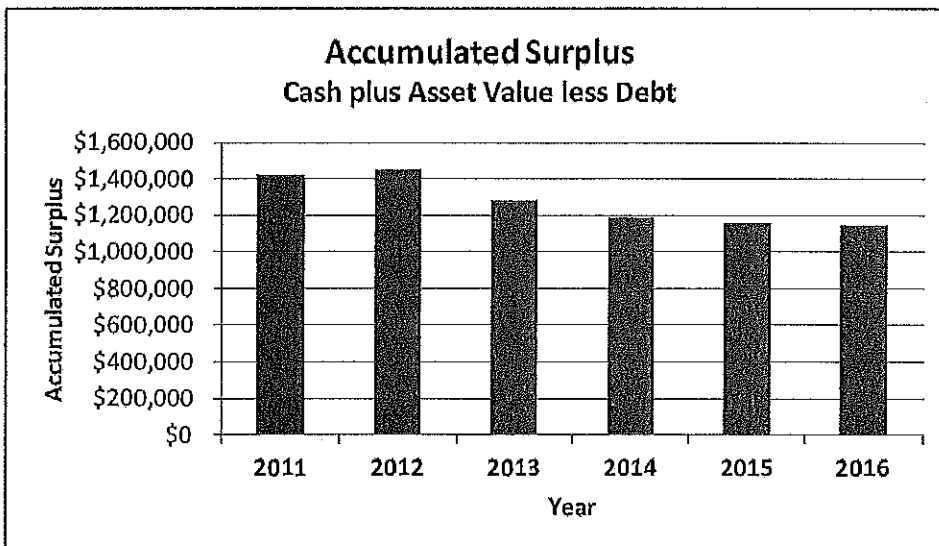


Figure 2.3 sets out the accumulated surplus. It represents cash on hand plus the net book value of tangible capital assets less debt. The water system is projected to show a decrease in accumulated surplus from 2012 to 2016. This is showing that the combined cash and asset position is not strengthening over the study period. In other words, the build-up of cash reserves is not occurring at a fast enough pace to match the amortization or loss of value of the asset.

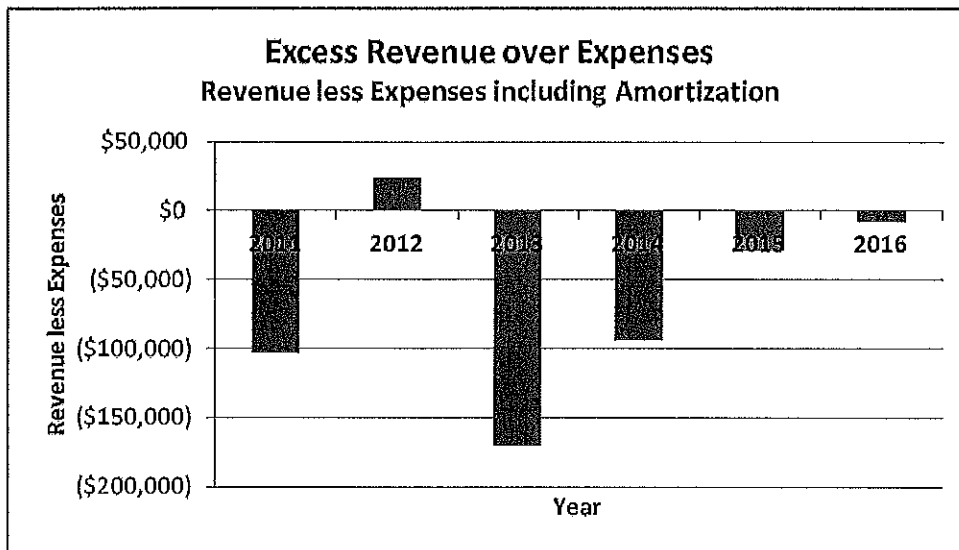
Figure 2.3 – Callander Accumulated Surplus



#### 4.2 Statement of Operations (Table 1.2)

This statement summarizes revenues and expenditures. The revenue includes revenues from connected users, interest earned and government grants. The expenditures include ongoing operating costs and asset amortization. Figure 2.4 projects that the system’s excess of revenues over expenses, including amortization, is mostly negative throughout the study period. This indicates that although the annual revenues adequately fund ongoing operating costs for certain years of the study period, the revenues are not fully covering the yearly amortization expense of the system.

Figure 2.4 – Callander Excess Revenue over Expenses



#### 4.3 Continuous Improvement

The SDWA requires renewal of Municipal Drinking Water Licences every five years. The Financial Plan regulation requires the preparation and approval of a financial plan before making an application for renewal of a Drinking Water Licence. Thus each Financial Plan will require updating at a minimum frequency of every five years. This on-going update will assist in revisiting the assumptions made, in the original financial plan, to develop the operating and funding plans as well as re-assessing the need for capital renewal and major maintenance expenditures.

#### 4.4 Conclusion

The Callander DWS will rely on revenues from long term loans to fund a portion of the ongoing operating and capital costs. Although this scenario is forecasted to exist for much of the study period based on the current expenditure and funding plans, future senior government funding, reduction in expenditure forecasts and additional increase in users could offset some of the need for future debt.

In reviewing these statements, it is important to keep in mind that a number of assumptions have been made concerning future projects, inflation, interest rates, and growth projections. Actual numbers may significantly deviate from these over time. In addition, capital and major maintenance cost estimates and schedule may vary from current projections. There is a need to monitor the progress of this plan and make adjustments as needed.

The detailed financial statements are set out in tabular form in the following Section and were the basis for the above summary.

## **5. Financial Statements**

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

Table 1.1 – Statement of Financial Position

Statement of Financial Position	2011	2012	2013	2014	2015	2016	Notes
<b>Financial Assets</b>							
Cash/Cash Equivalents							
Reserve Fund	\$17,522	\$27,522	\$37,522	\$47,522	\$57,522	\$59,730	1
other	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Cash/Cash Equivalents</b>	<b>\$17,522</b>	<b>\$27,522</b>	<b>\$37,522</b>	<b>\$47,522</b>	<b>\$57,522</b>	<b>\$59,730</b>	
Investments	\$0	\$0	\$0	\$0	\$0	\$0	
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Financial Assets</b>	<b>\$17,522</b>	<b>\$27,522</b>	<b>\$37,522</b>	<b>\$47,522</b>	<b>\$57,522</b>	<b>\$59,730</b>	
<b>Liabilities</b>							
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal	\$340,000	\$538,419	\$577,779	\$625,693	\$598,542	\$536,049	2
Working Deficit	\$0	\$0	\$0	\$0	\$0	\$0	
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Liabilities</b>	<b>\$340,000</b>	<b>\$538,419</b>	<b>\$577,779</b>	<b>\$625,693</b>	<b>\$598,542</b>	<b>\$536,049</b>	
<b>Net Financial Assets (Debt)</b>	<b>(\$322,478)</b>	<b>(\$510,897)</b>	<b>(\$540,257)</b>	<b>(\$578,171)</b>	<b>(\$541,021)</b>	<b>(\$476,319)</b>	
<b>Non Financial Assets</b>							
Tangible Capital Asset Cost (Closing)	\$3,963,231	\$4,318,356	\$4,332,996	\$4,389,545	\$4,396,017	\$4,396,017	3,4
Changes in Tangible Capital Assets - Additions	\$5,500	\$355,125	\$14,640	\$56,549	\$6,472	\$0	5
Tangible Capital Asset - Disposal	\$0	\$0	\$0	\$0	\$0	\$0	4
Accumulated Amortization (closing)	\$2,213,698	\$2,356,175	\$2,511,508	\$2,624,067	\$2,696,937	\$2,769,871	4
<b>Total Non Financial Assets</b>	<b>\$1,749,533</b>	<b>\$1,962,181</b>	<b>\$1,821,488</b>	<b>\$1,765,478</b>	<b>\$1,699,080</b>	<b>\$1,626,146</b>	
<b>Accumulated Surplus(deficit)</b>	<b>\$1,427,055</b>	<b>\$1,451,283</b>	<b>\$1,281,231</b>	<b>\$1,187,307</b>	<b>\$1,156,059</b>	<b>\$1,149,827</b>	

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these difference would be material.

Table 1.2 – Statement of Financial Operation

Statement of Financial Operations	2011	2012	2013	2014	2015	2016	
<b>Total Revenues</b>							
Revenue from Users							
E. Ferris Consumption Revenue	\$2,200	\$2,365	\$2,542	\$2,733	\$2,938	\$3,158	6
Callander Consumption Revenue	\$265,895	\$289,331	\$312,956	\$338,497	\$366,109	\$395,959	7
Other User Revenue	\$9,568	\$7,450	\$7,450	\$7,450	\$7,450	\$7,450	8
Frontage	\$15,151	\$15,151	\$15,151	\$15,151	\$15,151	\$0	9
<b>Total Revenue from Users</b>	<b>\$292,815</b>	<b>\$314,298</b>	<b>\$338,100</b>	<b>\$363,832</b>	<b>\$391,649</b>	<b>\$406,567</b>	
Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0	
Interest	\$0	\$0	\$0	\$0	\$0	\$0	
Grants							
OSWAP II	\$40,059	\$40,059	\$0	\$0	\$0	\$0	10
OSWAP III	\$0	\$173,333	\$0	\$0	\$0	\$0	10
<b>Total Grants</b>	<b>\$40,059</b>	<b>\$213,393</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Total Revenues</b>	<b>\$332,874</b>	<b>\$527,690</b>	<b>\$338,100</b>	<b>\$363,832</b>	<b>\$391,649</b>	<b>\$406,567</b>	
<b>Expenses</b>							
Salaries, Wages & Benefits	\$9,139	\$9,413	\$9,695	\$9,986	\$10,285	\$10,594	11
Contracted Operational Services (OCWA)	\$178,093	\$183,436	\$188,939	\$194,607	\$200,445	\$206,459	11
Hydro & Fuel	\$30,844	\$32,367	\$34,006	\$35,706	\$37,492	\$39,366	12
Other Operational Expenses	\$9,385	\$9,662	\$9,952	\$10,251	\$10,558	\$10,875	11
Property Taxes	\$1,418	\$1,460	\$1,504	\$1,549	\$1,595	\$1,643	11
Major Maintenance	\$59,200	\$109,825	\$84,792	\$67,230	\$59,539	\$45,994	13
<b>Expenses before interest and amortization</b>	<b>\$288,078</b>	<b>\$346,182</b>	<b>\$328,888</b>	<b>\$319,329</b>	<b>\$319,915</b>	<b>\$314,931</b>	
Debt Interest	\$18,073	\$14,802	\$23,931	\$25,868	\$28,111	\$26,934	14
Amortization	\$130,080	\$142,478	\$155,333	\$112,560	\$72,869	\$72,934	4
<b>Total Expenses</b>	<b>\$436,231</b>	<b>\$503,462</b>	<b>\$508,152</b>	<b>\$457,757</b>	<b>\$420,896</b>	<b>\$414,800</b>	
Excess of Revenues over Expenses before Other	(\$103,357)	\$24,228	(\$170,052)	(\$93,925)	(\$29,247)	(\$8,232)	
Other						\$0	
<b>Excess of Revenues over Expenses</b>	<b>(\$103,357)</b>	<b>\$24,228</b>	<b>(\$170,052)</b>	<b>(\$93,925)</b>	<b>(\$29,247)</b>	<b>(\$8,232)</b>	
<b>Annual Surplus (Deficit) Beginning of year</b>	<b>\$1,530,412</b>	<b>\$1,427,055</b>	<b>\$1,451,284</b>	<b>\$1,281,232</b>	<b>\$1,187,307</b>	<b>\$1,158,060</b>	
<b>Accumulated Surplus (Deficit) End of Year</b>	<b>\$1,427,055</b>	<b>\$1,451,284</b>	<b>\$1,281,232</b>	<b>\$1,187,307</b>	<b>\$1,158,060</b>	<b>\$1,149,827</b>	

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these difference would be material

Table 1.3 – Statement of Change in Cash Flow

Statement of Cash Flow	2011	2012	2013	2014	2015	2016
<b>Operating Transactions</b>						
Cash received from Revenues	\$332,874	\$527,690	\$338,100	\$363,832	\$391,649	\$406,567
Cash paid for Operating Expenses	\$288,078	\$346,182	\$328,888	\$319,329	\$319,915	\$314,931
Cash paid for Financing Charges (Debt Interest)	\$18,073	\$14,802	\$23,931	\$25,868	\$28,111	\$26,934
Excess of Operating Revenues Over Operating Expenses	\$26,723	\$166,706	(\$14,719)	\$18,635	\$43,622	\$64,702
<b>Working Capital Items</b>						
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0
Inventory	\$0	\$0	\$0	\$0	\$0	\$0
Capital Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash provided by Operating Transactions</b>	<b>\$26,723</b>	<b>\$166,706</b>	<b>(\$14,719)</b>	<b>\$18,635</b>	<b>\$43,622</b>	<b>\$64,702</b>
<b>Capital</b>						
Acquisition of TCAs	(\$5,500)	(\$355,125)	(\$14,640)	(\$56,549)	(\$6,472)	\$0
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash used in Capital Transactions</b>	<b>(\$5,500)</b>	<b>(\$355,125)</b>	<b>(\$14,640)</b>	<b>(\$56,549)</b>	<b>(\$6,472)</b>	<b>\$0</b>
<b>Investing</b>						
Cash (used in)/Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0
<b>Increase (decrease) Cash Provided by Investing Activities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Financing</b>						
Loan to cover forecasted deficit	\$0	\$278,419	\$145,017	\$170,392	\$113,791	\$0
Repayment of Long Term Debt (principal)	(\$76,000)	(\$80,000)	(\$105,657)	(\$122,478)	(\$140,941)	(\$62,494)
<b>Cash Provided by (used) In Financing Activities</b>	<b>(\$76,000)</b>	<b>\$198,419</b>	<b>\$39,360</b>	<b>\$47,914</b>	<b>(\$27,150)</b>	<b>(\$62,494)</b>

Note: Unaudited for Planning Purposes Only – Actual results will differ from the above and these difference would be material

## **6. Notes on the Callander Water System Financial Plan**

The Callander Drinking Water System Financial Plan represents a forecast of the financial performance of the drinking water system over a study period starting in the year 2011 through to the year 2016. The following notes are intended to document and/or clarify some of the assumptions made in generating the financial information contained in the tables. The reader is cautioned that the financial plan contains un-audited financial information and is subject to change.

1. The reserve fund balance of \$72,299 that existed at the start of year 2011 is used to cover the \$54,777 deficit forecasted for 2011. Thereafter, a reserve fund contribution of \$10,000 per year (except for 2016) is forecasted. It is assumed that no interest is earned on reserve fund balance.
2. The existing debenture with a principal balance of \$340,000 at year end 2011 is forecasted to be paid off by 2015. New debt is forecasted for each year starting in 2012 through 2015. For each new debt a ten year period at 4.5% interest was assumed.
3. Tangible Capital Assets Cost (Closing) includes changes (additions, disposals, write-downs) in tangible capital assets during the year.
4. Tangible Capital Assets (TCA) are assumed to have no residual value when they have reached the end of their projected useful life. The projected future costs of capital items include a 15% contingency (except for water tower mixer and new water meter installations). Amortization was determined using the straight line method. The calculation of Amortization begins mid-year of the year the asset is put into service.
5. TCA Additions –Capital projects are forecasted each year except for 2016. Major capital works include: water meter replacement program, new mixer in the water tower, filter media replacement and new modulating valve.
6. East Ferris Consumption Revenue – Forecast of revenues expected from connected users in East Ferris.
7. Callander Consumption Revenue – Forecast of revenues expected from connected users in Callander.
8. Other User Revenue – Forecast of revenues from sources such as: penalties, on/off requests, meter reading requests, etc.
9. Frontage Revenue – Forecast of frontage revenue is expected to end in 2015.
10. Senior government grant includes funding from the Ontario Small Water Works Assistance Program (OSWAP). OSWAP II funding to assist with operational costs is forecasted to end in 2012. The OSWAP III funding will cover two thirds of the cost of the new water meter installation project in 2012.



11. Expenses – Expenses are projected to increase at 3% per annum.
12. Fuel and hydro – Energy costs are projected to increase at 5% per annum.
13. Major maintenance - Major non-routine costs which are not capital items per the Municipality's TCA policy. The projected future costs of major maintenance items include a 15% contingency.
14. Debt interest – Interest charges on debt include 4.5% rate for new debt.

**Attachment 1**

**Ontario Regulation 453/07**



**Safe Drinking Water Act, 2002  
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.