



The Township of Cramahe
Drinking Water System

Financial Plan

September 17, 2010



Sharratt Water Management Ltd.
Sustainable Water Management Specialists

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1. Introduction

The Township of Cramahe has authorized Sharratt Water Management Ltd. to develop water rates and the Financial Plan for the Township's drinking water system. The Financial Plan was 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 CRAMAHE WATER SYSTEM FINAL RATE REPORT (FINAL RATE REPORT), dated February 26, 2010.

The FINAL RATE REPORT estimates the capital and major maintenance costs from the year 2010 to the year 2045 in an operating plan. The revenue needed to support the operating plan is laid out in a funding plan which relies on user fees along with government grants. User fees are set so that adequate reserves are developed in order to fund future capital, major maintenance and operating 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 requirements. The Financial Plan includes a projection over seven years from 2010 to the year 2016

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.

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 Cramahe Water System

The water system serving the community of Colborne is based on groundwater, with two wells and a water tower. A new well is planned to be constructed, commencing in 2010, to replace Well #1. As of late 2009, the Cramahe water system provides service to 1,024 residential, commercial, industrial, and institutional connections. There are 94 metered connections with the balance non-metered. Growth is projected at 4 additional connections per year from 2010-2016.

2. 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 3% per annum and energy is projected to increase at 5% per annum for the 2010-2016 periods.

2.2 Capital renewal and major maintenance expenses

Capital renewal and major maintenance costs have been projected to 2045 by Township staff and funding needs for these needs have been included in the rates for 2010-2016. The intent is to ensure that funding will be available, for the projected capital and major maintenance costs, when needed between 2010 and 2045. Capital costs are projected to increase at 3% per year. The capital and major maintenance needs are set out in the FINAL RATE REPORT. Capital needs beyond 2045 should be considered in the next Financial Plan report due in 2015. The 2015 report will roll the time horizon forward at least five years to the year 2050.

2.3 Debt servicing costs

There is no debt on the water system at present.

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

Studies related to source protection are underway however no specific protection costs have been identified at this. Until such time as the source water protection initiative is better defined, we have not ventured to guess what such costs might be. This should be revisited at the time the Financial Plan is next updated in the year 2015.

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 on user fees with some funds provided from government grants, meter sales and miscellaneous revenues. Some key assumptions and results that are presented below.

3.1 Government Grant

The Township currently receives an Ontario Small Water Works Assistance Program (OSWAP) operating grant provided through a provincial program that helps reduce the cost of operating a water system with small number of users. This is provided for the Cramahe water system and is projected to continue throughout the 2010-2012 period. The balance of the funding will be raised from user fees.

3.1 Debt

No future debt is projected at this time.

3.2 Required User Fee

Based on the current funding plan, the Cramahe water rates are projected to increase at an average of 4.9% per annum for the 2010-2016 periods. This is based on an assumption that operating and capital costs will inflate at 3% per annum. The majority of users are charged on a flat rate basis. The rate development process is set out in the FINAL RATE REPORT. Table 3.1 sets out the yearly rates recommended in the FINAL RATE REPORT. A non metered user assessed on a flat rate basis will pay \$37.40 per month in 2010. A metered user, with a standard residential .62 inch meter, will pay, in 2010, a fixed charge of \$7.24 per month plus \$6.02 per 1,000 gallons or \$1.32 per cubic metre. Those with larger meters will pay a higher fixed fee per month and the same volumetric charge. Table 3.1 sets out the rates until 2016.

Table 3.1 Cramahe Monthly Water Rates – Inflated \$

	2010	2011	2012	2013	2014	2015	2016
Water Charges							
Non Metered - per Month	\$37.40	\$39.90	\$42.22	\$47.24	\$49.15	\$50.65	\$52.20
Non Metered with Pool - per Month	\$41.67	\$44.46	\$47.05	\$52.64	\$54.77	\$56.44	\$58.17
Metered Fixed per Month							
Meter Size (inches)							
0.62	\$7.24	\$7.36	\$7.45	\$7.52	\$7.83	\$8.08	\$8.33
0.75	\$7.24	\$7.36	\$7.45	\$7.52	\$7.83	\$8.08	\$8.33
1	\$10.14	\$10.30	\$10.43	\$10.53	\$10.97	\$11.31	\$11.67
1.5	\$13.04	\$13.24	\$13.41	\$13.54	\$14.10	\$14.54	\$15.00
2	\$21.01	\$21.33	\$21.61	\$21.82	\$22.72	\$23.43	\$24.17
2.5	\$50.70	\$51.50	\$52.16	\$52.66	\$54.84	\$56.55	\$58.33
3	\$79.68	\$80.92	\$81.96	\$82.76	\$86.17	\$88.87	\$91.67
Metered Volumetric Charge - All Water							
Per 1,000 gallons	\$6.02	\$6.62	\$7.27	\$7.99	\$8.45	\$8.85	\$9.27
Per cubic metre	\$1.32	\$1.46	\$1.60	\$1.76	\$1.86	\$1.95	\$2.04

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 7 years (2010-2016) 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 Plan 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 Cramahe water system net financial assets are shown in Figure 5.1:

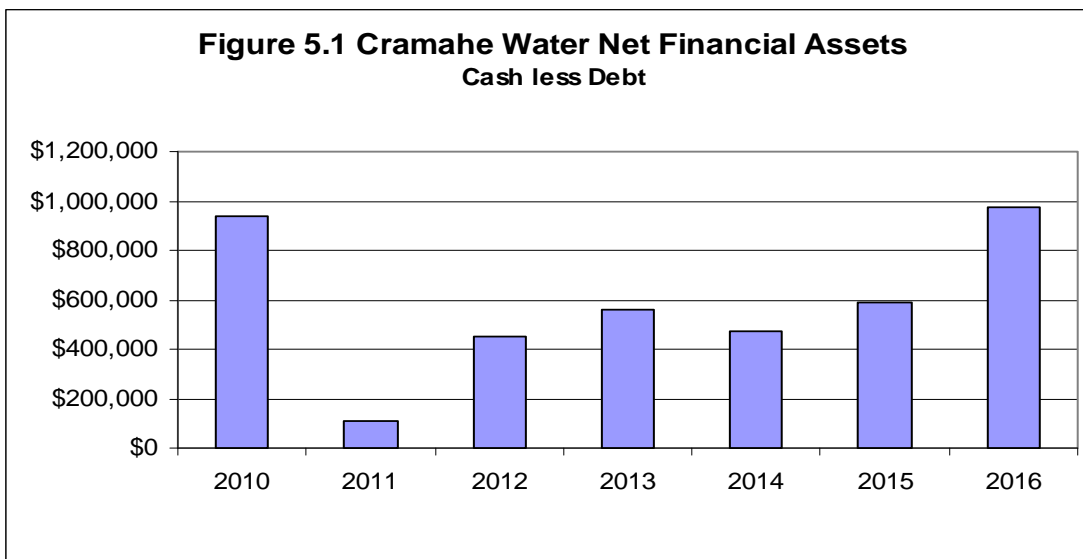


Figure 5.1 shows that the system begins with strong net financial assets. These are drawn down in 2011 with the construction of the new well and water main replacement. Similarly, water line reconstruction uses cash in 2013 to 2015. By 2016, net financial assets are at 2010 levels. All figures are in inflated dollars.

A second feature is the total value of the water system tangible capital assets such as wells, 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 difference between the original costs 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 levels of service. Tangible capital assets, once installed, are being used and decreasing in value. This is termed amortization. An increase in tangible capital assets is an indication that assets have constructed. A decrease indicates that assets are being used or amortized.

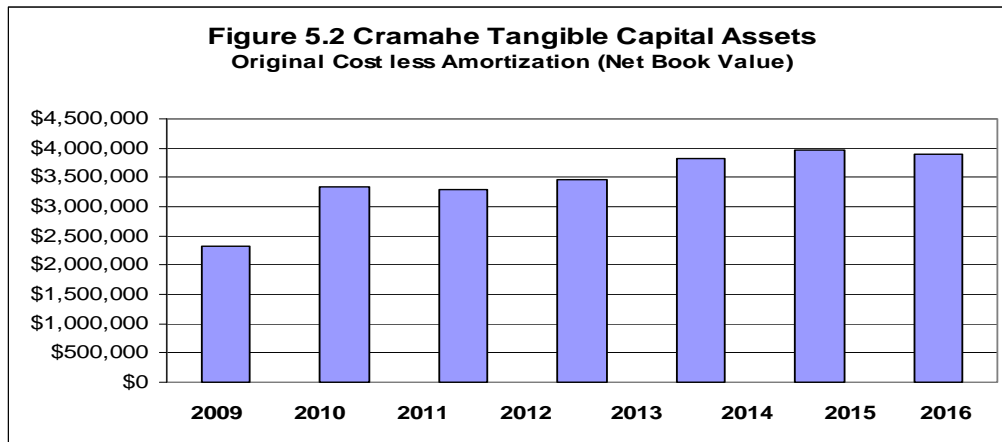
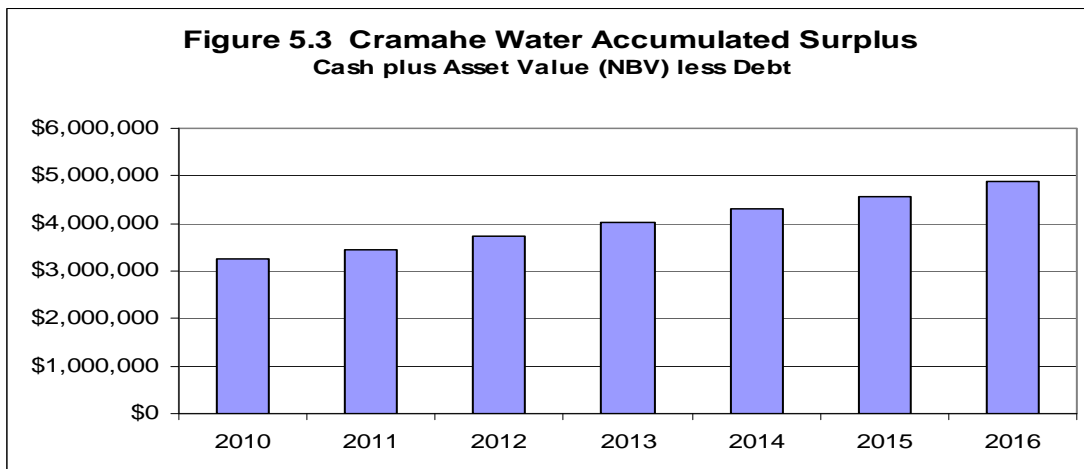


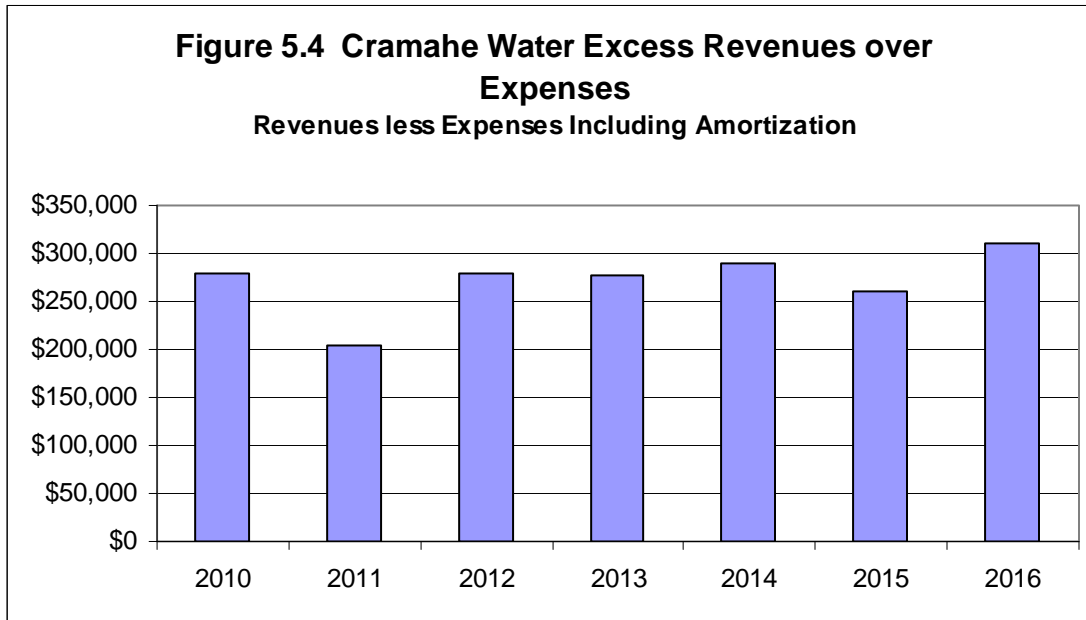
Figure 5.2 covers the 2009 to 2016 period rather than the 2010-2016 periods shown in other figures. This provides a better indicator of the tangible capital asset renewal process underway in the Cramahe water system. It is apparent that the net book value of tangible capital investments increased in 2010 and continued to increase until 2015. In 2016, they declined as no new assets were constructed and the installed assets were used. The net book value of the assets in 2016 is 68% higher than in 2009. The decline in 2016 is the normal process of amortization. It indicates the need to maintain vigilance in managing the system’s tangible capital assets. The FINAL RATE REPORT contains a plan to 2045 for maintaining these assets.

A third feature is the accumulated surplus set out in Figure 5.3. It represents cash on hand plus the book value of assets less debt. A surplus indicates that the proposed rates are generating revenues to fund future operating and capital renewal requirements.

The water system, as illustrated in Figure 5.3, is showing an increase of 50% in accumulated surplus from 2010 to 2016.



5.2 Statement of Operations (Table 6.2)



This statement summarizes the revenues and expenditures that include asset amortization and loss on disposal. It provides an indication of whether or not the assets of the system are being maintained. This is a fourth important feature.

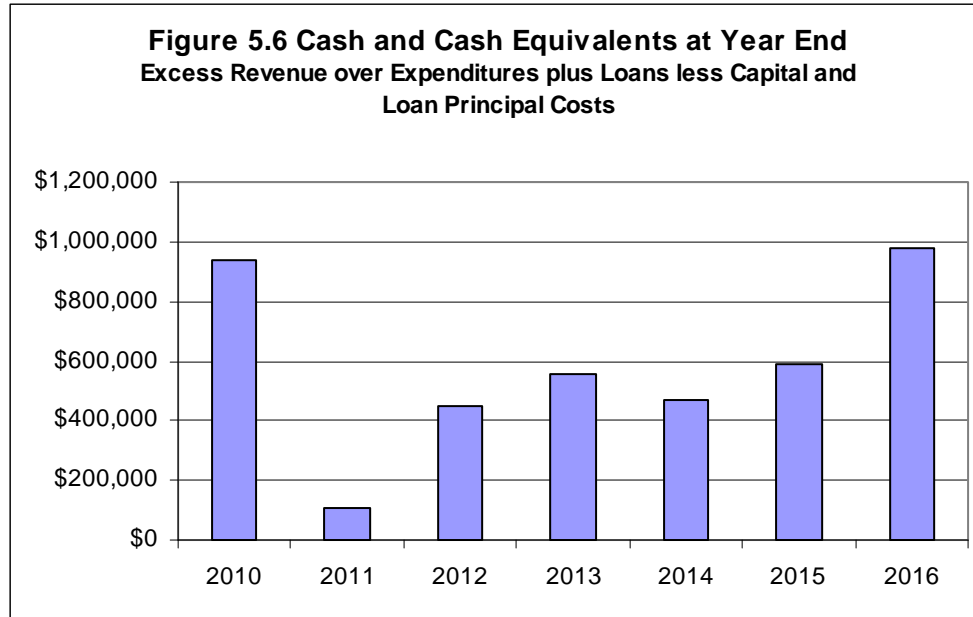
Figure 5.4 indicates that the system's excess of revenues over expenses is positive throughout the study period, indicating that the system and its asset base is being maintained, with funds left over to build reserves for future capital renewal or major maintenance expenditures. The numbers are relatively constant though the 2010-2016 period and the 2016 numbers are higher than in 2010. All figures are in inflated dollars.

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 and loans. The expenditures include operating expenses, interest, capital acquisitions and loan principal payment. These are shown in Table 6.3 and set out in Figure 5.6

Figure 5.6 indicates that the cash expenditures are positive throughout the study period. The balance is drawn down in 2011 due to the well construction is lower in 2012 to 2015 due to waterman replacement. By 2016, the cash equivalents are at \$975,498 which is higher than it was in 2010. This cash balance will be used to fund future capital renewal and major maintenance projects. The FINAL RATE REPORT provided a plan to

maintain the level of cash and cash equivalents for capital renewal and major maintenance over the 2010 to 2045 period.



5.4 Statement of Change in Net Financial Assets (Table 6.4)

This statement provides an indication of where cash is being used. The cash balance is set out in Figure 5.1. Table 5.4 indicates that the level of financial assets is maintained over the study period while funding a number of large capital projects.

5.5 Conclusion

The financial statements reveal that the Cramahe water system is in very sound condition, based on the execution of the projected rates and the long range capital renewal and major maintenance plan set out 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 on the tables.

Table 6.1 Statement of Financial Position - Cramahe Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Financial Assets								
Cash and Cash Equivalents	\$938,302	\$108,525	\$451,980	\$558,709	\$470,032	\$590,769	\$975,498	1
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Financial Assets	\$938,302	\$108,525	\$451,980	\$558,709	\$470,032	\$590,769	\$975,498	
Liabilities								
Accounts Payable (Capital)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal/Working Deficit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	2
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Financial Asset (-Debt)	\$938,302	\$108,525	\$451,980	\$558,709	\$470,032	\$590,769	\$975,498	
Non Financial Assets								
Tangible Capital Asset Cost	\$2,487,849	\$2,905,359	\$4,089,859	\$4,079,280	\$4,300,477	\$4,745,858	\$4,960,904	3
Additions to Tangible Capital Assets - Cost	\$552,650	\$1,184,500	\$0	\$240,400	\$454,706	\$215,045	\$0	4
Tangible Capital Asset Under Construction	\$98,810	\$0	\$0	\$0	\$0	\$0	\$0	5
Accumulated Amortization incl. Addition	\$824,840	\$741,428	\$806,062	\$864,525	\$921,900	\$988,523	\$1,062,860	6
Total Non Financial Assets	\$2,314,469	\$3,348,431	\$3,283,797	\$3,455,155	\$3,833,282	\$3,972,380	\$3,898,043	
Accumulated Surplus/(deficit)	\$3,252,771	\$3,456,956	\$3,735,777	\$4,013,864	\$4,303,314	\$4,563,150	\$4,873,542	

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

Table 6.2 Statement of Financial Operations - Cramahe Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Revenues								
User Fees	\$475,193	\$509,882	\$547,103	\$587,042	\$613,459	\$634,935	\$657,292	7
Connection Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Operating Grants (OSWAP)	\$40,000	\$40,000	\$40,000	\$0	\$0	\$0	\$0	8
Other Revenues	\$5,250	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	9
Interest Income	\$24,713	\$42,224	\$4,884	\$20,339	\$25,142	\$21,151	\$26,585	10
Total Revenues	\$545,156	\$597,606	\$597,487	\$612,881	\$644,101	\$661,586	\$689,377	
Expenses								
Operating	\$205,165	\$242,882	\$254,032	\$265,752	\$278,072	\$325,804	\$304,648	11
Debt Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Amortization	\$48,385	\$56,880	\$64,634	\$65,939	\$69,656	\$73,203	\$74,337	
Loss on Disposal of Assets	\$13,020	\$93,659	\$0	\$3,103	\$6,922	\$2,744	\$0	12
Lead Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Source Water Protection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Expenses	\$266,570	\$393,420	\$318,666	\$334,794	\$354,651	\$401,751	\$378,985	
Excess of Revenues over Expenses before Other	\$278,586	\$204,185	\$278,821	\$278,087	\$289,450	\$259,836	\$310,392	
Other								
Government Transfers Related to Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Developer In Kind	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Excess of Revenues over Expenses	\$278,586	\$204,185	\$278,821	\$278,087	\$289,450	\$259,836	\$310,392	
Accumulated Surplus (Deficit) Beginning of year	\$2,974,186	\$3,252,771	\$3,456,956	\$3,735,777	\$4,013,864	\$4,303,314	\$4,563,150	
Accumulated Surplus (Deficit) End of Year	\$3,252,771	\$3,456,956	\$3,735,777	\$4,013,864	\$4,303,314	\$4,563,150	\$4,873,542	

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

Table 6.3 Statements of Change in Cash Flow - Cramahe Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Operating Transactions								
Total Operating Revenues	\$520,443	\$555,382	\$592,603	\$592,542	\$618,959	\$640,435	\$662,792	
Total Expenses	\$266,570	\$393,420	\$318,666	\$334,794	\$354,651	\$401,751	\$378,985	
Cash paid for Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Excess of Revenues Over Expenses	\$253,873	\$161,962	\$273,937	\$257,748	\$264,308	\$238,684	\$283,807	
Deduct Non Cash Charges to Operations								
Amortization	\$48,385	\$56,880	\$64,634	\$65,939	\$69,656	\$73,203	\$74,337	
Loss on the Disposal of Assets	\$13,020	\$93,659	\$0	\$3,103	\$6,922	\$2,744	\$0	12
Total	\$61,405	\$150,538	\$64,634	\$69,042	\$76,578	\$75,947	\$74,337	
Working Capital Items								
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Work in Progress	\$98,810	\$0	\$0	\$0	\$0	\$0	\$0	5
Cash provided/used in Operating Transactions	\$216,468	\$312,500	\$338,571	\$326,790	\$340,887	\$314,631	\$358,144	
Capital Transactions								
Acquisition of TCAs	\$553,900	\$1,184,500	\$0	\$240,400	\$454,706	\$215,045	\$0	4
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided/used in Capital Transactions	\$553,900	\$1,184,500	\$0	\$240,400	\$454,706	\$215,045	\$0	
Investing Transactions								
Proceeds from Investments	\$24,713	\$42,224	\$4,884	\$20,339	\$25,142	\$21,151	\$26,585	10
Cash (used in) Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided/used in Investing Transactions	\$24,713	\$42,224	\$4,884	\$20,339	\$25,142	\$21,151	\$26,585	
Financing Transactions								
Proceeds from Debentures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Repayment of Long Term Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Proceeds from Development Charges	\$15,375	\$0	\$0	\$0	\$0	\$0	\$0	13
Cash Provided by/used in Financing Activities	\$15,375	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (decrease) in Cash Equivalents	-\$297,344	-\$829,777	\$343,455	\$106,729	-\$88,677	\$120,737	\$384,729	
Cash and Cash Equivalents at the beginning of the Year	\$1,235,646	\$938,302	\$108,525	\$451,980	\$558,709	\$470,032	\$590,769	14
Cash and Cash Equivalents at the End of the Year	\$938,302	\$108,525	\$451,980	\$558,709	\$470,032	\$590,769	\$975,498	

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

Table 6.4 Statements of Change in Net Financial Assets - Cramahe Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Excess Revenues over Expenditures	\$278,586	\$204,185	\$278,821	\$278,087	\$289,450	\$259,836	\$310,392	
Amortization of Tangible Capital Assets	\$48,385	\$56,880	\$64,634	\$65,939	\$69,656	\$73,203	\$74,337	
Proceeds on the Disposal of TCA's	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Change in inventories, prepaid expenses and deferred charges	\$15,375	\$0	\$0	\$0	\$0	\$0	\$0	13
Loss (gain) on the Disposal of TCAs	\$13,020	\$93,659	\$0	\$3,103	\$6,922	\$2,744	\$0	12
Acquisition of TCAs	\$553,900	\$1,184,500	\$0	\$240,400	\$454,706	\$215,045	\$0	4
Other	\$98,810	\$0	\$0	\$0	\$0	\$0	\$0	5
Increase (-Decrease) in Net Financial Assets	-\$297,344	-\$829,777	\$343,455	\$106,729	-\$88,677	\$120,737	\$384,729	
Net Financial Assets, Beginning of Year	\$1,235,646	\$938,302	\$108,525	\$451,980	\$558,709	\$470,032	\$590,769	
Net Financial Assets, End of Year	\$938,302	\$108,525	\$451,980	\$558,709	\$470,032	\$590,769	\$975,498	

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

Notes on the Cramahe Water System Financial Plan

1. Cash and cash equivalent is assumed to be invested in a reserve as set out in the FINAL RATE REPORT for future capital renewal and major maintenance to 2045
2. There is no current debt on the system.
3. Tangible capital assets acquired in the past were valued by the Township in 2009 cost and deflated to historic cost using the construction price index. 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 2009 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 July 1.
4. In 2010 and 2011 the Township is renewing water mains and will build a new well. In 2013 to 2015, several waterman replacement projects are proposed to be undertaken.
5. The construction of a new well will begin in 2010 and be completed in 2011.
6. Amortization was determined using the straight line method. All works are assumed to have been constructed or disposed of on July 1.
7. User fee revenues are geared to providing a sustainable water service based on capital renewal projections to 2045 as set out in the FINAL RATE REPORT.
8. The system is assisted by an OSWAP provincial government grant intended to assist water users in small systems. It is assumed to continue though 2012.
9. Other revenues are meter sales and miscellaneous revenue.
10. This revenue is represented by the interest at 4.5% per annum earned on the reserve investments.
11. Operating costs are projected to increase at 3% per annum for most items and 5% per annum for energy. A major maintenance project of \$30,000 inflated to 2015 dollars involving a pump replacement in well 2 which did not fit the PSAB definition of capital was added to the operating costs.
12. Capital works which are replaced before the end of their lifetime as projected in the 2009 PSAB analysis are assumed to be disposed of with no value. The net book value remaining at that time, if any, is considered a non cash expense for accounting purposes.
13. A development charge of \$15,375 was added to the reserve.
14. The opening cash position was based on an opening reserve balance of \$1,235,646 in 2010.

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.