



The Township of Killaloe, Hagarty and Richards

Killaloe Drinking Water System

Financial Plan

#259-301

March 7, 2012



Ontario Clean Water Agency
Agence Ontarienne Des Eaux

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1. Introduction

The Township of Killaloe, Hagarty and Richards (the Township) has retained the Ontario Clean Water Agency (OCWA) to develop a financial plan for the Killaloe Drinking Water System in order to comply with the financial plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act.

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”.

The financial plan was prepared for the Killaloe Drinking Water System (DWS), based on information supplied by the Township, including, future capital and major maintenance projects, water system financial information, 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 information supplied by the Township was used to generate a financial operating plan covering the period from 2008 to 2020. The financial operating plan included a forecast of future annual expenditure requirements from the year 2012 through to 2020. A revenue plan 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 Killaloe DWS covering a study period from the year 2010 to 2016 in accordance with the requirements of O.Reg. 453/07. The detailed financial statements of the financial plan are summarized in tables 1.1, 1.2 and 1.3 on pages 12 through 14 of this report.

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:

- 1) The financial plan must be approved by a resolution that is passed by the Council of the municipality.
- 2) The financial plan must apply to a period of at least six years.
- 3) The first year to which the financial plan must apply must be the later of 2010 and the year in which the first licence for the system was issued.
- 4) 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).
- 5) 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, Ontario Regulation 453/07 can be found in Attachment A.

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. PSAB Standard 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 Township of Killaloe Water System

The Killaloe Drinking Water System (DWS), located in the former Village of Killaloe is owned by the Township of Killaloe, Hagarty and Richards and is operated by the Ontario Clean Water Agency. Killaloe is located west of Ottawa, about 30 km southwest of Pembroke.

The Killaloe DWS consists of a groundwater supplied water treatment plant and distribution system that services approximately 300 people in the core area of the former Village of Killaloe. The treatment plant, with a design capacity of 602m³/day, was originally constructed in 1992 and includes dual media (greensand and anthracite) filters with sodium hypochlorite and potassium permanganate addition, UV disinfection, a clearwell, five high lift pumps and a diesel generator for standby power. The distribution system consists of approximately 3.5 km of polyvinyl chloride (PVC) watermain piping along with appurtenances (i.e. hydrants, valves, curb stops, etc.).

2. Financial Operating Plan

A financial operating plan for the Killaloe DWS was developed using historical financial information supplied by the Township and projecting the information forward to forecast annual expenditure requirements, while taking into account major maintenance needs, capital upgrade requirements, inflation and any growth forecast.

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

2.1 Operating Expenses

Recurring operating expenses for the Killaloe DWS consists of contracted operating services provided by OCWA, hydro cost and other operating expenses such as materials, supplies, major maintenance and repair. Contracted operating costs are projected to increase on an annual basis at a rate of 3% per year and hydro costs are projected to increase at a rate of 5% per year. Other annual operating expenses (materials, supplies, major maintenance, etc.) were forecasted based on an assessment of anticipated repair and maintenance needs of the Killaloe DWS. The total annual operating expenses (excluding amortization) for the Killaloe DWS are forecasted to be approximately \$167,783 in 2012 and increase to approximately \$181,299 by the year 2016.

2.2 Capital Costs

Although ongoing yearly maintenance and repair of the Killaloe DWS is forecasted, these costs will be considered an expense, based on the Township's policy for tangible capital asset accounting. The only capital item currently forecasted to occur during the study period is the project to mitigate the Trihalomethane (THM) problem and reduce the need for excessive flushing of the distribution system. This project will cost approximately \$187,239 and will be implemented in 2012.

2.3 Debt Management

The Killaloe DWS had an accumulated working deficit amount of \$11,821.89 at the end of year 2010. The entire working deficit amount will be eliminated by the end of 2011 using surplus funds generated in 2011 and funds from the water cash reserve. No additional debt is forecasted during the study period.

2.4 Lead Pipe Replacement Costs

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

2.5 Source Water Protection Costs

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

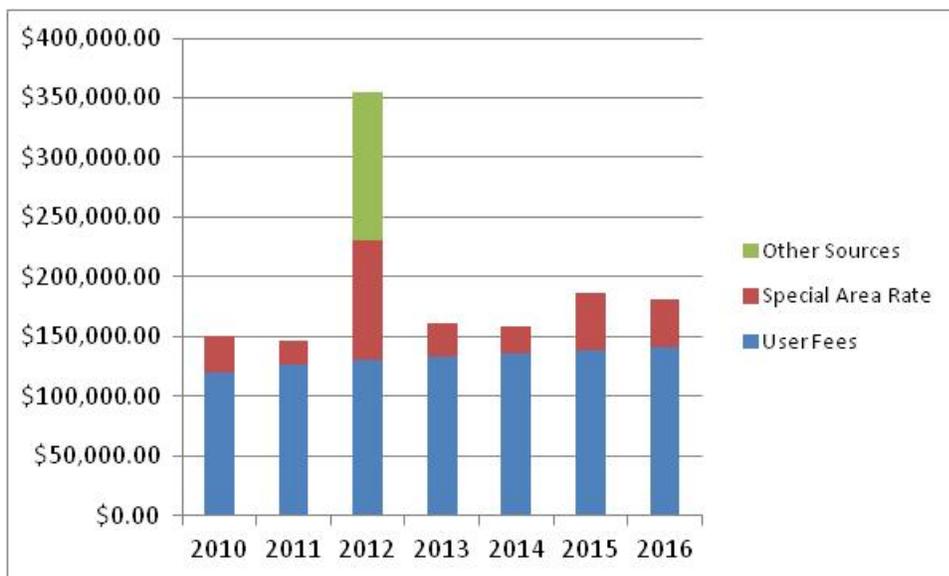
3. Funding Plan

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 contributions from all of the residents of the former Village of Killaloe through a special area rate. The special area rate is applied regardless of whether or not properties are connected to the water system. There is also a onetime senior government grant through the Ontario Small Water Works Assistance Program (OSWAP) that contributes to the funding plan.

3.1 Special Area Rate

The special area rate applies to all of the properties and residents of the former Village of Killaloe and is used to fund such services as waste management, drinking water services and street lighting. With respect to drinking water services, the special area rate has been used to fund those routine operational costs that are outside of the contracted operational service costs (OCWA Operations costs) and hydro costs. Also, any required capital improvements have been funded from the special area rate. Figure 1.0 shows the expected breakdown of revenue contributions from the various revenue sources: user fees, special area rate and other, where other revenue consists of government grants and any interest generated from reserve fund balances.

Figure 1.0 – Killaloe, Hagarty, and Richards Revenue by Source



3.2 Water Rates

The Killaloe DWS currently (in 2011) services approximately 60 single unit residential users, a multi unit residential apartment building and 31 commercial users. The users of the Killaloe DWS are not metered and all users are charged a monthly flat rate, which is billed on a bimonthly basis. The proposed water

rates charged to consumers can be found in figure 1.1 based on the type of unit; Residential, Small Commercial, Large Commercial and Special Rates. The rates for each type of unit are projected to increase by 3.0% in 2012 and continue to increase by 2.0% each year from 2013 to 2016.

Figure 1.1 – Water Rate Charge per Month

Type of Unit	Water Rate per Month/ % increase over previous year									
	Historic				Proposed					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<i>Residential</i>	\$71.00	\$75.00	\$80.00	\$80.00	\$82.40	\$84.05	\$85.73	\$87.44	\$89.19	
	0%	5.63%	6.67%	0%	3.0%	2.0%	2.0%	2.0%	2.0%	
<i>Small Commercial</i>	\$81.00	\$85.00	\$90.00	\$90.00	\$92.70	\$94.55	\$96.45	\$98.37	\$100.34	
	0%	4.94%	5.88%	0%	3.0%	2.0%	2.0%	2.0%	2.0%	
<i>Large Commercial</i>	\$91.00	\$95.00	\$100.00	\$100.00	\$103.00	\$105.06	\$107.16	\$109.30	\$111.49	
	0%	4.40%	5.26%	0%	3.0%	2.0%	2.0%	2.0%	2.0%	
<i>Special Rate – 12 Lake St.</i>	\$105.00	\$105.00	\$105.00	\$105.00	\$108.15	\$110.31	\$112.52	\$114.77	\$117.07	
	0%	0%	0%	0%	3.0%	2.0%	2.0%	2.0%	2.0%	
<i>Special Rate – Quinn</i>	\$107.00	\$107.00	\$107.00	\$107.00	\$110.21	\$112.41	\$114.66	\$116.96	\$119.29	
	0%	0%	0%	0%	3.0%	2.0%	2.0%	2.0%	2.0%	

Figure 1.2 shows the yearly average water bill that each customer has experienced since 2008 and the yearly average bill that should be expected based on the projected future water rates.

Figure 1.2 – Average Yearly Water Bill

Type of Unit	Yearly Average Water Bill									
	Historical				Proposed					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<i>Residential</i>	\$852	\$900	\$960	\$960	\$989	\$1,009	\$1,029	\$1,049	\$1,070	
<i>Small Commercial</i>	\$972	\$1,020	\$1,080	\$1,080	\$1,112	\$1,135	\$1,157	\$1,180	\$1,204	
<i>Large Commercial</i>	\$1,092	\$1,140	\$1,200	\$1,200	\$1,236	\$1,261	\$1,286	\$1,312	\$1,338	
<i>Special Rate – 12 Lake St.</i>	\$1,260	\$1,260	\$1,260	\$1,260	\$1,298	\$1,324	\$1,350	\$1,377	\$1,405	
<i>Special Rate – Quinn</i>	\$1,284	\$1,284	\$1,284	\$1,284	\$1,323	\$1,349	\$1,376	\$1,403	\$1,432	

The forecasted rates were developed with the assumption that there will be no change to the current number of users in the system. That is, there will be no growth nor will there be any reduction in the number of connections to the system.

3.3 Debt and Cash Reserves

Based on the current revenue and expenditure forecasts for the study period, there will be no requirement to raise any additional funds through borrowing. The Killaloe DWS had a total cash reserve balance of \$21,259 at the end of year 2010 with \$12,925 as a water cash reserve and \$8,334 in the reserve fund. The water cash reserve is used to eliminate any year end deficits during the study period and as a consequence the water cash reserve balance is projected to be drawn down to approximately \$174 by 2016. The water reserve fund balance of \$8,334 is maintained throughout the study period.

3.4 Government Grant

The Township has received a funding commitment through round three of OSWAP to fund two thirds of the cost of the capital project to mitigate the Trihalomethane (THM) problem. The forecasted grant is up to \$124,888.41. This funding is forecasted to occur in 2012.

4. Financial Plan Summary – Killaloe

This section provides a summary of principal features concerning the current and projected future state of the Killaloe Drinking Water System. The financial information is contained in financial statements covering 7 years (2010-2016) 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)

The statement of financial position (Table 1.1 on page 12) summarizes the assets and liabilities of the Killaloe DWS. 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 Killaloe water system's net financial assets are shown in Figure 2.1.

Figure 2.1 – Killaloe Net Financial Assets

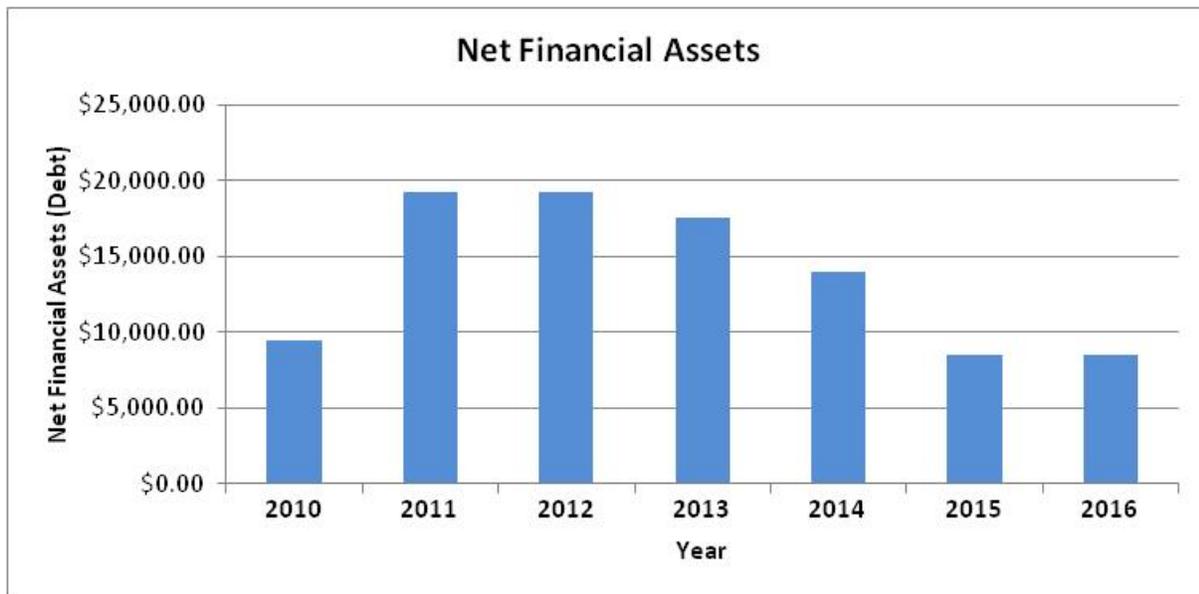


Figure 2.1 shows that a small but positive net financial asset is projected over the study period.

A second feature is the total value of the water system 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 Killaloe DWS increases in 2012 over the previous year by the addition of the capital works to address the THM issue. However, it is expected to decrease yearly from that point to the end of the study period since there are no additional capital works forecasted and the assets are being amortized.

Figure 2.2 – Killaloe Tangible Capital Assets

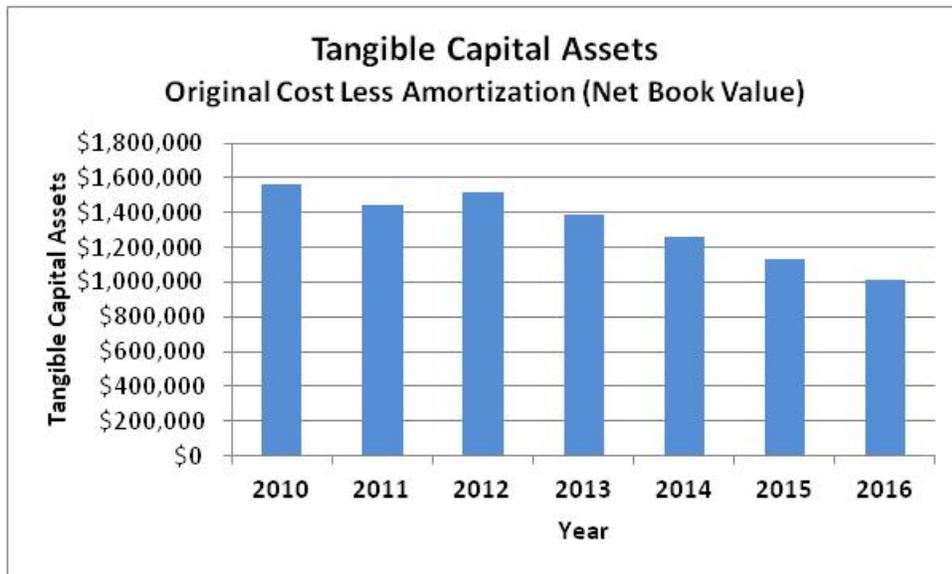
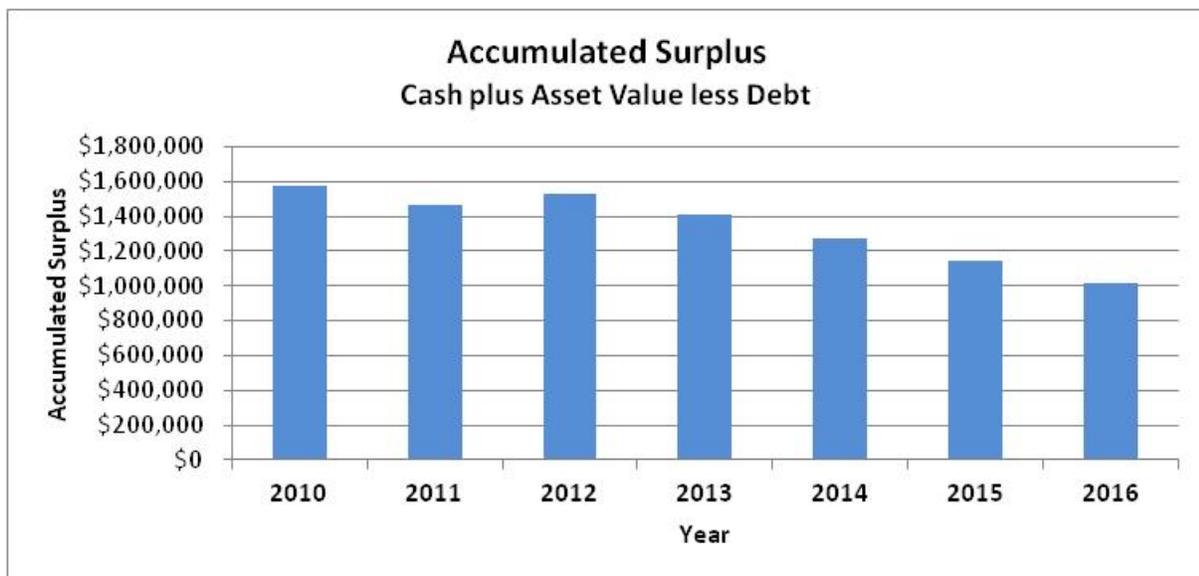


Figure 2.3 sets out the accumulated surplus. It represents cash on hand plus the net book value of tangible capital assets less debt. The water system is projected to show a decrease in accumulated surplus from 2012 to 2016. This is showing that the combined cash and asset position is not strengthening over this 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.

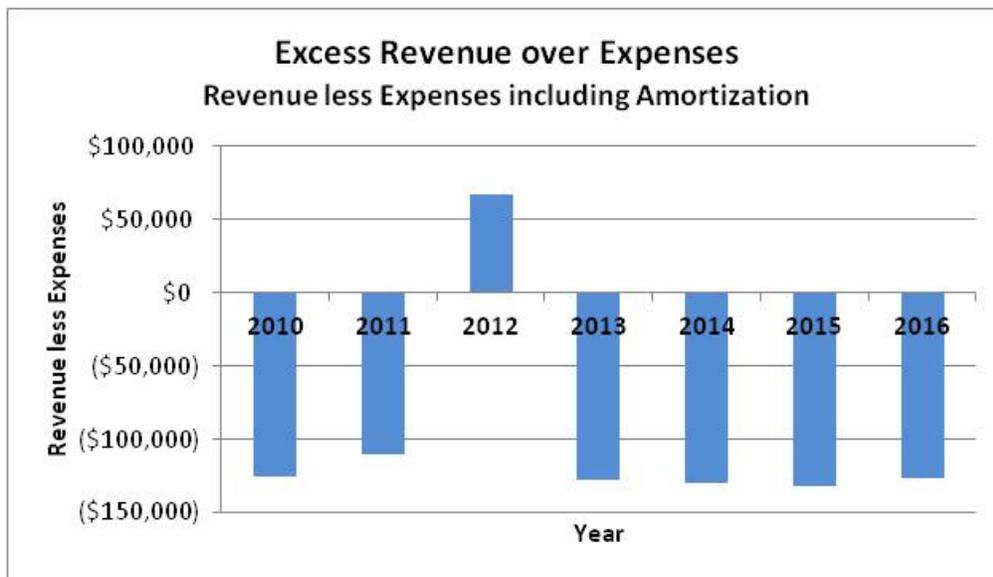
Figure 2.3 – Killaloe Accumulated Surplus



4.2 Statement of Operations (Table 1.2)

The statement of operations (Table 1.2 on page 13) summarizes revenues and expenditures of the Killaloe DWS. 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 for the most part are adequately funding ongoing operating costs over the study period, the revenues are not fully covering the yearly amortization expense of the system.

Figure 2.4 – Killaloe Excess Revenue over Expenses



4.3 Statement of Cash Flow (Table 1.3)

The statement of cash flow (Table 1.3 on page 14) summarizes how the water system is expected to generate and utilize cash resources.

The transactions that generate and use cash include cash received from revenues, cash used for operating expenditures, cash used to acquire capital assets, cash generated by investments and cash used to repay debt. These transactions are summarized as the amount of cash or cash equivalent at the beginning and end of each year. Since the Killaloe DWS has no liabilities forecasted from 2012 to the end of year 2016, over this period, the cash and cash equivalent amount is the same as the net financial asset amount at the end of each year, as shown in figure 2.1 (page 8).

4.4 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. The process of updating the financial plans will allow the assumptions made in previous plans to be revisited and adjusted as necessary. In addition, the need for capital renewal and major maintenance expenditures and the associated costs should be re-assessed and adjusted accordingly.

4.5 Conclusion

The Killaloe DWS is currently not financially self sustaining in that it relies on revenues collected through a special area rate to fund a significant portion of the ongoing operating and capital costs. This scenario is forecasted to continue throughout the study period. Nevertheless, with the application of revenues from the special area rate, the financial statements reveal that the Killaloe DWS is projected to be in adequate financial shape over the study period with no need for borrowing and a small cash reserve balance.

In reviewing these statements, it is important to keep in mind that a number of assumptions have been made concerning 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 preceding summary.

5. Financial Statements

The detailed financial statements are set out in the following tables. Additional details regarding the information contained in the tables are included in a notes section that follows the tables.

Table 1.1 – Statement of Financial Position

Statement of Financial Position	2010	2011	2012	2013	2014	2015	2016	Notes
Financial Assets								
Cash/Cash Equivalents								
Water Reserve Cash	\$12,925	\$10,874	\$10,928	\$9,224	\$5,672	\$174	\$174	1
Reserve Fund	\$8,334	\$8,334	\$8,334	\$8,334	\$8,334	\$8,334	\$8,334	2
other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Cash/Cash Equivalents	\$21,259	\$19,208	\$19,262	\$17,558	\$14,006	\$8,508	\$8,508	
Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Financial Assets	\$21,259.00	\$19,208	\$19,262	\$17,558	\$14,006	\$8,508	\$8,508	
Liabilities								
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Working Deficit	(\$11,822)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	3
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Liabilities	(\$11,822)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	
Net Financial Assets (Debt)	\$9,437	\$19,208	\$19,262	\$17,558	\$14,006	\$8,508	\$8,508	
Non Financial Assets								
Tangible Capital Asset Cost (Closing)	\$3,563,378	\$3,563,378	\$3,750,617	\$3,750,617	\$3,750,617	\$3,750,617	\$3,750,617	4.5
Changes in Tangible Capital Assets - Additions	\$0	\$0	\$187,239	\$0	\$0	\$0	\$0	6
Tangible Capital Asset - Disposal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	5
Accumulated Amortization (closing)	\$1,997,130	\$2,116,893	\$2,236,656	\$2,362,661	\$2,488,665	\$2,614,669	\$2,740,674	5
Total Non Financial Assets	\$1,566,249	\$1,446,486	\$1,513,961	\$1,387,957	\$1,261,953	\$1,135,948	\$1,009,944	
Accumulated Surplus(deficit)	\$1,575,686	\$1,465,693	\$1,533,223	\$1,405,515	\$1,275,958	\$1,144,456	\$1,018,452	

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	2010	2011	2012	2013	2014	2015	2016	
Total Revenues								
Revenue from Users								
User Fees	\$111,836	\$116,204	\$122,512	\$124,963	\$127,462	\$130,011	\$132,611	
Penalties	\$8,028	\$10,396	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	7
Total Revenue from Users	\$119,864	\$126,600	\$130,512	\$132,963	\$135,462	\$138,011	\$140,611	
Contribution from Township Revenue Fund (Expenses)	\$31,118	\$19,562	\$37,325	\$28,375	\$22,986	\$48,960	\$33,145	8
Contribution from Township Revenue Fund (Capital)	\$0	\$0	\$62,351					9
Contribution from Township Revenue Fund (Additional)	\$0	\$0	\$0	\$0	\$0	\$0	\$7,543	10
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	11
Grants								
OSWAP		\$0	\$124,888	\$0	\$0	\$0	\$0	12
Other Grants	\$0	\$0	\$0					
Total Grants	\$0	\$0	\$124,888	\$0	\$0	\$0	\$0	
Total Revenues	\$150,982	\$146,162	\$355,076	\$161,338	\$158,448	\$186,971	\$181,299	
Expenses								
Contracted Operational Services (OCWA Billings)	\$110,716	\$102,842	\$115,771	\$119,244	\$122,822	\$126,506	\$130,302	13
Hydro	\$14,681	\$13,988	\$14,687	\$15,422	\$16,193	\$17,002	\$17,852	14
Other Operational Expenses	\$31,118	\$19,562	\$37,325	\$28,375	\$22,986	\$48,960	\$33,145	15
			\$0	\$0	\$0	\$0	\$0	
Expenses before interest and amortization	\$156,515	\$136,392	\$167,783	\$163,041	\$162,000	\$192,469	\$181,299	
Debt Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Amortization	\$119,763	\$119,763	\$119,763	\$126,004	\$126,004	\$126,004	\$126,004	5
Total Expenses	\$276,278	\$256,155	\$287,546	\$289,046	\$288,005	\$318,473	\$307,304	
Excess of Revenues over Expenses before Other	(\$125,297)	(\$109,993)	\$67,530	(\$127,708)	(\$129,557)	(\$131,502)	(\$126,004)	
Other		\$0	\$0	\$0	\$0	\$0	\$0	
Excess of Revenues over Expenses	(\$125,297)	(\$109,993)	\$67,530	(\$127,708)	(\$129,557)	(\$131,502)	(\$126,004)	
Annual Surplus (Deficit) Beginning of year	\$1,700,982	\$1,575,686	\$1,465,693	\$1,533,223	\$1,405,515	\$1,275,959	\$1,144,457	
Accumulated Surplus (Deficit) End of Year	\$1,575,685	\$1,465,693	\$1,533,223	\$1,405,515	\$1,275,959	\$1,144,457	\$1,018,452	

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	2010	2011	2012	2013	2014	2015	2016
Operating Transactions							
Cash received from Revenues	\$150,982	\$146,162	\$355,076	\$161,338	\$158,448	\$186,971	\$181,299
Cash paid for Operating Expenses	\$156,515	\$136,392	\$167,783	\$163,041	\$162,000	\$192,469	\$181,299
Cash paid for Financing Charges (Debt Interest)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Excess of Operating Revenues Over Operating Expenses	(\$5,534)	\$9,771	\$187,293	(\$1,703)	(\$3,553)	(\$5,498)	\$0
Working Capital Items							
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Work in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0						
Cash provided by Operating Transactions	(\$5,534)	\$9,771	\$187,293	(\$1,703)	(\$3,553)	(\$5,498)	\$0
Capital							
Acquisition of TCAs	\$0	\$0	(\$187,239)	\$0	\$0	\$0	\$0 8
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash used in Capital Transactions	\$0	\$0	(\$187,239)	\$0	\$0	\$0	\$0
Investing							
Cash (used in)/Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increase (decrease) Cash Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing							
Cash used to reduce Previous Year's Surplus/(Deficit)	\$0	(\$11,822)	\$0	\$0	\$0	\$0	\$0 3
Cash used to balance operating transactions	\$5,534	\$0	\$0	\$0	\$0	\$0	\$0 3
Cash Provided by (used) in Financing Activities	\$5,534	(\$11,822)	\$0	\$0	\$0	\$0	\$0
Increase (decrease) in Cash Equivalents	\$0	(\$2,051)	\$54	(\$1,703)	(\$3,553)	(\$5,498)	\$0
Cash and Cash Equivalents at the beginning of the Year	\$21,259	\$21,259	\$19,208	\$19,262	\$17,558	\$14,006	\$8,508
Cash and Cash Equivalents at the End of the Year	\$21,259	\$19,208	\$19,262	\$17,558	\$14,006	\$8,508	\$8,508

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

6. Notes on the Killaloe Water System Financial Plan

The Killaloe Drinking Water System Financial Plan represents the financial performance of the drinking water system over a study period starting in the year 2010 through to the year 2016. The financial plan includes a forecast of future financial performance and 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) A cash balance of \$12,925 existed in the water system cash reserve at the start of year 2011. Thereafter, any year end deficit is covered by this reserve and end of year surplus goes into this reserve. No Interest is generated on the reserve cash balance.
- 2) In addition to the water system cash reserve discussed above, a reserve fund is also maintained. The reserve fund had a cash balance of \$8,334 at the start of year 2011 and this amount is maintained throughout the study period. No interest is generated on the reserve fund balance.
- 3) A working deficit amount of \$6,288 existed at the end of year 2009. In year 2010 the operating deficit of \$5,534 was added to the previous year's deficit which resulted in an accumulated deficit amount of \$11,822 at the end of year 2010. This amount was paid off in 2011 from the surpluses generated in 2011 and a \$2,051 contribution from the cash reserve. No additional deficit or debt is forecasted over the study period.
- 4) Tangible Capital Assets Cost (Closing) includes changes (additions, disposals, write-downs) in tangible capital assets during the year.
- 5) 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. Amortization was determined using the straight line method. The calculation of Amortization begins the year after an asset is put into service.
- 6) TCA Additions – A capital project to reduce disinfection by products (Trihalomethanes or THM) is scheduled for 2012.
- 7) Penalties – Projection of revenue that is raised through the application of penalties for late payment. It was assumed that revenue generated from penalties will remain constant at current levels during the study period.
- 8) Contribution from Township – Special Area Rate (Expenses) – Amount projected to be covered by the Township from a special area rate applied to properties in the former Village of Killaloe. The Costs of hydro and contracted operational services (OCWA operations costs) are covered by user fees. All other operational expenses and capital costs are covered by the Township through the special area rate.

- 9) Contribution from Township – Special Area Rate (Capital) – Amount projected to be covered by the Township from the special area rate. This amount represents the Township’s one third share of the cost of THM Reduction project scheduled for 2012.
- 10) Contribution from Township – Special Area Rate (Additional) – Additional amount that will be required from special area rate to cover shortfall in revenue.
- 11) Interest – No interest is generated on cash and reserve fund balances.
- 12) Ontario Small Water Works Assistance Program (OSWAP) will cover two thirds of the cost of the THM Reduction project.
- 13) Contracted Operational Services – Costs of OCWA contacted services are projected to increase at 3% per annum.
- 14) Hydro – Energy costs are projected to increase at 5% per annum.
- 15) Other Operational Expenses - Includes materials, supplies, repair and major maintenance costs. Major maintenance costs are major non-routine costs which are not capital items and will be expensed per the Township’s Tangible Capital Asset (TCA) policy. The projected future costs of major maintenance items include a 15% contingency.

Attachment A. 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.