



The Municipality of Highlands East
Cardiff and Dyno Estate Drinking Water Systems

Financial Plan

#245-301A

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1. Introduction

The Municipality of Highlands East (the Municipality) has retained the Ontario Clean Water Agency (OCWA) to develop a financial plan for the Highlands East Drinking Water Systems in order to comply with the financial plan regulation (O. Reg. 453/07) made under the Safe Drinking Water Act. The Municipality of Highlands East owns two separate drinking water systems: the Dyno Estates Drinking Water System and the Cardiff Drinking Water System. One combined financial plan was created for the two drinking water systems since the systems charge their respective users the same water rates and this is projected to continue for the foreseeable future.

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 and Climate Change (formerly the Ministry of the Environment) in August, 2007 entitled "Toward Financially Sustainable Drinking-Water and Wastewater Systems".

The financial plan was prepared for the Highlands East Drinking Water Systems (DWSs), based on information supplied by the Municipality, including future capital and major maintenance projects, water system financial information, and 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 that forecasts future annual expenditure requirements from the year 2016 through to 2021. 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 then used to develop a financial plan for the Highlands East DWSs covering a study period from 2016 to 2021 in accordance with the requirements of O. Reg. 453/07 that calls for at least a six year projection of financial information.

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 Ministry of the Environment and Climate Change (MOECC) 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 MOECC. SWSSA regulations have not been published. Accordingly, the requirements set by the MOECC apply as per the 2007 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 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).
- 4) 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 five years, in conjunction with every application for license renewal. The full financial plan regulation, Ontario Regulation 453/07, is provided 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 MOECC 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 Highlands East Drinking Water Systems

The Municipality of Highlands East (Municipality) is serviced by two drinking water systems: the Dyno Estates Drinking Water System (DWS) and Cardiff DWS. The water systems are both owned and operated by the Municipality of Highlands East. Highlands East is located in Haliburton County approximately 75km north of Peterborough.

Dyno Estates Drinking Water System

The Dyno Estates DWS receives its raw water from a groundwater well and consists of one (1) sodium hypochlorite disinfection system, three (3) 450L hydropneumatic pressure tanks, one(1) 10 kW propane stand-by generator and approximately 0.5 km of distribution mains.

The well is drilled to a depth of 12.04m in a 200mm casing. It contains one (1) submersible well pump capable of pumping 2.27L/s at a TDH of 51.8m.

The disinfection system consists of primary and secondary disinfection. The system is comprised of two (2) chemical feed pumps (one duty and one standby) complete with automatic switchover control. There is one (1) 100L chemical storage tank with spill containment, a chemical feed line discharging to the well pump discharge pipe, one (1) free chlorine analyzer and one (1) in-line turbidity meter located

downstream of the chlorine contact facility (400mm diameter x 17m pipe located outside the well pumphouse).

Cardiff Drinking Water System

The Cardiff DWS consists of three (3) groundwater wells, a filtration system for iron removal, disinfection by chlorination, two interconnected clearwells with a combined capacity of 624,000L, an 18,000L backwash wastewater holding tank and high lift pumping (three 7.5L/s high lifts pumps and one 37.8L/s fire pump). It also contains approximately six kilometers of distribution mains and a booster pumping station with two (2) centrifugal inline booster pumps, each rated at 1.26L/s.

The three groundwater wells consist of one (1) main well and two (2) standby wells. The main well (well #1), with a maximum permitted water taking of 445 L/minute, is drilled to a depth of 13.4m in a 550mm outer and 305mm inner casing. It contains a submersible well pump capable of pumping 7.5L/s at a TDH of 23m and is located approximately 65m from the treatment facility. The two standby wells, Well #2 and Well #3, have maximum permitted water takings of 78 L/minute and 208 L/minute respectively.

The filtration system is a two-part system involving coarse filtration and fine filtration. The coarse filtration system consists of two (2) 999 litre Kinetico contact tanks and one (1) Kinetico Microfiltration Unit equipped with a Macrolite Media Filter for iron and manganese removal. The fine filtration system consists of two (2) Harmsco filtration housing units, each one containing 25 individual 1 absolute micron Poly-Pleat filter cartridges operating in parallel.

Finally, the disinfection system consists of primary and secondary disinfection. Each system contains one (1) free chlorine residual analyzer and two (2) chemical metering pumps complete with automatic switchover. There are also two (2) 159L sodium hypochlorite solution tanks with spill containment.

2. Financial Operating Plan

A financial operating plan for the Highlands East DWSs was developed using historical financial information supplied by the Municipality and projecting that information forward to forecast annual expenditure requirements, while taking into account major maintenance needs (major non routine items that are not capitalized per the Municipality's capitalization threshold), capital upgrade requirements, inflation and any growth forecast.

The financial operating plan includes the full costs of operating the Highlands East DWSs on an ongoing basis and includes capital investments, operating costs, maintenance costs, administration costs and reserve fund contributions.

2.1 Operating Expenses

Recurring operating expenses for the Highlands East DWSs consists of the cost of salary costs, treatment costs, hydro costs and other operating expenses such as materials, supplies and repairs. These operating costs are projected to increase on an annual basis at a rate of 4% per year. Major

maintenance expenses were forecasted by the Municipality based on the anticipated needs of the Highlands East DWSs. The total operating expenses (excluding amortization) for the Highlands East DWSs are forecasted to be in the range of approximately \$196,662 to \$224,808 throughout the study period.

2.2 Capital Costs

Although ongoing yearly maintenance and repair of the Highlands East DWS is forecasted, many of these costs will be considered an expense, based on the Municipality's policy for tangible capital asset accounting. The only capital cost currently expected during the study period is the OCIF Project #AC2-0117 – Repair of Cardiff Water Services with a value of \$631,050. This project is scheduled to commence in 2016 and is partially funded by Ontario Community Infrastructure Fund (\$567,945).

2.3 Debt Management

No debt is forecasted for the Highlands East DWSs during the study period. Although the operation of the Highlands East DWSs is forecasted to result in annual deficits during the study period, it is anticipated that any deficits will be covered by contributions from the reserve fund.

2.4 Lead Pipe Replacement Costs

There are no costs associated with lead pipe replacement for the Highlands East DWSs during the study period.

2.5 Source Water Protection Costs

Source Water Protection Costs have been include in this financial plan. These costs will be funded under Source Protection Municipal. Implementation Funding (SPMIF) until March 2017.

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 systems. There is also a one-time grant of \$567,945 through OCIF in 2016.

3.1 Water Rates

The Dyno Estates and Cardiff DWSs currently service approximately 15 and 261 residential units respectively, as well as the Trillium Lakelands District School Board and the Royal Canadian Legion. The residential customers of the DWSs are currently not metered and are charged a flat rate. For the purposes of this financial plan, it was assumed that the flat rate would continue to be applied throughout the study period. The Trillium and Legion users are metered and billed according to the volume of water used, but together make up only a small fraction of the total user revenues (<1%).

The proposed residential water rates can be found in Figure 1.1. The water rates are projected to increase by 4.0% each year from 2016 to 2027. For the purposes of this financial plan, the revenue forecasted from the two metered users was also assumed to increase at 4% per year for the volumetric charge component. Note that the annual charges for Trillium and the Legion will vary from those depicted in Table 3.1 depending on actual volumetric consumption.

Table 3.1 – Water Rate Charged per Year

	Annual Water Bill / % increase over previous year						
	Historic	Proposed					
	2016	2017	2018	2019	2020	2021	2021
<i>Residential (Dyno)</i>	\$602.83	\$626.94	\$652.02	\$678.10	\$705.23	\$733.43	\$762.77
		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<i>Residential (Cardiff)</i>	\$602.83	\$626.94	\$652.02	\$678.10	\$705.23	\$733.43	\$762.77
		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<i>Trillium Lakelands</i>	\$366.79	\$382.16	\$395.04	\$408.44	\$422.38	\$436.88	\$451.95
		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<i>RC Legion</i>	\$197.42	\$206.11	\$213.39	\$220.97	\$228.84	\$237.04	\$245.56
		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

The forecasted rates were developed with the assumption that there will be no change to the current number of residential connections in the system. It was also assumed that there would be no additional metered connections.

3.2 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. There was a cash reserve balance of \$355,526 as of January 1, 2016. By the end of 2021, the reserve fund is anticipated to decrease to \$187,838. This decrease is primarily due to: capital works to be undertaken in 2016; annual increase in operating expenses; as well as major maintenance and capital requirements forecasted over the study period.

3.3 Government Grant

The Municipality will receive \$567,945 funding for their Water Service project in 2016 under the Ontario Community Infrastructure Fund – Intake 2 program. This is a one-time funding amount.

4. Financial Plan Summary

This section provides a summary of principal features concerning the current and projected future state of the Highlands East Drinking Water Systems. The financial information is contained in financial statements covering seven years from 2016 to 2021. The detailed financial statements are set out in tabular form in Section 5. Notes regarding the financial statements are presented at the end of the Section 5.

4.1 Statement of Financial Position (Table 5.1)

The statement of financial position (Table 5.1) summarizes the assets and liabilities of the Highlands East DWSs. An important feature of a water system is its net financial assets. A positive value regarding net financial assets 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 Highlands East DWSs' net financial assets are shown in Figure 4.1.

Figure 4.1 – Highlands East DWSs Net Financial Assets

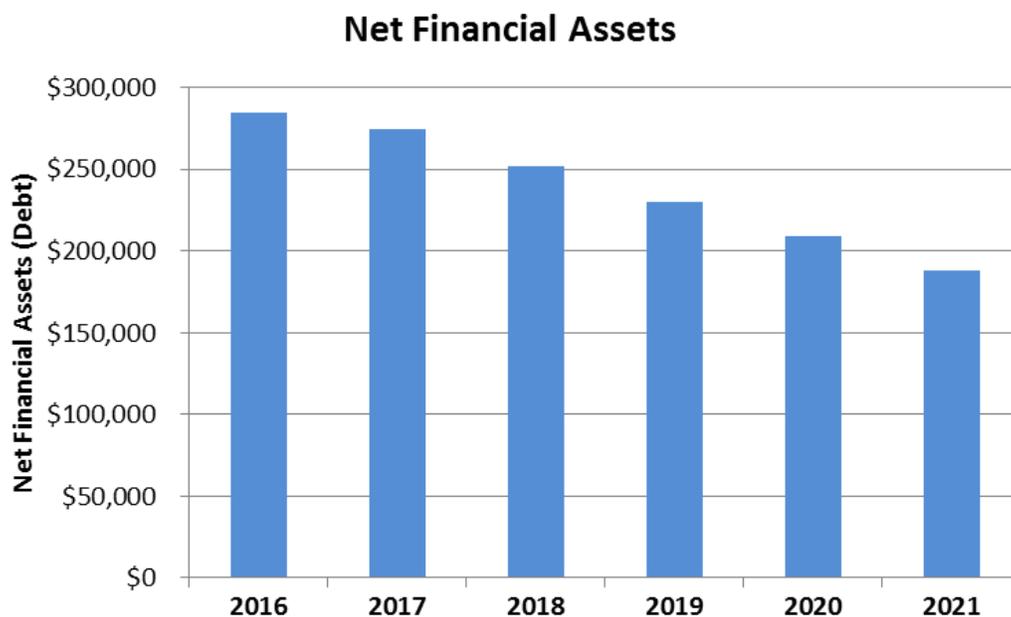


Figure 4.1 shows that there are positive net financial assets projected over the study period. The net financial assets decrease from 2016 to 2021 at a rate of approximately \$21k per year. The financial assets are comprised of the water systems' reserve and will be used to cover any deficit that the DWSs generate. The deficits in the Highlands East DWSs are relatively small; therefore do not greatly affect the

systems' reserve. If any unexpected projects or expenditures are incurred during the study period, these figures should be revisited.

Another feature of the DWSs is the total value of the tangible capital assets (Plant equipment, watermains etc.). The current value of the capital assets is termed net book value (NBV). It is determined by subtracting the accumulated amortization from the original cost of the asset.

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 4.2. The net book value for the Tangible Capital Assets of the Highlands East DWSs decreases throughout the study period. Aside from the capital works forecasted in 2016, there are no significant capital additions anticipated, therefore, the net book value decreases over the study period.

Figure 4.2 – Highlands East DWSS Tangible Capital Assets

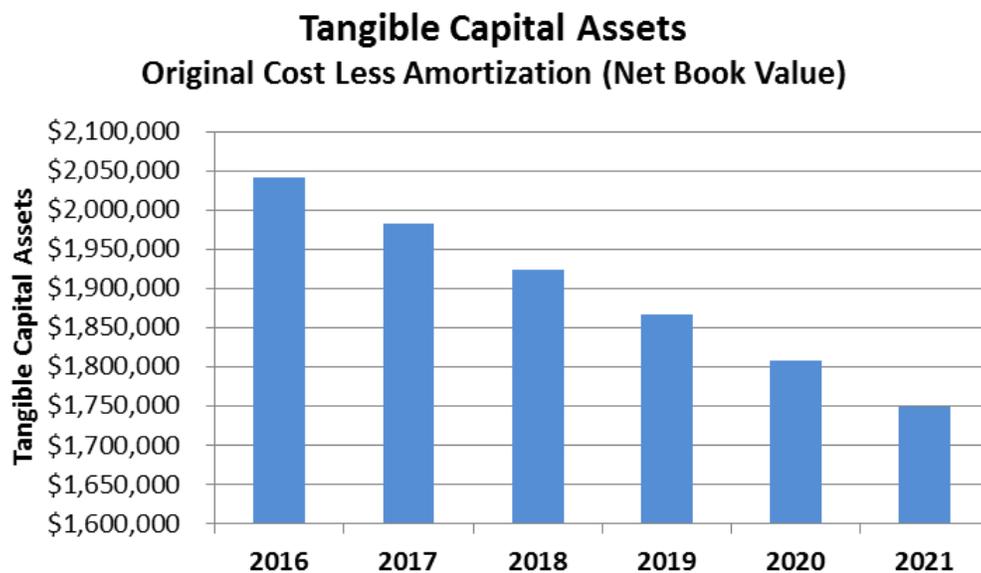


Figure 4.3 illustrates the accumulated surplus. It represents cash on hand plus the net book value of tangible capital assets less debt. The water system is projected to show a decrease in accumulated surplus from 2016 to 2021. The combined cash and asset position is weakening over time meaning the build-up of cash reserves is occurring at a slower rate compared to the amortization or loss of value of the asset.

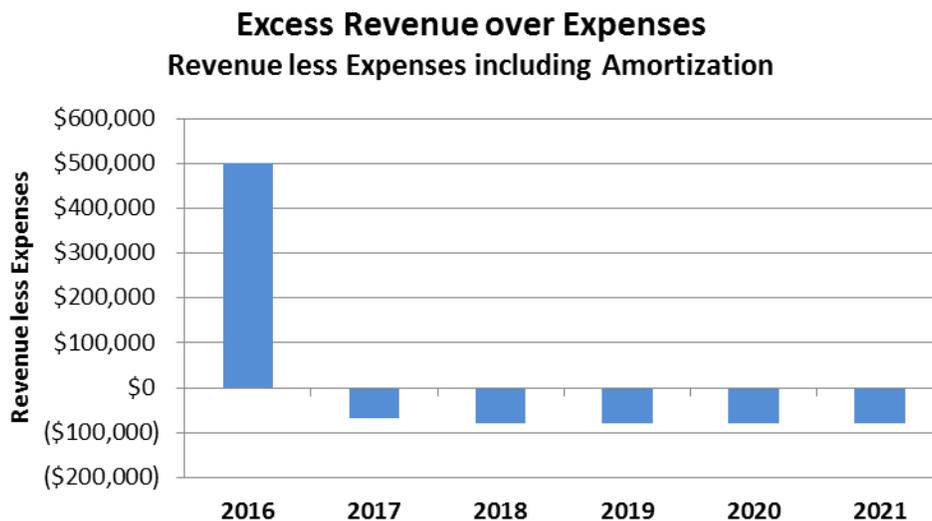
Figure 4.3 – Highlands East DWSs Accumulated Surplus



4.2 Statement of Operations (Table 5.2)

The statement of operations (Table 5.2) summarizes revenues and expenditures of the Highlands East DWSs. This feature gives an indication of whether sufficient revenues will be generated to cover the expected operation expenses and the decline in asset value due to amortization. Revenue includes revenues from connected users and government grants/funding. Figure 4.4 projects that the system’s excess of revenues over expenses, including amortization, is positive in 2016 when the OCIF funding is received but is negative from 2017 to 2021 (approximately \$80k per year).

Figure 4.4 – Highlands East DWSs Excess Revenue over Expenses



4.3 Statement of Cash Flow (Table 5.3)

The statement of cash flow (Table 5.3) 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 Highlands East DWSs have no liabilities forecasted over the study 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 4.1.

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 plan 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 current financial plan forecasts that the Highlands East DWSs will rely on some contributions from the systems' reserve to fund a portion of the planned expenditures over the study period. In addition, the forecast for annual revenue generated will not sufficiently cover the annual decline in asset valuation over the study period. Nevertheless, the financial statements reveal that the Highlands East DWSs are projected to be in adequate financial shape over the study period with a sizeable cash reserve and no debt.

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 "Note" section that follows the tables.

Table 5.1 – Statement of Financial Position

Statement of Financial Position	2016	2017	2018	2019	2020	2021	Notes
Financial Assets							
Cash/Cash Equivalents							
Reserve	\$284,616	\$274,161	\$252,046	\$230,277	\$208,870	\$187,838	1
Total Cash/Cash Equivalents	\$284,616	\$274,161	\$252,046	\$230,277	\$208,870	\$187,838	
Investment	\$0	\$0	\$0	\$0	\$0	\$0	
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	
Total Financial Assets	\$284,616	\$274,161	\$252,046	\$230,277	\$208,870	\$187,838	
Liabilities							
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Principal	\$0	\$0	\$0	\$0	\$0	\$0	
Working Deficit	\$0	\$0	\$0	\$0	\$0	\$0	
Other liabilities	\$0	\$0	\$0	\$0	\$0	\$0	
Total Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	
Net Financial Assets (Debt)	\$284,616	\$274,161	\$252,046	\$230,277	\$208,870	\$187,838	
Non Financial Assets							
Tangible Capital Asset Cost (Closing)	\$2,776,352	\$2,776,352	\$2,776,352	\$2,776,352	\$2,776,352	\$2,776,352	2,3
Changes in Tangible Capital Assets - Additions	\$631,050	\$0	\$0	\$0	\$0	\$0	4
Tangible Capital Asset - Disposal	\$0	\$0	\$0	\$0	\$0	\$0	
Accumulated Amortization (closing)	\$735,025	\$793,334	\$851,643	\$909,953	\$968,262	\$1,026,571	
Total Non Financial Assets	\$2,041,327	\$1,983,018	\$1,924,708	\$1,866,399	\$1,808,090	\$1,749,780	
Accumulated Surplus(deficit)	\$2,325,943	\$2,257,179	\$2,176,754	\$2,096,676	\$2,016,960	\$1,937,619	

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

Table 5.2 – Statement of Financial Operation

Statement of Financial Operations	2016	2017	2018	2019	2020	2021	
Total Revenues							
Revenue from Users							
User Fees	\$166,945	\$173,625	\$180,566	\$187,785	\$195,294	\$203,102	5
Trillium and Legion Fees	\$564	\$588	\$608	\$629	\$651	\$674	6
Total Revenue from Users	\$167,510	\$174,213	\$181,175	\$188,415	\$195,945	\$203,776	
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	
Interest	\$0	\$0	\$0	\$0	\$0	\$0	
Grants							
Source Water Protection Funding (SPMIF)	\$31,766	\$11,994	\$0	\$0	\$0	\$0	7
OCIF #AC2-0117	\$567,945	\$0	\$0	\$0	\$0	\$0	7
Total Grants	\$599,711	\$11,994	\$0	\$0	\$0	\$0	
Total Revenues	\$767,221	\$186,207	\$181,175	\$188,415	\$195,945	\$203,776	
Expenses							
Salaries & Contracted Services	\$51,745	\$53,815	\$55,967	\$58,206	\$60,534	\$62,956	
Treatment Costs	\$24,000	\$24,960	\$25,958	\$26,997	\$28,077	\$29,200	
Hydro & Utilities	\$34,770	\$36,161	\$36,369	\$36,585	\$36,810	\$37,044	
Repairs/Major Maintenance	\$35,000	\$36,400	\$37,856	\$39,370	\$40,945	\$42,583	
Source Water Protection	\$31,766	\$14,334	\$14,908	\$15,504	\$16,124	\$16,769	
Other Costs	\$29,800	\$30,992	\$32,232	\$33,521	\$34,862	\$36,256	8
Expenses before interest and amortization	\$207,081	\$196,662	\$203,290	\$210,183	\$217,352	\$224,808	
Debt Interest	\$0	\$0	\$0	\$0	\$0	\$0	
Amortization	\$58,309	\$58,309	\$58,309	\$58,309	\$58,309	\$58,309	3
Total Expenses	\$265,390	\$254,971	\$261,599	\$268,492	\$275,661	\$283,117	
Excess of Revenues over Expenses before Other	\$501,830	(\$68,764)	(\$80,425)	(\$80,078)	(\$79,717)	(\$79,341)	
Other	\$0	\$0	\$0	\$0	\$0	\$0	
Excess of Revenues over Expenses	\$501,830	(\$68,764)	(\$80,425)	(\$80,078)	(\$79,717)	(\$79,341)	
Annual Surplus (Deficit) Beginning of year	\$1,824,113	\$2,325,943	\$2,257,179	\$2,176,754	\$2,096,676	\$2,016,960	
Accumulated Surplus (Deficit) End of Year	\$2,325,943	\$2,257,179	\$2,176,754	\$2,096,676	\$2,016,960	\$1,937,619	

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

Table 5.3 – Statement of Change in Cash Flow

Statement of Cash Flow	2016	2017	2018	2019	2020	2021	
Operating Transactions							
Cash received from Revenues	\$767,221	\$186,207	\$181,175	\$188,415	\$195,945	\$203,776	
Cash paid for Operating Expenses	\$207,081	\$196,662	\$203,290	\$210,183	\$217,352	\$224,808	
Cash paid for Financing Charges (Debt Interest)	\$0	\$0	\$0	\$0	\$0	\$0	
Excess of Operating Revenues Over Operating Expenses	\$560,140	(\$10,455)	(\$22,115)	(\$21,768)	(\$21,407)	(\$21,032)	
Working Capital Items							
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	
Cash provided by Operating Transactions	\$560,140	(\$10,455)	(\$22,115)	(\$21,768)	(\$21,407)	(\$21,032)	
Capital							
Acquisition of TCAs	(\$631,050)	\$0	\$0	\$0	\$0	\$0	4
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	
Cash used in Capital Transactions	(\$631,050)	\$0	\$0	\$0	\$0	\$0	
Investing							
Cash (used in)/Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (decrease) Cash Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	
Financing							
Loan to cover forecasted deficit	\$0	\$0	\$0	\$0	\$0	\$0	
Repayment of Long Term Debt (principal)	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided by (used) in Financing Activities	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (decrease) in Cash Equivalents	(\$70,911)	(\$10,455)	(\$22,115)	(\$21,768)	(\$21,407)	(\$21,032)	
Cash and Cash Equivalents at the beginning of the Year	\$355,526	\$284,616	\$274,160	\$252,045	\$230,277	\$208,870	
Cash and Cash Equivalents at the End of the Year	\$284,616	\$274,160	\$252,045	\$230,277	\$208,870	\$187,838	

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

6. Notes on the Highlands East Drinking Water Systems' Financial Plan

The Highlands East Drinking Water Systems' financial plan represents a forecast of the financial performance of the drinking water systems over a study period starting in the year 2016 through to the year 2021. 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 water systems' reserve fund contained \$355,526 at the start of 2016 and is used to cover any deficits during the study period. As well, any surplus generated is deposited to the reserve fund. There is no interest generated on the reserve fund balance.
2. Tangible Capital Assets Cost (Closing) includes changes (additions, disposals, write-downs) in tangible capital assets during the year.
3. Tangible Capital Assets (TCA) are assumed to have no residual value when they have reached the end of their projected useful life. Amortization was determined using the straight line method. The calculation of Amortization begins the year after an asset is put into service.
4. TCA Additions – The OCIF project is forecasted to occur in 2016.
5. User fees – Residential users in the system are charged a flat rate. For the purpose of this financial plan, it was assumed that a flat water rate would be applied throughout the study period, increasing at 4% per year.
6. Trillium and Legion Fees – Fees contributed from the metered Trillium Lakelands District School Board and the Royal Canadian Legion for their respective water consumption. For the purpose of this financial plan, it was assumed the revenue generated from these users' volumetric charges will also increase annually at 4% with no annual increase to the flat fee.
7. OCIF / SWMIF – The Ontario Community Infrastructure Fund Program (OCIF) grant in 2016 and Source Protection Municipal. Implementation Funding (SPMIF) until March 2017.
8. The Other Costs for this system includes items such as supplies, telephone costs, training/insurance and insurance.

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 licence 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.