



The Township of Black River-Matheson
Drinking Water System

Financial Plan

March 14, 2011



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1. Introduction

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

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

The water rates are set out in the BLACK RIVER-MATHESON DRINKING WATER SYSTEM AND WASTEWATER SYSTEM FINAL RATE REPORT (FINAL RATE REPORT), dated March 14, 2011. The FINAL RATE REPORT estimates the capital and major maintenance costs from the year 2011 to the year 2044 in an operating plan. The revenue needed to support the operating plan is laid out in a funding plan which relies on user fees from rates, connection charges and government grants. User fees from rates 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 PS 3150 requirements. The Financial Plan includes a projection over six years from 2011 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 Black River-Matheson Water System

The Black River-Matheson water system serves four separate communities:

- Holtyre - This system is comprised of 2 wells and one treatment plant. The water plant serves approximately 255 residents of Holtyre.

- Matheson – This system is comprised of 4 wells, 1 treatment plant and 1 reservoir. The water treatment system is located on the northwest shore of Lake Belleck, two kilometers east of the Town of Matheson.
- Raemore – the Raemore system has 3 wells and 1 treatment plant. The water treatment plant is located in the Town of Raemore.
- Val Gagne – 3 wells and 1 treatment plant. The Val Gagne water treatment plant is located in the community of Val Gagne and provides drinking water to approximately 175 residents.

All of the systems are served by a network of water mains, hydrants, curb stops and other appurtenances.

The ages of the facilities, such as wells, treatment plants and reservoirs, range from 10 to 20 years. Water mains were installed in the early 1970s. The water systems, in the four communities, make up the Black River – Matheson water system. The Township of Black River - Matheson has an estimated population of 2,447 in 2006, according to Statistics Canada. The water system, in early 2010, served 707 connections

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 1-3% per annum, depending on the category of the expense, and energy is projected to increase at 7% 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 2044 by OCWA and funding needs for these needs have been included in the rates for 2011-2016. No growth in the number of users is anticipated and no capital for growth purposes is projected. The intent is to ensure that funding will be available, for the projected capital and major maintenance costs, when needed between 2011 and 2044. Capital and major maintenance costs are projected to increase at 3% per year. The capital renewal and major maintenance needs are set out in the FINAL RATE REPORT. Capital and

major maintenance needs beyond 2044 should be considered in the next Financial Plan report currently projected for 2015. The 2015 report will roll the time horizon forward at least five years to the year 2049.

2.3 Debt servicing costs

There is no debt on the water system at present and none is forecast in the 2011-2016 period.

2.4 Lead replacement costs

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

2.5 Source water protection costs

A source protection study was undertaken. No issues were identified and no further steps are planned.

3. Funding Plan

The funding plan lays out a plan on how the Township will generate the required funds to meet the expenditure requirements detailed in the operating plan. The funding plan is detailed in the FINAL RATE REPORT. The funding plan proposed will rely primarily on user fees, with some funds provided from government grants and connection charges. Some key assumptions and results that are presented below.

3.1 Government Grant

The Township received an Ontario Small Water Works Assistance Program (OSWAP) operating grant in 2009 that is provided through a provincial program that helps reduce the cost of operating a water system with small number of users. This is projected to continue through 2012. No allowance for OSWAP has been made for 2013 to 2016. The balance of the funding will be raised from user fees.

3.2 Debt

No future debt is projected at this time.

3.3 Required User Fees

Based on the current funding plan, the Black River-Matheson user fees and water rates are projected to increase at just over 6.3% in inflated dollars or about 3.3% per annum in 2010 dollars for the 2011-2016 periods. This is based on the need to provide for capital renewal and major maintenance along with an assumption that most operating as well as capital and major maintenance costs will inflate at 3% per annum with energy costs increasing at 7% per annum. The system users are not metered and all 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, if the OSWAP grant is not continued beyond 2012, from 2011 to 2016 recommended in the FINAL RATE REPORT.

Table 3.1 Black River - Matheson Annual Water Rates (Without OSWAP Post 2012) in Inflated \$

User Category	2010	2011	2012	2013	2014	2015	2016
Residential	409	424	451	480	510	542	576
Multiple Res. /Unit	409	424	451	480	510	542	576
Small Commercial	597	620	659	700	744	791	841
Large Commercial	1,246	1,293	1,374	1,461	1,553	1,651	1,755
Industrial	3,299	3,424	3,639	3,868	4,112	4,371	4,647
Schools - Medium	5,716	5,932	6,305	6,703	7,125	7,574	8,051
Schools - Large	11,426	11,857	12,604	13,398	14,243	15,140	16,094
Hospital	12,685	13,164	13,993	14,875	15,812	16,808	17,867

The above rates are based on the continuation of the OSWAP grant to the end of 2012 only and without OSWAP for 2013-2020. The annual rate for a residential user is proposed to be \$424 in 2011 and this rises to \$576 in 2016 in inflated dollars.

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 6 years (2011-2016) 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 its net financial assets/. 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 Black River-Matheson water system net financial assets are shown in Figure 5.1:

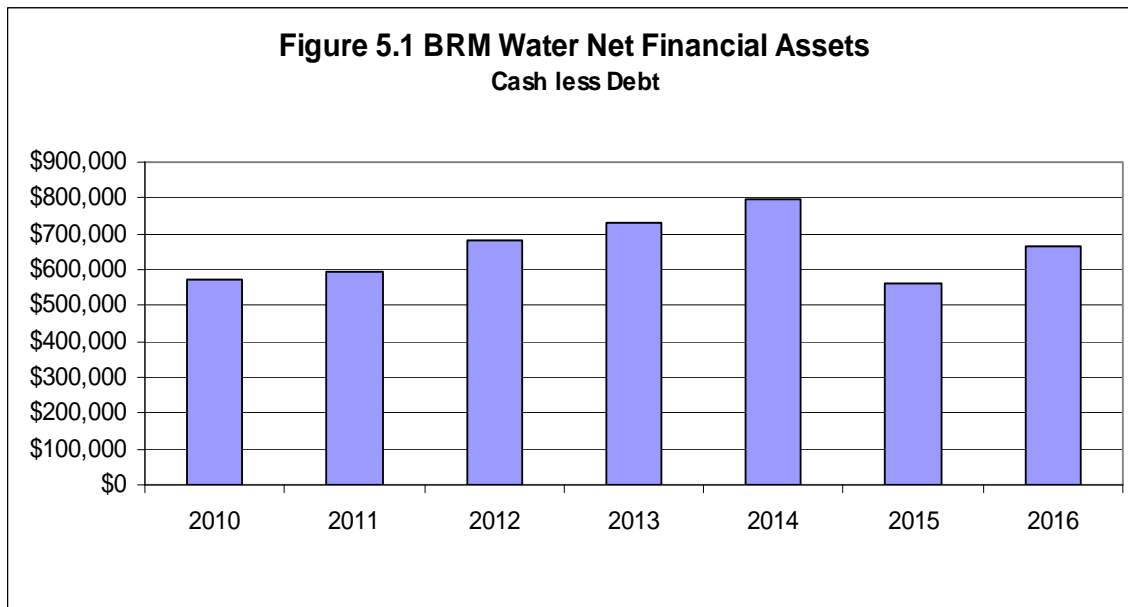
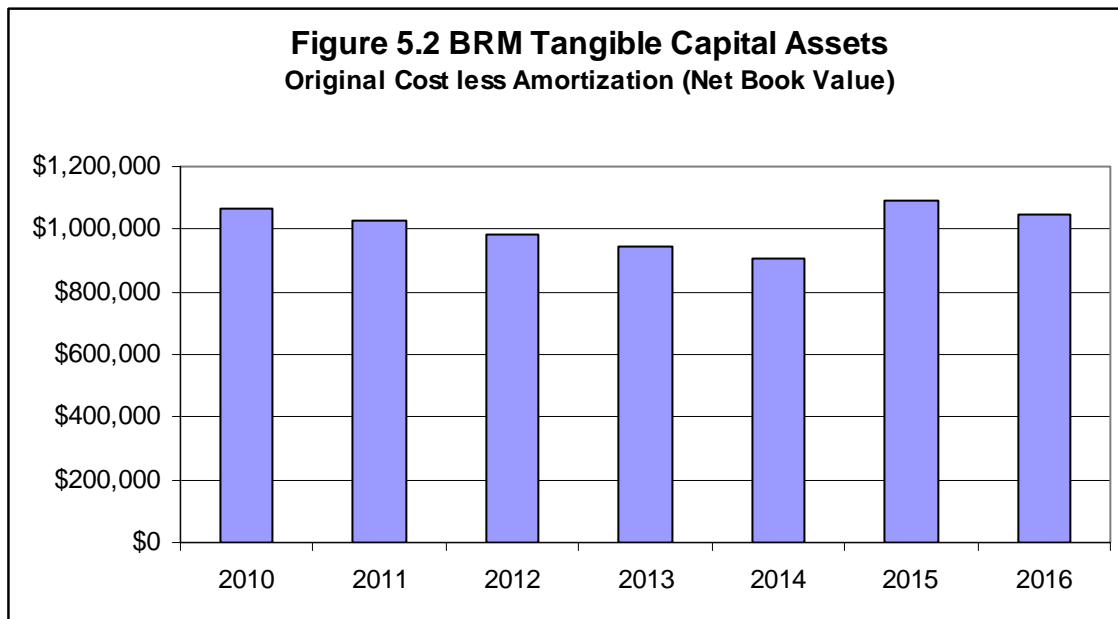


Figure 5.1 shows that the system has substantial financial assets in the year 2010 and this increases each year to 2014 indicating that the system is in good financial position to finance future capital expenditures from cash on hand. In 2015, cash resources are drawn down due to some large capital and major maintenance expenditures. The cash reserves increase in 2016 and are 16% higher than they were in 2010. 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 cost of an asset less the accumulated amortization.

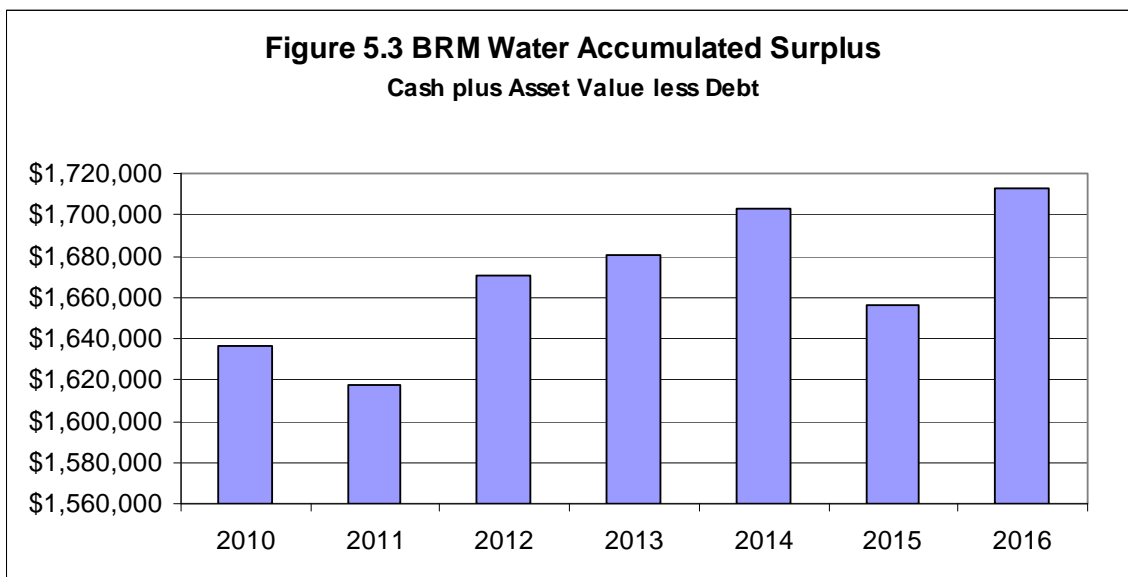
Water systems have a great deal of resources tied up in tangible capital assets and managing these assets is critical to maintaining current and future levels of service. Tangible capital assets, once installed, are being used and thus are decreasing in value. This is termed amortization. An increase 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 5.2.



Net book value is projected to decline from the year 2010 to 2014, as no capital work is planned for during this period although some major maintenance will be undertaken during this period, these maintenance projects do not meet the definition of capital betterments according to the PSAB standard PS 3150 definition of betterment or capital. To be considered capital, an expenditure must increase the asset's physical output or service capacity, lower operating costs, extend its useful life or improve the quality of the output. In addition, the expenditure must meet the above criteria with respect to the entire asset that is set out in the Township's asset inventory. The original Township inventory was based largely on entire assets such as wells, reservoirs and buildings rather than components such as pumps, motors, electric panels and disinfection systems. In order to be termed capital, the entire asset would have to be replaced.

Much of the major maintenance during the 2010-2014 periods was carried out on asset components rather than renewal of an entire asset, and was termed major maintenance. As a result, the value of the assets declined as they were used. In the year 2015, a section of water main is proposed to be replaced and a new generator is proposed to be purchased. These meet the standard as capital items and, when the water main is renewed and the generator installed, these projects will increase the value of the overall stock of tangible capital assets. This is shown for year 2015 in Figure 5.2. No further capital work was proposed for 2016 and as a result, the asset value declined due to amortization.

A third feature is the accumulated surplus set out in Figure 5.3. It represents cash on hand plus the net book value of tangible capital assets less debt. The water system, as illustrated in Figure 5.3, is showing an increase of 5% in accumulated surplus in financial and tangible capital assets from 2010 to 2016. This increased surplus indicates that the Township will strengthen its cash and asset position.



5.2 Statement of Operations (Table 6.2)

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

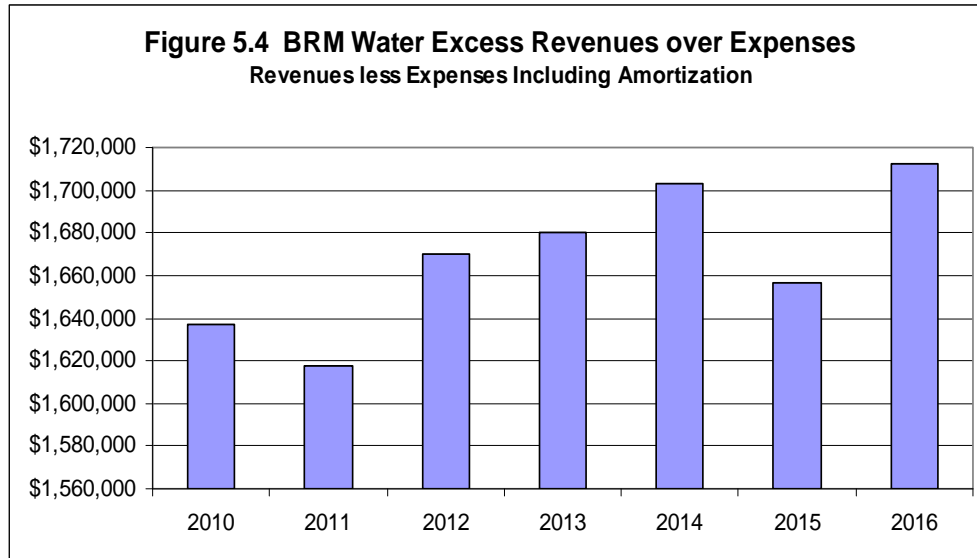
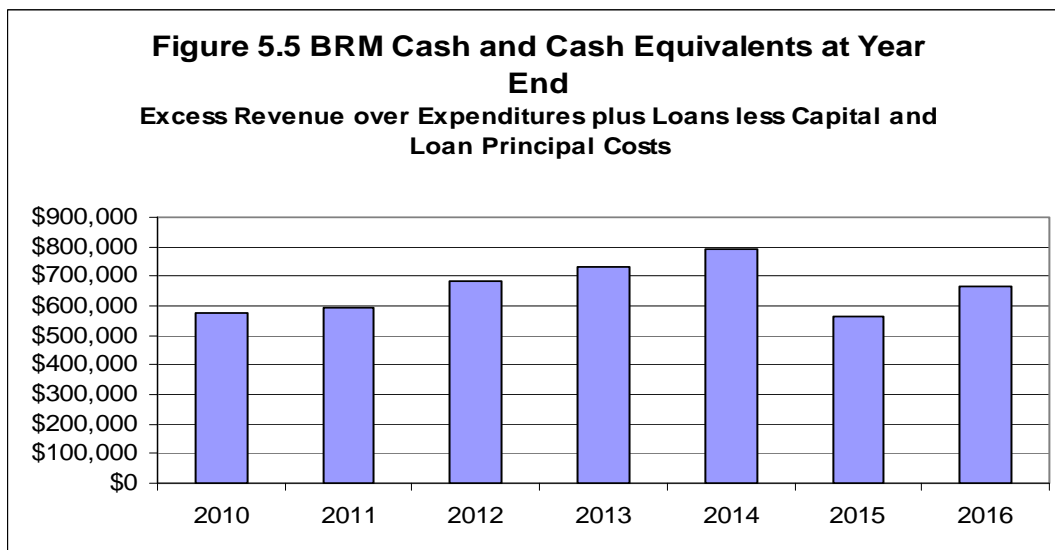


Figure 5.4 indicates that the system’s excess of revenues over expenses, that includes amortization, is positive and increasing throughout the study period, indicating that the system and its asset base is being maintained, with funds being built up for future capital renewal or major maintenance expenditures.

5.3 Statement of Cash Flow (Table 6.3)

This fifth feature shows how revenues are generated and spent over the study period. The revenues include user fees assisted by a government grant for the 2011-2012 periods. The expenditures include operating expenses and capital acquisitions less any interest charges and loan principal payment. These are shown in Table 6.3 and set out in Figure 5.5



There are no loan principal and interest payments. Figure 5.5 indicates that the cash expenditures are positive throughout the study period. The balance is drawn down in 2015 due to a number of major maintenance and capital expenditures. By the end of 2016, the cash equivalents are at \$663,937 which is higher than the \$573,208 projected for the end of 2010. This cash balance puts the Township in a good position 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 entire 2011 to 2044 periods.

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, if the proposed plan set out in the FINAL RATE REPORT is implemented, will have increased over the study period, even after funding is utilized for a number of large capital and major maintenance projects. This means that the Township is on a path to fund future capital needs from accumulated cash surpluses that are in the reserve fund.

5.5 Conclusion

The financial statements reveal that the Black River-Matheson water system is in sound condition, provided that the Township follows 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 that correspond to the numbers in the tables.

Table 6.1 Statement of Financial Position - Black River-Matheson Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Financial Assets								
Cash and Cash Equivalents	\$573,208	\$593,095	\$684,219	\$732,820	\$794,166	\$564,411	\$663,937	1
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Financial Assets	\$573,208	\$593,095	\$684,219	\$732,820	\$794,166	\$564,411	\$663,937	
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)	\$573,208	\$593,095	\$684,219	\$732,820	\$794,166	\$564,411	\$663,937	
Non Financial Assets								
Tangible Capital Asset Cost	\$2,954,528	\$2,954,528	\$2,954,528	\$2,954,528	\$2,954,528	\$2,954,528	\$3,181,166	3
Additions to Tangible Capital Assets - Cost	\$0	\$0	\$0	\$0	\$0	\$226,638	\$0	4
Tangible Capital Asset Under Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Accumulated Amortization incl. Addition	\$1,890,949	\$1,929,670	\$1,968,391	\$2,007,112	\$2,045,834	\$2,089,088	\$2,132,342	5
Total Non Financial Assets	\$1,063,580	\$1,024,858	\$986,137	\$947,416	\$908,695	\$1,092,079	\$1,048,825	
Accumulated Surplus/(deficit)	\$1,636,788	\$1,617,953	\$1,670,356	\$1,680,236	\$1,702,860	\$1,656,490	\$1,712,762	

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 - Black River-Matheson Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Revenues								
User Fees	\$351,866	\$362,766	\$385,618	\$409,912	\$435,737	\$463,188	\$492,369	
Connection Charges	\$4,700	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	
Operating Grants (OSWAP)	\$40,225	\$40,225	\$40,225	\$0	\$0	\$0	\$0	6
Other Revenues	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	7
Interest Income	\$0	\$22,928	\$23,724	\$27,369	\$29,313	\$31,767	\$22,576	8
Total Revenues	\$406,791	\$428,919	\$452,567	\$440,281	\$468,050	\$497,955	\$517,945	
Expenses								
Operating	\$324,306	\$337,963	\$343,142	\$353,980	\$365,286	\$377,087	\$411,553	9
Major Maintenance	\$20,000	\$71,070	\$18,301	\$37,699	\$41,419	\$123,984	\$6,866	10
Debt Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Amortization	\$38,721	\$38,721	\$38,721	\$38,721	\$38,721	\$43,254	\$43,254	
Loss on Disposal of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Lead Abatement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Source Water Protection	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Expenses	\$383,027	\$447,754	\$400,164	\$430,400	\$445,426	\$544,326	\$461,673	
Excess of Revenues over Expenses before Other	\$23,764	-\$18,835	\$52,403	\$9,881	\$22,623	-\$46,371	\$56,273	
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	\$23,764	-\$18,835	\$52,403	\$9,881	\$22,623	-\$46,371	\$56,273	
Accumulated Surplus (Deficit) Beginning of year	\$1,613,024	\$1,636,788	\$1,617,953	\$1,670,356	\$1,680,237	\$1,702,860	\$1,656,489	
Accumulated Surplus (Deficit) End of Year	\$1,636,788	\$1,617,953	\$1,670,356	\$1,680,237	\$1,702,860	\$1,656,489	\$1,712,762	

[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 - Black River-Matheson Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Operating Transactions								
Total Operating Revenues	\$406,791	\$405,991	\$428,843	\$412,912	\$438,737	\$466,188	\$495,369	
Total for Operating Expenses	\$324,306	\$337,963	\$343,142	\$353,980	\$365,286	\$377,087	\$411,553	
Total for Major Maintenance	\$20,000	\$71,070	\$18,301	\$37,699	\$41,419	\$123,984	\$6,866	
Total for amortization	\$38,721	\$38,721	\$38,721	\$38,721	\$38,721	\$43,254	\$43,254	
Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Excess of Revenues Over Expenses	\$23,764	-\$41,763	\$28,679	-\$17,488	-\$6,689	-\$78,137	\$33,696	
Deduct Non Cash Charges to Operating Trans.								
Amortization	\$38,721	\$38,721	\$38,721	\$38,721	\$38,721	\$43,254	\$43,254	
Loss on the Disposal of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total	\$38,721	\$38,721	\$38,721	\$38,721	\$38,721	\$43,254	\$43,254	
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	
Cash provided/used in Operating Transactions	\$62,485	-\$3,042	\$67,400	\$21,233	\$32,032	-\$34,883	\$76,950	
Capital Transactions								
Acquisition of TCAs	\$0	\$0	\$0	\$0	\$0	\$226,638	\$0	4
Proceeds on Disposal of TCA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash provided/used in Capital Transactions	\$0	\$0	\$0	\$0	\$0	\$226,638	\$0	
Investing Transactions								
Proceeds from Investments	\$0	\$22,928	\$23,724	\$27,369	\$29,313	\$31,767	\$22,576	8
Cash (used in) Provided by Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided/used in Investing Transactions	\$0	\$22,928	\$23,724	\$27,369	\$29,313	\$31,767	\$22,576	
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Cash Provided by/used in Financing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (decrease) in Cash Equivalents	\$62,485	\$19,886	\$91,124	\$48,602	\$61,345	-\$229,755	\$99,527	
Cash and Cash Equivalents at the beginning of the Year	\$510,723	\$573,208	\$593,095	\$684,219	\$732,821	\$794,165	\$564,410	
Cash and Cash Equivalents at the End of the Year	\$573,208	\$593,095	\$684,219	\$732,821	\$794,165	\$564,410	\$663,937	

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 - Black River-Matheson Water System

	2010	2011	2012	2013	2014	2015	2016	Notes
Excess Revenues over Expenditures	\$23,764	-\$18,835	\$52,403	\$9,881	\$22,623	-\$46,371	\$56,273	11
Amortization of Tangible Capital Assets	\$38,721	\$38,721	\$38,721	\$38,721	\$38,721	\$43,254	\$43,254	
Proceeds on the Disposal of TCA's	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Change in inventories, prepaid expenses and deferred charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Loss (gain) on the Disposal of TCAs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Acquisition of TCAs	\$0	\$0	\$0	\$0	\$0	\$226,638	\$0	4
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Increase (-Decrease) in Net Financial Assets	\$62,485	\$19,886	\$91,124	\$48,602	\$61,345	-\$229,755	\$99,527	
Net Financial Assets, Beginning of Year	\$510,723	\$573,208	\$593,095	\$684,219	\$732,821	\$794,165	\$564,410	
Net Financial Assets, End of Year	\$573,208	\$593,095	\$684,219	\$732,821	\$794,165	\$564,410	\$663,937	

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

Notes on the Black River-Matheson 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 2044. The year end balance includes interest earned on the previous years balance.
2. There is no current debt on the system.
3. Tangible capital assets acquired in the past were valued by the Township to the end of 2008 deflated to historic cost using the CPI. Capital works are assumed to have no residual value when they have reached the end of their projected life set out in the FINAL RATE REPORT. Future capital works costs are in 2010 costs, inflated to future cost at an inflation rate of 3% per annum as of Jan 1 each year. Thus, an asset installed in 2011 is assume to have inflated by 3% on Jan 1, 2011. Amortization was determined using the straight line method. All works are assumed to have been constructed or disposed of on January 1 of the year in question.
4. There are two capital projects according to the PSAB definition of capital. One is a replacement of a section of water main and the other is the construction of a new generator set.
5. Amortization was determined using the straight line method with construction assumed to be January 1 and a full year of amortization was provided for in the first year.
6. 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 and then terminate.
7. This revenue item was a one-time provincial capital grant
8. This revenue is represented by the interest at 4.0% per annum earned on the previous end of year reserve balance.
9. Operating costs are projected to increase at 3% per annum for most items and 7% per annum for energy.
10. Major maintenance represents equipment renewal projects that did not meet the PSAB definition of capital.
11. This is the total of revenues including interest earned on the reserve balance less expenses including amortization.

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.