



WAWA DRINKING WATER SYSTEM

FINANCIAL PLAN # 231-301

May 2012



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Appendices

Appendix A: Council Resolution

1 Introduction

1.1 Background

The Drinking water licensing program was developed by the Province of Ontario based on Justice O'Connor's Part II Walkerton 2000 Report issued as a result of his inquiry following the Walkerton Ontario Drinking Water incident. The Licensing program was required by Regulations under the promulgation of the Safe Drinking Water Act in 2002. The program includes several elements which are pre-requisites to formal issuance of a Drinking Water License by the Ministry of the Environment. These elements include:

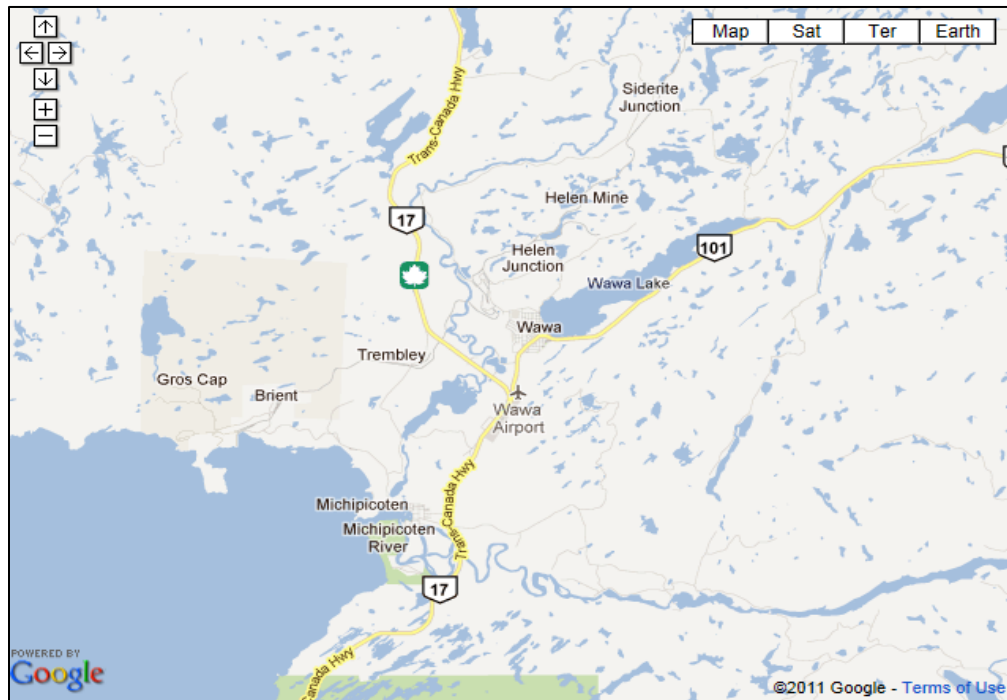
- Receipt of a Drinking Water Works Permit, (DWWP) which replaces the Certificate of Approval formerly issued
- A Permit to Take Water – required under the Ontario Water Resources Act for daily water taking in excess of 50,000 litres per day
- An approved Operational Plan (OP) - in compliance with the Drinking Water Quality Management Standard, (DWQMS)
- An approved Financial Plan – as required under the Financial Plans Regulation (O. Reg. 453/07)
- Accreditation of the Drinking Water Operating Authority – based on the acceptance of an audited OP by the Canadian General Standards Board

The requirement for the Financial Plan for the Municipality of Wawa since it is an existing water works system is included as a condition in the License for the water works. The License condition requires that the Financial Plan be submitted within 6 months of the date of issuance of the License. The License was issued on August 4, 2011. The content of the Financial Plan must be prepared in accordance with the requirements outlined in the Financial Plans Regulation (O Reg 453/07).

1.2 Study Area

The Municipality of Wawa is located near the northern shore of Lake Superior approximately 225 kilometres north of Sault Ste. Marie. The Municipality is responsible for a water supply, treatment and distribution within the Town site of Wawa and the Michipicoten River Village (MRV). Municipal services, including water and wastewater are supplied to approximated 1230 homes (approximate population is 2975) and businesses. The population is stable with little seasonal fluctuation. Wawa's major business sectors include: Mining, Tourism, Forestry, Retail and Personal Services. Developing industries consist of Value-Added Forestry, Information Technology, Transportation and Diamond Mining.

Figure 1-1: Study Area



1.3 Drinking Water System Description

The Municipality of Wawa is comprised of the Town of Wawa and Michipicoten River Village, with a population of approximately 2975. The water treatment and distribution systems are owned and operated by the Municipality of Wawa. The water treatment system is a Class 2, and the distribution system is a Class 1. The treatment plant has a rated capacity of 7800 m³/d.

The intake for the water supply is located approximately 144 m offshore in Wawa Lake, at a depth of 10.7 m below low water level. The intake is housed in a timber crib structure, equipped with coarse screens. The 623 mm cast iron pipe discharges by gravity to a wet well at the low lift pump house. Three 45.6 L/s VFD pumps are used to supply raw water to the treatment plant. A line from the treatment plant provides sodium hypochlorite to the low lift discharge header for pre-chlorination, if required. The water treatment plant was constructed in 2006 and is a membrane filtration process. Raw water is pumped from the low lift station to a common header which feeds three Pall membrane systems, each consisting of a feed and backwash tank, feed/recirculation and reverse filtrate pump, 0.4 mm strainer, and 30 cartridge membrane rack. Filtered water is discharged to an under floor reservoir where chlorine is injected to provide the necessary disinfection CT prior to discharge to the distribution system. Sodium hypochlorite is used for pre-chlorination (if required), primary and secondary disinfection, and membrane cleaning. Hydrofluorosilicic acid is also added to the filtered water for dental health protection.

1.4 Licensing Requirements

The Safe Drinking Water Act (SDWA) mandates the licensing of municipal water providers in Section 31. This section states:

31. (1) No person shall,

- (a) establish a new municipal drinking water system or replace or carry out an alteration to a municipal drinking water system except under the authority of and in accordance with an approval under this Part or a drinking water works permit; or
- (b) use or operate a municipal drinking water system that was established before or after this section comes into force except under the authority of and in accordance with an approval under this Part or municipal drinking water licence. 2002, c. 32, s. 31 (1).

1.5 Operational Plan

The Operational Plan was prepared by Shelby Environmental Services Ltd. Option 2; Limited Scope – Entire DWQMS was selected and required the following;

- All elements of the DWQMS will be documented in the operational plan but are not required to be implemented;
- The operating authority will be accredited upon successful completion of an audit of the operational plan document;
- The full QMS must then be implemented within 12 months of receiving a certificate of accreditation (limited scope). Upon successful completion of an audit a certificate of accreditation (full scope) will be issued, the plan will be based on the Drinking Water Quality Management Standard (DWQMS).

The Operational Plan which documents the operating authority's quality management system (QMS) was filed with the Canadian General Standards Board, (CGSB). The Operational Plan was accepted and a "desk top" audit was conducted by CGBS. The approved Operational Plan was submitted to MOE together with the other documents required for the issuance of the Drinking Water License.

2 Financial Plan Guidelines and Requirements

2.1 Sustainable Financial Planning

The Ministry of the Environment prepared and released a document in August, 2007 entitled, *Toward Financially Sustainable Drinking-Water and Wastewater Systems*, in order to assist with the preparation of the required Financial Plans for the Municipal Drinking Water License. Nine principles were established and are listed as follows:

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.

Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

- Principle #3: Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
- Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- Principle #5: An asset management plan is a key input to the development of a financial plan.
- Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
- Principle #8: Financial Plans are “living” documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.
- Principle # 9: Financial Plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

2.2 Definition of Financial Plans

According to Section 30(1) of the SDWA, Financial Plans are defined as:

- (a) financial plans that satisfy the requirements of subsection (2), but only if,
- (i) Bill 175 (*Sustainable Water and Sewage Systems Act, 2002*, introduced on September 23, 2002) receives Royal Assent, and
 - (ii) sections 3 and 9 of Bill 175 (*Sustainable Water and Sewage Systems Act, 2002*) are in force, or
- (b) financial plans that satisfy the requirements prescribed by the Minister, in any other case. 2002, c. 32, s. 30 (1).

2.3 Importance of Long Range Financial Planning

A Long Range Financial Plan is important for a number of reasons in order to assist a municipality to:

- Sustain long term cash flows;
- Protect and maintain its assets through a well-developed plan;
- Distribute resources fairly between current and future ratepayers;
- Ensure financial stability during periods of economic uncertainty;
- Provide safe drinking water in the long and short terms;
- Ensure maximization of financial flexibility;

- Preserve the desired integrity of programs and services; and
- Provide rate consistency and predictability.

2.4 Financial Plans Regulation

The key points of the Financial Plan Regulation (O Reg 453/07) are described in the subsections below. These requirements have been limited to those required for existing systems which is the situation in the Municipality of Wawa:

- Declaration: The Financial Plan must include a statement that the financial impacts of the drinking water system have been considered.
- Projection Length: The Financial Plan shall be for a period of at least six years.
- Public Transparency: The Financial Plan must be made available, on request and without charge to the members of the public that are served by the water system. If the system owner maintains a website, then the Financial Plan must be made available on the website without charge. The owner must provide a notice informing the public of the availability of the Financial Plan, in a manner that the Owner deems fit to bring the notice to the attention of the members of the public that are served by the water system.
- Approval: The Financial Plan must be approved by a council resolution that indicates that the drinking water system is financially viable.
- Submission: A copy of the Financial Plan, along with the resolution must be submitted to the Ministry of Municipal Affairs and Housing.
- Update: The Financial Plan should be updated and approved prior to applying for a licence renewal (i.e. every five years). However, the Regulation does not prevent the Plan from being amended more regularly.

In addition to the general requirements, the Financial Plan must include details of the projected financial operations, itemized by:

- Total revenues (water rates, user charges, and other revenues)
- Total expenses (amortization expenses, interest expenses, and other expenses)
- Annual surplus or deficit
- Accumulated surplus or deficit

The projected financial position must be itemized by:

1. Total financial assets;
2. Total liabilities;
3. Net debt;
4. Non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies, and prepaid expenses;
5. Changes in tangible capital assets that are additions, donations, write downs, and disposals.

Items 1, 2, and 3 apply only if the information is known to the owner at the time when the Financial Plan is prepared.

The projected gross cash receipts and payments details are itemized by:

- a. Operating transactions that are cash received from revenues and 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
- f. Cash and cash equivalents at the beginning and end of the year

Items a, c, e, and f apply only if the information is known to the owner at the time when the Financial Plan is prepared.

The first year to which the Financial Plan must apply is the latest of 2010 and the year in which the first licence was issued.

2.5 Financial Plan Guidelines

The guidelines released in the previously mentioned *Toward Financially Sustainable Drinking-Water and Wastewater Systems* document prepared by the Ministry of the Environment (August, 2007) apply to wastewater systems as well. However, a Financial Plan for a wastewater system is not mandatory.

The guidelines set out in Section 2.1 that have formed the development this Financial Plan:

2.6 Public Sector Accounting Board (PSAB) Requirements

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) approved new municipal financial accounting and reporting standards in June 2006. The new standards require full accrual accounting for 2009 and future years, as well as accounting of tangible capital assets in the financial statements.

The accrual accounting method recognizes revenues and expenses in the same period as the activities which give rise to them regardless of when the payment was actually made. Since the exchange of cash is not necessary to report a financial transaction, the accrual method provides a more accurate picture of the municipality's financial position. Tangible capital assets will be capitalized so as to create an inventory of the assets owned and to account for their ability to provide future benefits.

3 Financial Plan Study Approach

The Financial Plan guidelines were used to select the approach for preparing the Wawa Drinking Water System Financial Plan. These steps include:

1. Determination of the current period expenses and forecast future period expenses;
2. Determination and forecasting capital expenditure needs;
3. Identification of all current revenue sources and forecast revenues with minimal increases (as outlined in the Notes to the Projected Financial Statements) to show some growth;
4. Assess the suitability of the existing revenues;
5. Identify funding requirements and determine the required revenue increases; and
6. Prepare the following statements based on the required revenue increases:
 - Statement of Operations
 - Statement of Cash Flow
 - Statement of Financial Position
 - Statement of Changes in Net Financial Assets

4 Expenses

4.1 Data Sources and Assumptions

There are three categories of expenses included for the purposes of this Financial Plan: operating costs, interest, and amortization. The current period operating expenses were determined from the Municipality's 2011 budget, which also included expense details for 2010, as well as information provided by the Municipality's Infrastructure Services Department (ISD) which is responsible for the operation of the water and wastewater works. A complete listing of operating expenses is provided in the Schedule of Operating Expenses included with the projected financial statements.

The future period Operation and Maintenance (O/M) expenses were assumed to increase by the rates outlined in the Notes to the Projected Financial Statements. Further Information relating to the assumed rates of increase for additional future operating expenses can also be found in the Notes to the Projected Financial Statements. In addition, all information pertaining to current debts, interest rates, and repayment schedules were provided by the Municipality. No new debts were projected for future periods, however, in the event that the Municipality should determine that there is a need to incur new debt then the forecasted interest expense will require revision to reflect this. The annual amortization expenses were calculated using the straight-line method and were based on PSAB information provided by the Municipality as to the historic cost of assets and their estimated useful lives.

4.2 Operating Expenses

Operating expenses include all charges associated with the operation and maintenance of the water works components which include; the intake works, the raw water pumping and wet well, the water treatment plant and the water distribution system. The distribution system includes only those components up to the "curbstop" or property line and does not include residential service laterals. A complete description of the water system is included under section 1.3 above and in the License and

DWWP. Staff of the Municipality's ISD operate and maintain the water and wastewater works and associated distribution and collection systems respectively. In addition to these services, the Municipality pays directly for the cost of Hydro. A complete list of operating expenses is provided in the Schedule of Operating Expenses.

The annual operating and maintenance budgets are adjusted each year by a cost of living adjustment calculated on the annual CPI provided by Statistic Canada. As mentioned previously, for the purposes of this Financial Plan it was assumed that in future years, the CPI would be 2.0%, which matches the most recent CPI posted by Statistics Canada. In the case of Hydro, due to the uncertainty of Hydro costs an inflated factor above CPI was used. In this case the annual increase used is 2.0%. Complete information on the assumed rate of increase for all operating expenses is provided in the Notes to the Projected Financial Statements.

The projected operating expenses are shown in Figure 4-1.

Figure 4-1: Projected Operating Expenses

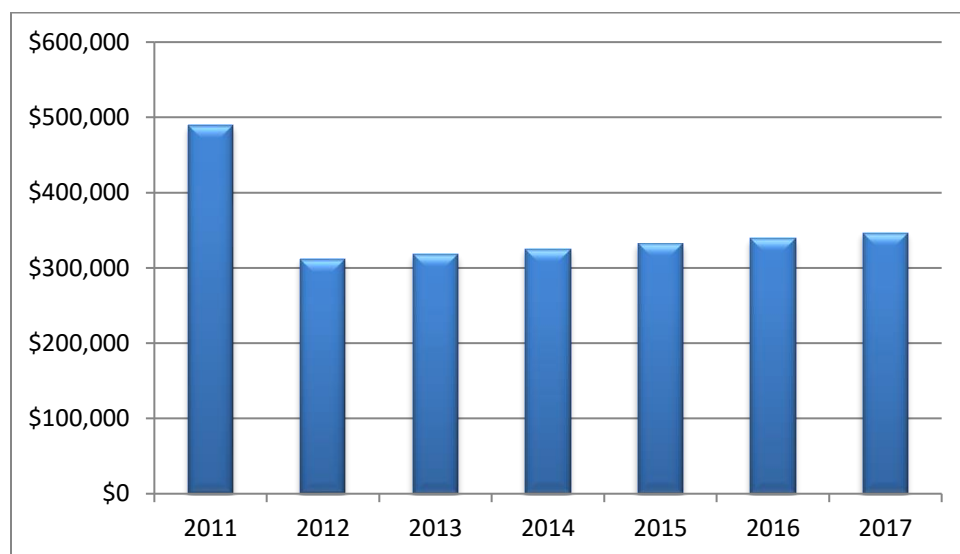


Figure 4-1 shows that operating expenses are projected to decrease from \$489,558 in 2011 to \$311,621 in 2012. This decrease is attributable to the end of the Municipality's expenses associated with its source protection grant. Following this, operating expenses are shown to gradually increase to \$346,672 in 2017 based on the assumed rates of increase.

4.3 Amortization Expenses

Amortization is a non-cash expense that indicates the consumption of tangible capital assets (TCAs) over the course of their useful lives using the straight-line depreciation method. As previously mentioned, details on the historical cost of TCAs, as well as their estimated useful lives, were provided by the Municipality. The projected amortization is shown in Figure 4-2.

Figure 4-2: Projected Amortization Expenses

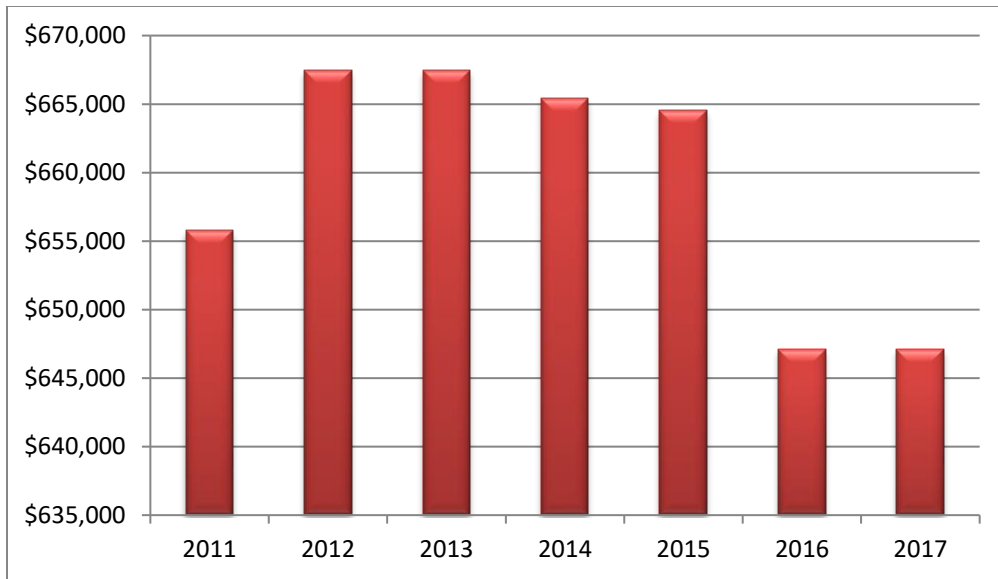


Figure 4-2 shows that amortization remains relatively consistent over the forecast period from a high of \$667,419 in 2012 to a low of \$647,107 in 2017.

4.4 Interest Expenses

Details on current debt relating to water infrastructure were provided by the Municipality. Figure 4-3 below shows the interest expenses for the forecast period. As mentioned previously, no new debt has been forecast. Should the Municipality identify a need to incur new debt in the future based on an evaluation of existing data the forecast interest expenses will require revision.

Figure 4-3: Projected Interest Expenses

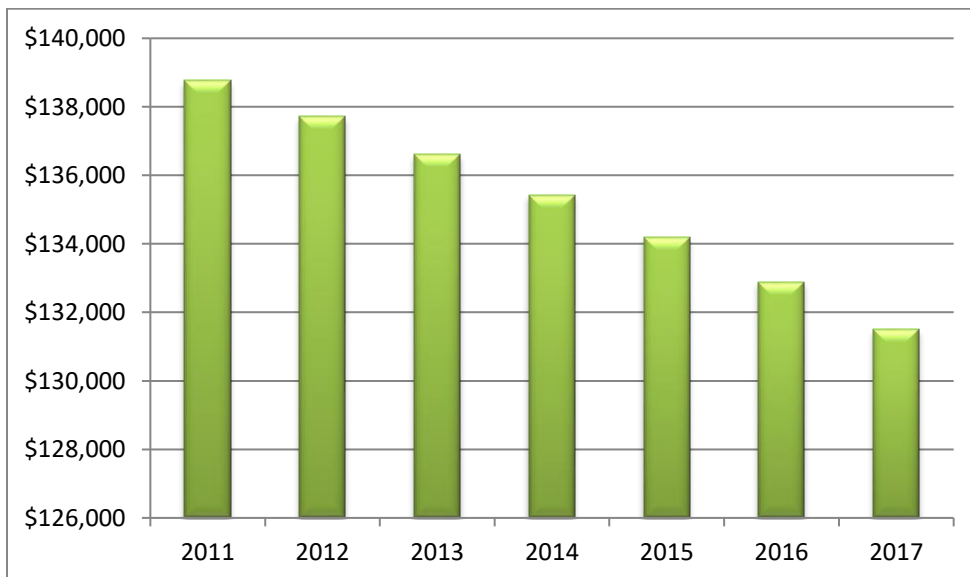


Figure 4-3 shows that the interest expenses decrease from \$138,764 in 2011 to \$131,495 in 2017. Based on information provided by the Municipality, interest expenses will end outside of the forecast period in 2049.

4.5 Total Expenses

The total expenses are the sum of the operating, amortization, and interest expenses. The projected total expenses are shown in Figure 4-4.

Figure 4-4: Projected Total Expenses

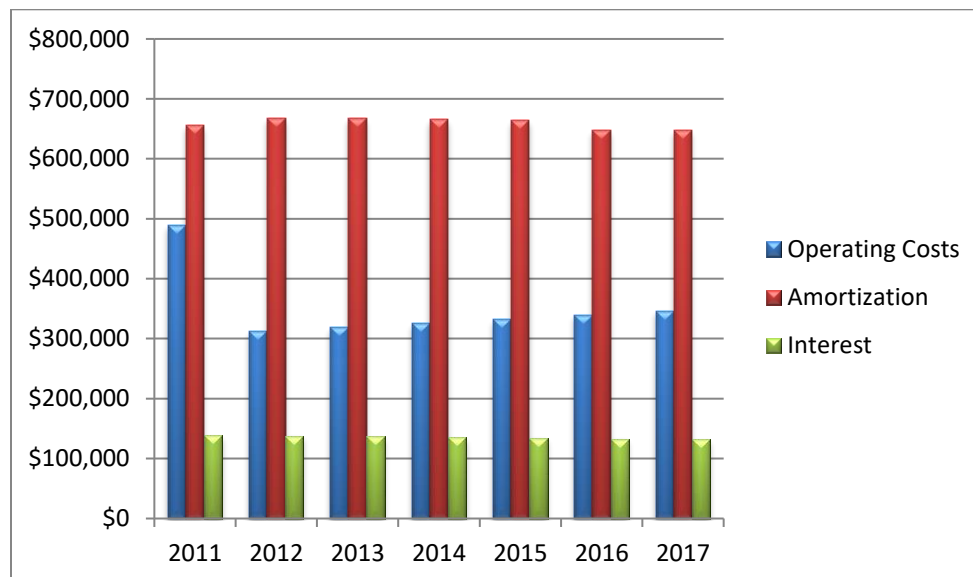


Figure 4-4 shows that the total annual expenses decrease gradually over the forecast period from about \$1,284,078 in 2011 to \$1,125,274 in 2017. Although Figure 4-4 shows a decrease it is important to note that total annual expenses remain relatively consistent throughout the forecast period. The decrease shown is primarily attributable to both the end of the Municipality's expenses associated with its source protection grant and decreasing interest expenses associated with the overall reduction in the municipal debt on the water system.

5 Capital Expenditures

5.1 Data Sources and Assumptions

Capital expenditures were based on the Capital Projections 2011-2017 provided by the Municipality's consultant with input from Infrastructure Services staff. Estimates for the useful lives of all assets included in the projections were based on information provided by the Municipality.

5.2 Projected Future Capital Expenditures

The projected future capital expenditures for the Municipality's water system are shown in Figure 5-1.

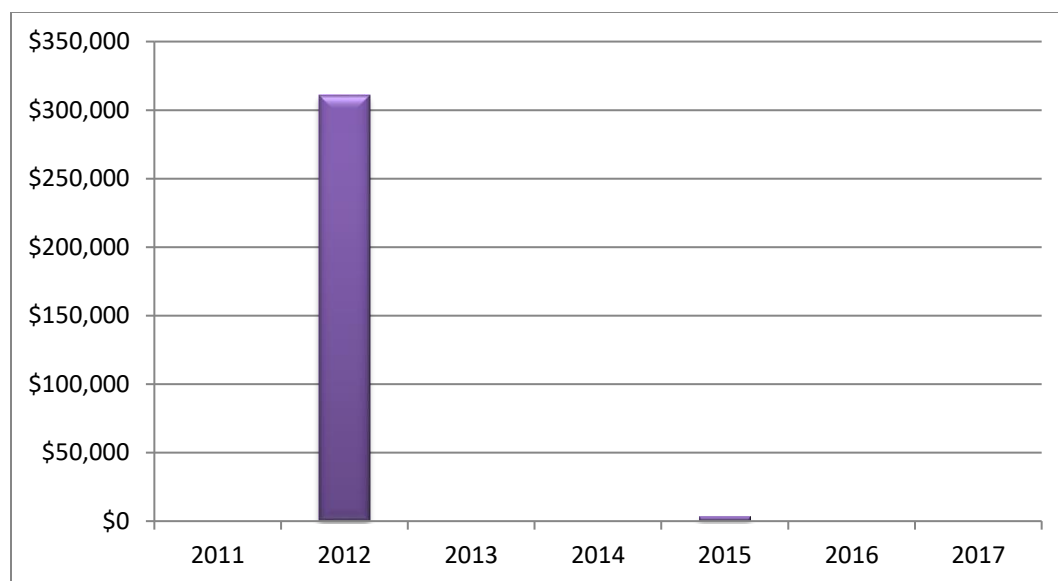
Figure 5-1: Projected Future Capital Expenditures

Table 5-1 provides general details on the capital expenditures shown in Figure 5-1.

Table 5-1: Forecast Capital Expenditures

Year	Asset	Amount
2011	N/A	N/A
2012	Residential water meters	\$307,000
	Chemical feed pumps	\$3,500
2013	N/A	N/A
2014	N/A	N/A
2015	Chemical feed pumps	\$3,500
2016	N/A	N/A
2017	N/A	N/A

6 Revenues

6.1 Data Sources and Assumptions

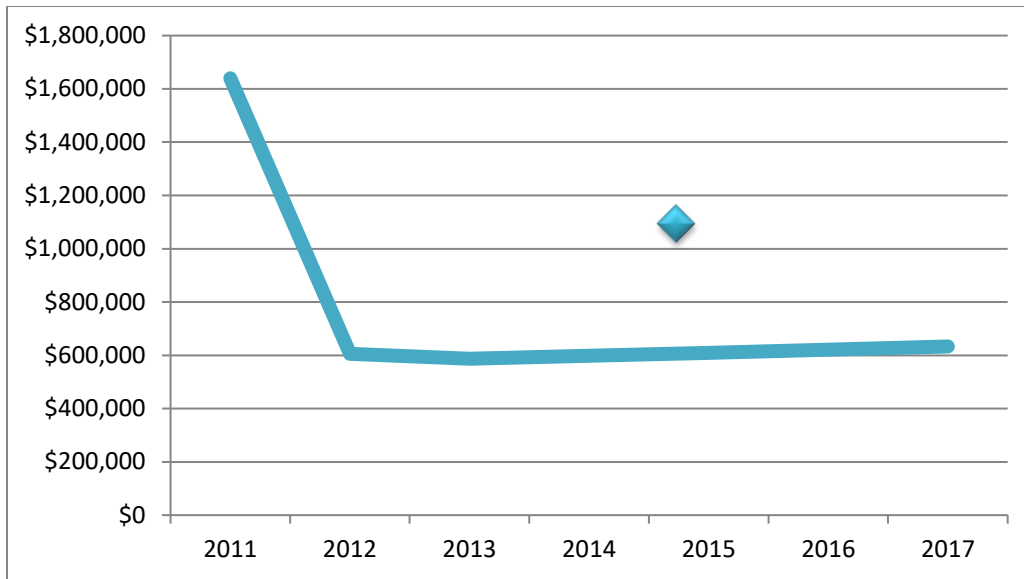
Revenue information was provided by the Municipality in its 2011 income statement.

6.2 Projected Revenues

In consultation with the Municipality it was determined that the most practical assumed increase in rate revenues is 2% each year.

The projected revenues for the Municipality's water system are shown in Figure 6-1.

Figure 6-1: Projected Revenues



With an assumed rate of increase of 2% a year for rates, revenues initially decrease from \$1,639,692 in 2011 to approximately \$605,833 in 2012, which is attributable to the end of several of the Municipality's grants. However, following this initial decrease, revenues grow to approximately \$633,137 in 2017.

7 Revenue Analysis

7.1 Operating Cash Flow

Operating cash flow is calculated using the following equation:

$$\begin{aligned}
 &\text{Operating Cash Flow} \\
 &= \text{Revenues} \\
 &\quad - \text{Operating Costs (excluding amortization)} \\
 &\quad - \text{Interest on Existing Debt}
 \end{aligned}$$

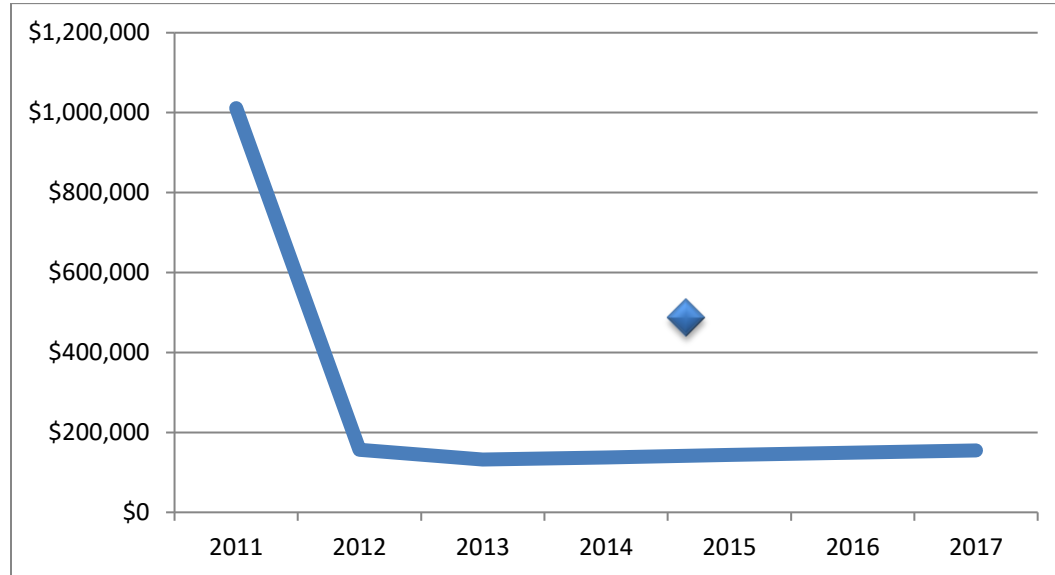
This equation shows that current period operations can generate either a surplus or deficit from a cash perspective, depending on the balance between revenues and cash expenses.

As an example, the operating cash flow for 2011 can be calculated as follows:

$$\begin{aligned}
 \text{Revenues} &= \$1,639,692 \text{ (also shown in Figure 6-1)} \\
 \text{Operating Expenses} &= \$489,558 \text{ (also shown in Figure 4-1)} \\
 \text{Interest Expenses} &= \$138,764 \text{ (also shown in Figure 4-3)} \\
 \text{Operating Cash Flow} &= \$1,639,692 - \$489,558 - \$138,764 \\
 &= 1,011,370
 \end{aligned}$$

The operating cash flow for subsequent years can be similarly calculated. The projected operating cash flow is shown in Figure 7-1.

Figure 7-1: Projected Operating Cash Flow



After an initial decrease attributable primarily to the end of several of the Municipality's grants, operating cash flow is seen to be increasing over the forecast period to approximately \$154,971 in 2017.

8 Capital Expenditure Balance

The capital expenditure balance calculates the cash that is available for capital expenditures. It is expressed as the following equation:

$$\begin{aligned}
 &\text{Cash Available for Capital Expenditures} \\
 &= \text{Operating Cash Flow} \\
 &+ \text{New Debt} \\
 &+ \text{Previous Debt Payment} \\
 &+ \text{Reserve Fund Balance}
 \end{aligned}$$

This equation shows that cash available for capital expenditures is the sum of operating cash flow, new debt issuance, previous debt payment and the balance of the reserve fund.

For example, in 2011 the capital expenditure balance is calculated as follows:

$$\begin{aligned}
 \text{Operating Cash Flow} &= \$1,011,370 \text{ (also shown in Figure 7-1)} \\
 \text{New Debt} &= \$0 \\
 \text{Previous Debt Payment} &= (\$18,502)
 \end{aligned}$$

Disposals = \$0

Reserve Fund Balance = \$20,456

Capital Expenditure Balance = \$1,011,370 + \$0 + (\$18,502) + \$0 + \$20,456
 = \$1,013,324

The capital expenditure balance for subsequent years can be determined in a similar manner. The projected capital expenditure is provided in Table 5-1.

Figure 8-1: Capital Expenditure

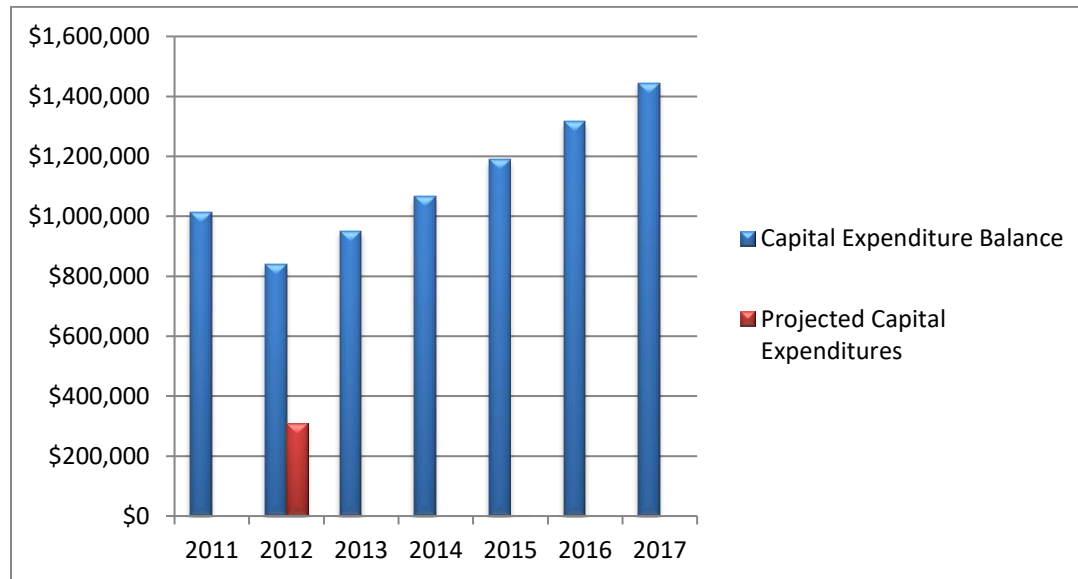


Figure 8-1 shows that the Municipality will have sufficient cash available for the projected capital expenditures. The reserve fund is projected to grow substantially over the forecast period ensuring that the Municipality will continue to have sufficient cash available for projected capital expenditures.

8.1 Annual Surplus/Deficit

The accumulated surplus/deficit is the primary indicator of the financial resources the Municipality has available to provide for future services. It consists of revenues less total expenses. It is important to note that the calculation of the annual surplus/deficit includes cash and non-cash components, the latter of which takes into account amortization expenses. This is distinct from the calculation of operating cash flow which did not include amortization expenses.

For example, the annual surplus/deficit for 2011 is calculated as follows:

Revenues = \$1,639,692 (also shown in Figure 6-1)

Total Expenses = \$1,284,078 (also shown in Figure 4-4)

$$\begin{aligned} \text{Annual Surplus/Deficit} &= \$1,639,692 - \$1,284,078 \\ &= \$355,614 \end{aligned}$$

The annual surplus is lower than the operating cash flow because, as explained above, the former takes into account amortization expenses. Thus for 2011, although the annual surplus/deficit is \$355,614, while operating cash flow is \$1,011,370.

Annual surplus/deficit for subsequent years can be similarly calculated and Figure 8-2 shows the annual surplus/deficit for the forecast period.

Figure 8-2: Annual Surplus/Deficit

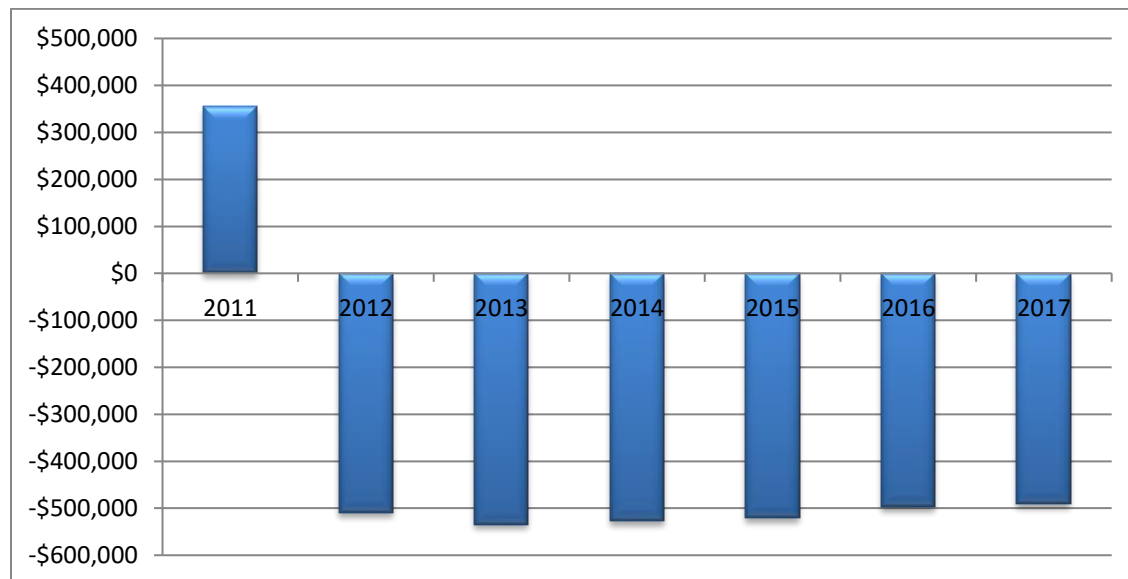
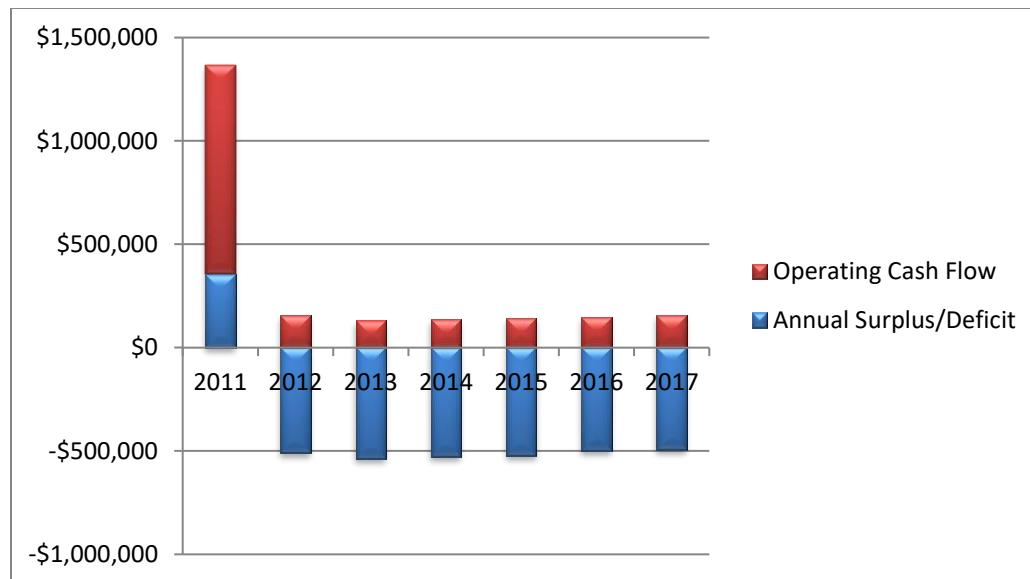


Figure 8-2 shows that the annual surplus decreases sharply initially attributable to the ending of several of the Municipality's grants and then increases gradually from approximately (\$510,921) in 2012 to approximately (\$492,136) in 2017. A comparison of the annual surplus/deficit to the operating cash flow is provided in Figure 8-3.

Figure 8-3: Comparison of Annual Surplus/Deficit and Operating Cash Flow



As shown in Figure 8-3 the operating cash flow, which does not include amortization expenses is comparatively higher in 2011 than the annual surplus/deficit, however, this trend is reversed throughout the remainder of the forecast period.

9 Financial Plan

9.1 Introduction

The Financial Plan is a living document that will require ongoing updating and revision. In keeping with the Financial Plans Regulation (O Reg 453/07) it consists of the following statements:

- Statement of Operations
- Statement of Cash Flow
- Statement of Financial Position
- Statement of Changes in Net Financial Assets

9.2 Statement of Operations

The Statement of Operations reports on:

- revenues;
- expenses; and
- results for the forecast period.

The statement of operations for the forecast period is provided in Table 9-1.

9.3 Statement of Cash Flow

The statement of cash flow identifies:

- the source of the cash;

- how cash was used; and
- provides details on changes in cash and cash equivalents since the previous period.

The statement of cash flow for the forecast period is provided in Table 9-3.

9.4 Statement of Financial Position

The Statement of Financial Position shows the Municipality's:

- assets;
- liabilities; and
- accumulated surplus/deficit

The Statement of Financial Position for the forecast period is provided in Table 9-4.

9.5 Statement of Changes in Net Financial Assets

The Statement of Changes in Net Financial Assets shows:

- the difference between the annual surplus/deficit and the change in net financial assets;
- how TCAs were acquired and disposed of; and
- details relating to the changes in net financial assets since the previous period.

The Statement of Changes in Net Financial Assets for the forecast period is provided in Table 9-5.

Table 9-1: Projected Statement of Operations 2011-2021 (Unaudited)

	Notes	Forecast period						
		2011	2012	2013	2014	2015	2016	2017
Revenue	1							
MRV water system		12,215	12,459	12,708	12,963	13,222	13,486	13,756
Wawa water system		547,555	557,959	568,570	579,394	590,434	601,695	613,182
Pinewood Drive water system		5,505	5,615	5,727	5,842	5,959	6,078	6,200
Filtration plant		239,179	-	-	-	-	-	-
Source protection		159,194	-	-	-	-	-	-
Water studies and projects		32,600	-	-	-	-	-	-
OSWAP operating grant		29,800	29,800	-	-	-	-	-
Water meter grant (OSWAP 3)		613,644	-	-	-	-	-	-
		1,639,692	605,833	587,006	598,199	609,615	621,260	633,137
Expenses								
Operating costs	2	489,558	311,621	318,306	325,150	332,156	339,329	346,672
Amortization	3	655,756	667,419	667,419	665,406	664,515	647,107	647,107
Interest	4	138,764	137,714	136,603	135,430	134,190	132,880	131,495
		1,284,078	1,116,754	1,122,329	1,125,986	1,130,861	1,119,315	1,125,274
Annual surplus/(deficit)		355,614	(510,921)	(535,323)	(527,787)	(521,246)	(498,055)	(492,136)
Expense to revenue ratio		78%	184%	191%	188%	186%	180%	178%

See accompanying notes and assumptions to these projected financial statements

Table 9-2: Schedule of Operating Expenses 2011-2021 (Unaudited)

	Notes	Forecast period						
		2011	2012	2013	2014	2015	2016	2017
MRV water system								
Wages		8,720	8,955	9,197	9,445	9,700	9,962	10,231
Utilities/taxes		9,889	10,087	10,289	10,494	10,704	10,918	11,137
Insurance		403	411	419	428	436	445	454
Materials/supplies		4,108	4,231	4,358	4,489	4,623	4,762	4,905
Consulting		3,000	3,030	3,060	3,091	3,122	3,153	3,185
Wawa water system								
Wages		-	-	-	-	-	-	-
Insurance		3,244	3,309	3,375	3,442	3,511	3,581	3,653
Materials/supplies		1,950	2,009	2,069	2,131	2,195	2,261	2,328
Training/travel		3,500	3,595	3,692	3,791	3,894	3,999	4,107
Consulting		6,000	6,060	6,121	6,182	6,244	6,306	6,369
Pinewood Drive water system								
Wages		-	-	-	-	-	-	-
Materials/supplies		1,500	1,545	1,591	1,639	1,688	1,739	1,791
Hydro		750	765	780	796	812	828	845
Consulting		3,000	3,030	3,060	3,091	3,122	3,153	3,185
Water purification								
Wages		2,784	2,859	2,936	3,016	3,097	3,181	3,267
Materials/supplies		22,020	22,680	23,361	24,061	24,783	25,527	26,293
Source Protection								
Consulting		159,194	-	-	-	-	-	-
Water studies/projects								
Materials/supplies		7,600	7,828	8,063	8,305	8,554	8,810	9,075
Consulting		25,000	25,250	25,503	25,758	26,015	26,275	26,538

Filtration plant								
Materials/supplies		2,500	2,575	2,652	2,732	2,814	2,898	2,985
Consulting		2,500	2,525	2,550	2,576	2,602	2,628	2,654
Water treatment plant								
Wages		25,274	-	-	-	-	-	-
Utilities/taxes		110,960	113,179	115,443	117,752	120,107	122,509	124,959
Insurance		5,584	5,696	5,810	5,926	6,044	6,165	6,288
Materials/supplies		25,000	25,750	26,523	27,318	28,138	28,982	29,851
Consulting		4,000	4,040	4,080	4,121	4,162	4,204	4,246
Wawa lake pumphouse								
Wages		190	195	200	205	211	217	222
Utilities/taxes		3,288	3,354	3,421	3,489	3,559	3,630	3,703
Insurance		200	204	208	212	216	221	225
Materials/supplies		1,500	1,545	1,591	1,639	1,688	1,739	1,791
Consulting		-	-	-	-	-	-	-
Water distribution								
Wages		20,870	21,433	22,012	22,606	23,217	23,843	24,487
Insurance		31	32	33	33	34	35	35
Materials/supplies		10,000	10,300	10,609	10,927	11,255	11,593	11,941
Consulting		15,000	15,150	15,302	15,455	15,609	15,765	15,923
Operating Expenses	5	489,558	311,621	318,306	325,150	332,156	339,329	346,672

See accompanying notes and assumptions to these projected financial statements

Table 9-3: Statement of Cash Flow 2011-2021 (Unaudited)

	Notes	Forecast period						
		2011	2012	2013	2014	2015	2016	2017
Operating transactions								
Cash received from:								
Revenues		1,639,692	605,833	587,006	598,199	609,615	621,260	633,137
Cash paid for:								
Operating Costs		(489,558)	(311,621)	(318,306)	(325,150)	(332,156)	(339,329)	(346,672)
Finance Charges	6	(138,764)	(137,714)	(136,603)	(135,430)	(134,190)	(132,880)	(131,495)
		(628,322)	(449,334)	(454,909)	(460,580)	(466,346)	(472,208)	(478,167)
Cash Provided from operating transactions	7	1,011,370	156,499	132,097	137,619	143,269	149,052	154,971
Capital transactions								
Dispositions of tangible capital assets	8	-	-	-	-	-	-	-
Acquisition of tangible capital assets	9	-	310,500	-	-	3,500	-	-
Cash applied to capital transactions		-	310,500	-	-	3,500	-	-
Finance transactions								
Proceeds from debt issues	10	-	-	-	-	-	-	-
Debt repayment	11	(18,502)	(19,552)	(20,662)	(21,836)	(23,076)	(24,386)	(25,771)
Cash applied to financing transactions		(18,502)	(19,552)	(20,662)	(21,836)	(23,076)	(24,386)	(25,771)
Increase/(decrease) in cash and cash equivalents		992,868	(173,553)	111,434	115,783	123,693	124,666	129,200
Cash and cash equivalents, beginning of period	12	20,456	1,013,324	839,770	951,205	1,066,988	1,190,681	1,315,347
Cash and Cash Equivalents at Ending Balance		1,013,324	839,770	951,205	1,066,988	1,190,681	1,315,347	1,444,547
Cash as a percentage of net fixed assets		9%	8%	9%	11%	13%	15%	18%

See accompanying notes and assumptions to these projected financial statements

Table 9-4: Statement of Financial Position 2011-2021 (Unaudited)

	Notes	Forecast period						
		2011	2012	2013	2014	2015	2016	2017
Financial assets								
Cash	13	1,013,324	839,770	951,205	1,066,988	1,190,681	1,315,347	1,444,547
Liabilities								
Debt	14	2,463,991	2,444,439	2,423,776	2,401,941	2,378,865	2,354,479	2,328,708
Net financial assets (debt)		(1,450,667)	(1,604,668)	(1,472,572)	(1,334,953)	(1,188,184)	(1,039,132)	(884,162)
Non financial assets								
Tangible capital assets	15	11,509,250	11,152,330	10,484,911	9,819,505	9,158,490	8,511,383	7,865,522
Accumulated surplus/(deficit)		10,058,582	9,547,662	9,012,339	8,484,552	7,970,306	7,472,250	6,981,360

See accompanying notes and assumptions for these projected financial statements

Table 9-5: Statement of Changes in Net Financial Assets 2011-2021 (Unaudited)

	Notes	Forecast period						
		2011	2012	2013	2014	2015	2016	2017
Annual surplus/deficit		355,614	(510,921)	(535,323)	(527,787)	(521,246)	(498,055)	(492,136)
Amortization of tangible capital assets		655,756	667,419	667,419	665,406	664,515	647,107	647,107
Acquisition of tangible capital assets		-	310,500	-	-	3,500	-	-
Change in net financial assets (debt)		1,011,370	(154,001)	132,097	137,619	146,769	149,052	154,971
Net financial assets (debt) position, beginning of period		(2,462,037)	(1,450,667)	(1,604,668)	(1,472,571)	(1,334,953)	(1,188,184)	(1,039,132)
Net financial assets (debt) position, end of period	16	(1,450,667)	(1,604,668)	(1,472,571)	(1,334,953)	(1,188,184)	(1,039,132)	(884,161)

See accompanying notes and assumptions to these projected financial statements

9.6 Notes to the Projected Financial Statements

1. Rate revenues increase by 2% per year over the forecast period.
2. Operating costs are outlined in the Schedule of operating costs - Water.
3. For the purposes of amortization calculations – all acquisitions and dispositions are based on the straight-line approach.
4. Interest is based on the Amortizing Debenture Schedule provided by the Municipality.
5. Operating costs are assumed to increase by the following rates:
 - Wages – 2.7% per year
 - Utilities/taxes – 2% per year
 - Insurance – 2% per year
 - Materials/supplies – 3% per year
 - Training/travel – 2.7% per year
 - Hydro – 2% per year
6. Interest expenses on the debenture.
7. Operating transactions is the operating cash flow.
8. The value of the assets disposed.
9. The value of the assets acquired.
10. No debt issues are projected.
11. Repayments of principal on debenture.
12. Cash and cash equivalents, beginning of period is the opening balance of the reserve fund provided by the Municipality.
13. Cash is equal to the reserve fund balance at the end of the year.
14. The remaining debt is the total debenture less principal repayments.
15. Tangible capital assets are non-financial assets calculated as the net book value of the fixed assets plus any acquisitions made during the period.

16. The net financial assets (debt) position, end of period indicates that there is a net debt of \$1,450,667 in 2011. This amount decreases to about \$884,161 at the end of the forecast period.

10 Conclusions

The Financial Plan was developed to determine the most appropriate balance of operating revenues, short term one-time government funding and new debt financing.

The Financial Plan has achieved the following conclusions:

- The Municipality must consider future rate increases based on the principles outlined in the *Toward Financially Sustainable Drinking-Water and Wastewater Systems* guidelines document released by the Ministry of the Environment. Adoption of these principles results in a need to consider the sizable projected increases in rates proposed in this Financial Plan;
- Water consumption for the purpose of this Financial Plan are assumed to remain unchanged for the duration of the study period to 2017;
- Sizeable one-time government funding is projected to be received in the second year of the forecast period (2012) and subsequently current government funding programs are scheduled to end in the second year of the forecast period (2012);
- Amortization of the Water Treatment Plant commissioned in 2006 represents one of the largest projected expenses, and is on a comparable level with operating costs throughout the forecast period;
- There will be a continued requirement to finance the cost of the Water Treatment Plant for the duration of the forecast period. There are additional minor capital costs identified throughout the forecast period based on information provided by the consultant and ISD staff;
- The Financial Plan achieves a significant increase over the forecast period in the cash reserves. The annual rate increases result in sufficient revenue to cover the Municipality's annual operating costs and cash expenditures; and
- Annual rate increases are not projected to be significantly higher in order to achieve the revenue/ expenditure balance over the period included in the Financial Plans Regulation (O Reg 453/07) of 6 years. This results in a very slow rate of decline in the deficit over the planning period to 2017. The rate of deficit reduction could be improved by increasing the annual revenue above the 2% used in the financial statement. Another option which could be considered in addition to significantly increasing the annual revenue, as discussed with the Ministry of Municipal Affairs (MMAH), is increasing the study timeframe to extend to 2021. This would allow for a slightly reduced annual increase in revenues and would be acceptable to MMAH given the size of the municipality and the proportionally higher per residence rate charges. The reduced annual rate increases still result in an increase in the reserves and the ability to meet in future capital requirements however over a longer forecast period.

11 Council Resolution

A Council Resolution accepting the Financial Plan was passed at the regular meeting of Municipal Council held on June xx, 2012. The Council Resolution is provided in Appendix A.

12 Next Steps

The following next steps are required in accordance with the requirements of the Financial Plan Regulation:

1. Notice of the availability of the Financial Plan must be advertised;
2. The Financial Plan be made available, on request and without charge, to the members of the public that are served by the water system;
3. The Financial Plan be made available on the Municipality of Wawa's website without charge
4. A copy of the Financial Plan, along with the council resolution be submitted to the Ministry of Municipal Affairs and Housing (MMAH)
5. The Financial Plan must be updated and approved prior to applying for a licence renewal (i.e. every five years); a copy of the Council resolution will have to be submitted to the Ministry of the Environment with the licence renewal application.

Appendix A

Council Resolution

Moved by: _____

Seconded by: _____

WHEREAS the municipality of Wawa received a Municipal Drinking Water Licence #231-101 for the Wawa Drinking Water System dated August 4, 2011;

AND WHEREAS the Drinking Water License requires under Section 8.0 that a Financial Plan be prepared and approved six months after the date the licence for the system was issued in compliance with Section 3 of Ontario Regulation 453/07;

AND WHEREAS the Financial Plan for the Drinking Water System has been developed, must be approved by resolution, must apply for a period of at least six years and must contain the information in accordance with Ontario Regulation 453/07;

AND WHEREAS the Financial Plan will place an unacceptable financial constraint on the municipality and ratepayer to achieve a balanced budget within a six year planning period;

AND WHEREAS the owner is required to make the Financial Plan available without charge, provide notice to the public of the availability and provide a copy to the Ministry of Municipal Affairs and Housing;

NOW THEREFORE the Council of the Municipality of Wawa endorses Financial Plan 231-301 for the Wawa Drinking Water System which satisfies the requirements set out in Ontario Regulation 453/07;

AND FURTHER that the public will be notified that the Financial Plan is available without charge and that a copy will be submitted to the Ministry of Municipal Affairs and Housing;

AND FURTHER that the Ministry of Environment be advised that preparation of the Financial Plan identifies a significant financial burden to the water system users and that financial assistance to help small communities must be provided.

