

MUNICIPALITY OF PORT HOPE

**WATER
ONTARIO REGULATION 453/07
FINANCIAL PLAN**

**LICENCE # 146-101
FINANCIAL PLAN # 146-301**

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 **Planning for growth**

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1. INTRODUCTION

1. INTRODUCTION

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Municipality of Port Hope (the Municipality) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regards to the Municipality's water system has already been completed and documented by Watson within the "Municipality of Port Hope Water and Wastewater Rate Study, February 12, 2010" as well as the subsequent sensitivity analysis presented in the General Government and Finance Committee memo dated May 14, 2010 (collectively the 2010 Rate Study). The objective of the report provided herein is to convert the findings of the 2010 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

The Safe Drinking Water Act (SDWA) was passed in December, 2002 in order to address some of the recommendations made by the Walkerton Inquiry Part II report. One of the main requirements of the Act is the mandatory licensing of municipal water providers. Section 31 (1) specifically states,

"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"

In order to become licensed, a municipality must satisfy five key requirements as per section 44 (1):

1. Obtain a drinking water works permit.
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
3. Accreditation of the Operating Authority.
4. Prepare and provide a financial plan.
5. Obtain permit to take water.

The preparation of a financial plan is a key requirement for licensing and as such, must be undertaken by all water providers.

1.2.1 Financial Plan Defined

Section 30 (1) of the SDWA provides the following definition of financial plans:

"financial plans" means,

- (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).

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 (SWSSA) cited above is not yet in force however, the standards that it directs will underpin the specific requirements of s.30 (1) part b as they are outlined in O.Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – New System

O.Reg. 453/07 provides the following parameters with regards to s.30 (1) part b of the SDWA for new water systems:

- Financial plans must be approved by Council resolution (or governing body) indicating that the drinking water system is financially viable;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six year period (commencing when the system first serves the public);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per Public Sector Accounting Board (PSAB)) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system.
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public, and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – Existing System

O.Reg. 453/07 also provides details with regards to s.30 (1) part b of the SDWA for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six year period (commencing when the system first serves the public);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated

surplus/deficit (i.e. the components of a “Statement of Operations” as per the PSAB) for each year in which the financial plans apply;

- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per PSAB) for each year in which the financial plans apply; and
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per PSAB) for each year in which the financial plans apply.
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system.
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.4 Financial Plan Requirements - General

Given that the legislation falls under the SDWA, a financial plan is mandatory for water systems and encouraged for wastewater systems. The financial plans shall be for a period of at least six years but longer planning horizons are encouraged. The financial plan is to be completed and approved by the later of July 1, 2010 and the date that is six months after the first license is issued. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary.

Where a licence has been issued, the financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence document.

1.2.5 Public Sector Accounting Board (PSAB) Requirements

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook:

“Financial statements should include a Statement of Financial Position, a Statement of Operations, a Statement of Change in Net Debt, and a Statement of Cash Flow.”

Both the Statement of Financial Position and the Statement of Operations were required for financial reporting purposes in recent reporting years. However, the format has changed to conform to the new requirements of PS1200 and PS3150 (see Figures 1-1 and 1-2). For example, the financial statements are to be reported on a full accrual accounting basis for 2009 and future years. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of a municipality's financial position. Historically, municipalities have reported their financial results on a modified cash basis of accounting whereby revenues and expenses are recognized when cash is paid or received and only certain accrual-type items such as payables and receivables are recognized at year-end. The difference between the methods is in the timing of when transactions are reported. This timing difference has impacted the presentation of the statements in that various accounts have been added or deleted in order to properly report the transactions.

Moreover, effective for the 2009 fiscal year, municipalities are required to report additional information relating to the accounting treatment of tangible capital assets as indicated by the new requirements under section PS3150. Pre-2009, the costs to acquire, develop and/or construct capital assets were expensed in the year in which they occur. Going forward, 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. The reporting of tangible capital assets requires further changes to the format of existing financial statements. From a financial planning perspective, this change is significant for water and wastewater assets as they represent a significant portion of the Municipality's infrastructure.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt (which is a new statement) are required statements going forward. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities (see Figure 1-3). The Statement of Cash Flow reports on how activities were financed for a given period which provides a measure of the changes in cash for that period (see Figure 1-4).

It should be noted that the Statement of Reserves and Reserve Funds and the Statement of Capital, as used by municipalities pre-2009, have now been eliminated by the new reporting format. The balances and transactions that make up these two statements have been transferred to either the Statement of Operations or the Statement of Financial Position depending on the nature of the account.

FIGURE 1-1 STATEMENT OF FINANCIAL POSITION

OLD FORMAT (PRE-2009)

<u>Assets</u>
Financial Assets
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Non-Financial Assets</u>
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET ASSETS
<u>Municipal Position</u>
Fund Balances
Current Fund
Capital Fund
Reserves and Reserve Funds
Amounts to be Recovered
From Future Revenues
From Reserves & Reserve Funds
TOTAL MUNICIPAL POSITION

NEW FORMAT

<u>Financial Assets</u>
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET FINANCIAL ASSETS/(DEBT)
<u>Non-Financial Assets</u>
Tangible Capital Assets
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
ACCUMULATED SURPLUS/(DEFICIT)

FIGURE 1-2 STATEMENT OF OPERATIONS

OLD FORMAT (PRE-2009)

<u>Revenues</u>
Base Charge Revenue
Rate Based Revenue
Transfers from Reserves
Other Revenue
Total Revenues
<u>Expenditures</u>
Operating Expenses
Capital
Total Expenditures
Net Revenues for the year
Increase (decrease) in amounts to be recovered
Change in fund balances

NEW FORMAT

<u>Revenue</u>
Base Charge Revenue
Rate Based Revenue
Earned DC Revenue
Other Revenue
Total Revenue
<u>Expenses</u>
Operating Expenses
Interest on Debt
Amortization
Other
Total Expenses
Annual Surplus/(Deficit)
Accum. Surplus/(Deficit), beg. of year
Accum. Surplus/(Deficit), end of year

FIGURE 1-3
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/DEBT

NEW STATEMENT

Annual Surplus/(Deficit)
Less: Acquisition of tangible capital assets
Add: Amortization of tangible capital assets
(Gain)/Loss on disposal of tangible capital assets
Add: Proceeds on sale of tangible capital assets
Add: Write-downs of tangible capital assets
Sub-total
Less: Acquisition of supplies inventory
Less: Acquisition of prepaid expenses
Add: Consumption of supplies inventory
Add: Use of prepaid expenses
Sub-total
(Increase)/Decrease in net financial assets/net debt
Net financial assets/(net debt), beginning of year
Net financial assets/(net debt), end of year

FIGURE 1-4 STATEMENT OF CASH FLOW¹

DIRECT METHOD

<u>Operating Transactions</u> Cash received from: Water Operations Less: Cash paid for: Operating expenses Finance charges
Cash provided by operating transactions
<u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets
Cash applied to capital transactions
<u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments
Cash provided by (applied to) investing transactions
<u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (principal only)
Cash applied to financing transactions
Increase in cash and cash equivalents
Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year

INDIRECT METHOD

<u>Operating Transactions</u> Annual Surplus/(Deficit) Add: Amortization of Tangible Capital Assets Loss/(Gain) on sale of Tangible Capital Assets Decrease/(Increase) in Accounts Receivable Increase/(Decrease) in Accounts Payable Decrease/(Increase) in Inventories for sale Other items
Cash provided by operating transactions
<u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets
Cash applied to capital transactions
<u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments
Cash provided by (applied to) investing transactions
<u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (principal only)
Cash applied to financing transactions
Increase in cash and cash equivalents
Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year

¹ The statement of cash flow can be prepared using either the direct or indirect methods. The indirect method derives cash flow by making adjustments to the net surplus/deficit reported on the statement of operations. The direct method calculates cash flow identifying the direct sources and uses of cash.

2. SUSTAINABLE FINANCIAL PLANNING

2. SUSTAINABLE FINANCIAL PLANNING

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the SDWA requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the Ministry of the Environment released a guideline ("Towards Financially Sustainable Drinking-Water and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water and Wastewater Services are provided below:

- 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.

The principles help form the framework for a sustainable financial plan. The substance of the financial plan may be derived from SWSSA which will require, once in force, municipalities to assess the “full cost” of providing water and wastewater services. Full cost as defined in subsections 3(7) and 4(7) includes:

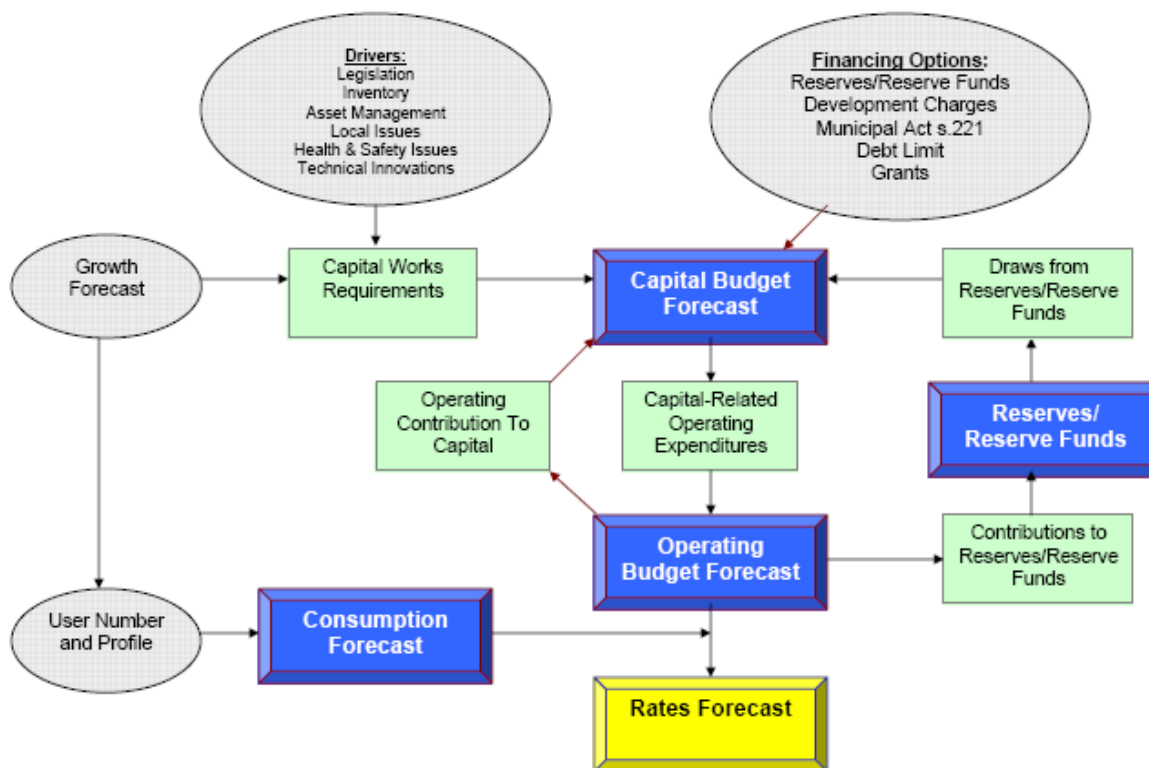
“source protection, operating costs, financing costs, renewal and replacement costs and improvement costs associated with extracting, treating or distributing water to the public and collecting, treating or discharging waste water, and such other costs which may be specified by regulation.”

Furthermore, municipalities will be required to inventory and report their current infrastructure and how it will be maintained and managed going forward. Municipalities will then be required to report on the full cost of services and how these costs will be recovered and paid for. The principles of SWSSA ensure that a long-term plan for sustainable asset management is developed and that all costs for providing water and wastewater services are assessed so that there is sufficient funding for system needs.

2.2 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2010 Rate Study conducted on behalf of the Municipality. The study process was designed to address the “full cost” principles within SWSSA and does so in a manner that also reflects the guiding principles toward sustainable financial planning. Figure 2-1 below summarizes the process.

FIGURE 2-1 WATER AND WASTEWATER RATE CALCULATION PROCESS



As a result of employing this process, the 2010 Rate Study provides a sound financial plan for the Municipality's water system by providing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources (*Principles 2, 4, 5, 6, 9*);
- An analysis of fixed and variable operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth (*Principles 2, 3, 6, 7, 9*);
- A review and recommendation on rate structures that ensure revenues are equitable and sufficient to meet system needs (*Principles 2, 3, 6, 7, 9*); and
- A public process that involves ongoing consultation with the main stakeholders including the Municipality staff, Council, the general public (specifically the users of the system) and others with the aim of gaining input and collaboration on the sustainability of the financial plan (*Principles 1, 9*).

The details of the financial plan arising from the 2010 Rate Study are contained in Appendix A. A summary of the Council approved water rates projected for the Municipality are as follows:

WATER RATES	Year											
	Jan-10	Jun-10	Jan-11	Jun-11	Jan-12	Jun-12	Jan-13	Jun-13	Jan-14	Jun-14	Jan-15	Jun-15
Quarterly Base Charge by Meter Size												
5/8"	14.94	15.67	16.41	17.22	18.03	18.91	19.80	20.78	21.76	22.83	23.90	25.08
3/4"	17.92	18.81	19.69	20.66	21.63	22.70	23.76	24.94	26.11	27.39	28.68	30.10
1"	23.90	25.07	26.25	27.55	28.84	30.26	31.69	33.25	34.81	36.53	38.24	40.13
1 1/4"	29.87	31.34	32.82	34.43	36.05	37.83	39.61	41.56	43.51	45.66	47.80	50.16
1 1/2"	35.85	37.61	39.38	41.32	43.26	45.40	47.53	49.87	52.22	54.79	57.36	60.19
2"	47.79	50.15	52.51	55.09	57.68	60.53	63.37	66.50	69.62	73.05	76.48	80.26
3"	71.69	75.22	78.76	82.64	86.53	90.79	95.06	99.74	104.43	109.58	114.73	120.38
4"	95.59	100.30	105.01	110.19	115.37	121.06	126.74	132.99	139.24	146.11	152.97	160.51
6"	143.38	150.45	157.52	165.28	173.05	181.58	190.11	199.49	208.86	219.16	229.45	240.77
8"	191.17	200.60	210.03	220.38	230.73	242.11	253.49	265.98	278.48	292.21	305.94	321.02
Water Consumptive Rates												
First Block - 0-20m ³ (\$/m ³)	1.02	1.12	1.21	1.26	1.32	1.39	1.46	1.48	1.49	1.51	1.52	1.54
Second Block - 21-60m ³ (\$/m ³)	1.28	1.40	1.51	1.58	1.65	1.73	1.82	1.84	1.86	1.88	1.90	1.92
Third Block - Greater than 60m ³ (\$/m ³)	1.54	1.68	1.82	1.90	1.97	2.08	2.19	2.21	2.24	2.26	2.29	2.31

WATER RATES	Year									
	Jan-16	Jun-16	Jan-17	Jun-17	Jan-18	Jun-18	Jan-19	Jun-19	Jan-20	Jun-20
Quarterly Base Charge by Meter Size										
5/8"	26.26	27.55	28.85	30.27	31.69	33.25	34.82	36.53	38.25	40.09
3/4"	31.51	33.06	34.62	36.32	38.03	39.91	41.78	43.84	45.90	48.11
1"	42.01	44.08	46.16	48.43	50.71	53.21	55.71	58.45	61.20	64.15
1 1/4"	52.52	55.11	57.69	60.54	63.38	66.51	69.63	73.07	76.50	80.18
1 1/2"	63.02	66.13	69.23	72.65	76.06	79.81	83.56	87.68	91.80	96.22
2"	84.03	88.17	92.31	96.86	101.41	106.41	111.41	116.91	122.40	128.29
3"	126.04	132.25	138.47	145.29	152.12	159.62	167.12	175.36	183.60	192.44
4"	168.05	176.34	184.62	193.73	202.83	212.83	222.83	233.81	244.80	256.59
6"	252.08	264.51	276.94	290.59	304.24	319.24	334.24	350.72	367.20	384.88
8"	336.11	352.68	369.25	387.45	405.66	425.66	445.66	467.63	489.60	513.17
Water Consumptive Rates										
First Block - 0-20m ³ (\$/m ³)	1.56	1.57	1.59	1.60	1.62	1.63	1.65	1.66	1.68	1.72
Second Block - 21-60m ³ (\$/m ³)	1.94	1.96	1.98	2.00	2.02	2.04	2.06	2.08	2.10	2.15
Third Block - Greater than 60m ³ (\$/m ³)	2.33	2.36	2.38	2.40	2.43	2.45	2.47	2.49	2.52	2.58

3. APPROACH

3. APPROACH

3.1 Introduction

The 2010 Rate Study has been prepared on a modified cash basis; therefore a conversion was required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan. It is noted that the financial plan has been prepared for water only.

3.2 Conversion Process

The conversion from the existing modified cash basis financial plan to the full accrual reporting format required under O.Reg. 453/07 can be summarized in the following steps:

1. Calculate Tangible Capital Asset Balances
2. Convert Statement of Operations
3. Convert Statement of Financial Position
4. Convert Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

3.2.1 ***Calculate Tangible Capital Asset Balances***

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the 2010 Rate Study as well as part of the Municipality's efforts to become compliant with PSAB 3150. Given the prospective nature of the 2010 Rate Study, replacement cost is provided for each asset. However, historical cost (which is the original cost to purchase, develop, or construct each asset) is required for financial reporting purposes. Common approaches to determining historical cost include consulting Municipality records (i.e. invoices) or, if that information is not readily available, by "deflating" the

replacement cost data already in hand. Once historical cost is established, the following calculations are made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for each year of the forecast period.
- Acquisition of new assets for each year of the forecast period.
- Disposals and related gains or losses for each year of forecast period.

Future water capital needs have also been determined and summarized within the 2010 Rate Study. However, these estimates only represent future assets that the Municipality anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the Municipality). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

Once the historical cost, accumulated amortization, and amortization expenses are calculated as described above, the total net book value of the tangible capital assets can be determined and recorded on the Statement of Financial Position.

3.2.2 Convert Statement of Operations

As per section 1.2.5 above, the new Statement of Operations eliminates and/or adds certain transactions that are to be reported differently by municipalities starting in 2009 (see Figure 3-1). A wide range of adjustments will be considered and will depend on the size and complexity of the system. For example, the revenues and expenses associated with the now obsolete Statement of Capital and Statement of Reserves and Reserve Funds (see Section 1.2.5) will need to be adjusted for and included within the new Statement of Operations. This includes all non tangible capital asset costs previously included in the capital statement (i.e. expenses related to various studies) while at the same time eliminating all expenditures incurred to acquire tangible capital assets which will now form part of the tangible capital asset balance

**FIGURE 3-1
CONVERSION ADJUSTMENTS
STATEMENT OF OPERATIONS
WATER ONLY**

Modified Cash Basis	Budget 2010	Adjustments to Remove Non-Accrual Accounts		Transition Budget Balances 2010	Adjustments to add Accrual Accounts		Full Accrual Budget 2010	Accrual Basis	Notes on Adjustments
		Dr	Cr		Dr	Cr			
Revenues									
Base Charge Revenue	283,058			283,058			283,058	Revenues	No change
Rate Based Revenue	2,257,659			2,257,659			2,257,659	Base Charge Revenue Rate Based Revenue	No change
Transfers from Reserves	750,000	750,000		-			-	Earned Development Charges Revenue Developer Contributions	Removes non-accrual reserve account New Account to reflect earned DC Revenue New Account to reflect the contribution of Tangible Capital Assets by third parties To Account for Interest Revenue
Other Revenue	49,594			49,594			945,346	Other Revenue	
Total Revenues	3,340,312			2,690,312			3,535,658	Total Revenues	
Expenditures								Expenditures	
Operating Capital	1,709,467			1,709,467			1,783,467	Operating Expenses	Various Expenses previously classified as capital expenditures
Transfers to Reserves	407,631			-			-	Interest on Debt	Removes non-accrual reserve account
Transfers to Capital	500,000			-			-	Amortization	Removes TCA related balances which are now captured in statement of financial position Removes principal portion of debt - now reflected on statement of cash flow.
Debt Repayment (Principal & Interest)	723,214			183,092			447,097	Other	New account created as a result of PSAB 3150 - reflects cost of using TCA
Other							1,286,700	Total Expenses	No Change
Total Expenditures	3,340,312			1,892,559			3,517,264	Annual Surplus/(Deficit)	Represents difference between Revenues and Expenditures
Net Expenditures							18,394	Accumulated Surplus/(Deficit), beginning of year	
Increase (decrease) in amounts to be recovered							25,404,213	Accumulated Surplus/(Deficit), end of year	
Change in fund balances							25,422,607		To transfer annual surplus to accumulated surplus
TOTAL ADJUSTMENTS		750,000	1,447,763		1,643,099	945,346			

Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)

discussed in section 3.2.1. Transfers to and from reserves are no longer explicitly reported on the Statement of Operations. Instead, these transactions are represented by changes in cash and accumulated surplus. Also, debt repayment costs relating to the principal payment portion only need to be removed, as they no longer qualify as an expense for reporting purposes. Principal payments will now be reported as a decrease in debt liability on the Statement of Financial Position. Finally, new expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets will be reported via the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives.

3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the new structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Municipality and as such, will be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. Ontario Regulation 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt

The Statement of Cash Flow summarizes how the Municipality financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

The Statement of Change in Net Financial Assets/Debt is a new statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant, as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, additional information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary, (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O.Reg. 453/07, it has been included in this report as a further indicator of financial viability.

3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all of the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Municipality at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

The Statement of Change in Net Financial Assets/Debt and the Statement of Financial Position are also linked in terms of reporting on net financial assets/debt. On the Statement of Financial Position, net financial assets/debt is equal to the difference between financial assets and liabilities and should equal net financial assets/debt as calculated on the Statement of Net Financial Assets/Debt.

While not part of the financial plan, the accompanying notes are important to summarize the assumptions and estimates made in preparing the financial plan. Some of the significant assumptions that need to be addressed within the financial plan are as follows:

- a. Opening cash balances Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained with the Municipality's ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore a reasonable

proxy will be needed. One approach is to assume opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

$$\begin{array}{l}
 \text{Ending Reserve/Reserve Fund Balance} \\
 \text{Plus: Ending Accounts Payable Balance} \\
 \text{Less: Ending Accounts Receivable Balance} \\
 \text{Equals: *Approximate Ending Cash Balance*}
 \end{array}$$

- b. Amortization Expense The method and timing of amortization should be based on the Municipality's amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.
- c. Accumulated Amortization Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2010 Rate Study.
- d. Contributed Assets As noted earlier, contributed assets could represent a significant part of the Municipality's infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of "no contributed assets within the forecast period" will be made.
- e. Accumulated Surplus The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f. Other Revenues Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.

4. FINANCIAL PLAN

4. FINANCIAL PLAN

4.1 Introduction

The following tables provide the complete financial plan for the Municipality's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Municipality's water system. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

4.2.1 *Statement of Financial Position (Table 4-1)*

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Municipality's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement". A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2010, due to existing debt as well as the anticipated issuance of new debt, the Municipality's water system will be in a net debt position of \$14.4 million. However, after 2010, the financial plan forecasts an improving net financial debt position in each subsequent year of the forecast period resulting in a reduction of the net debt position to \$6.5 million by the end of 2020.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a new requirement of municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

¹ O.Reg. 453/07 does not require an audited financial plan.

- Tangible capital assets such as water mains and treatment plants are imperative to water service delivery.
- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to decrease by \$1.7 million over the forecast period. This is a result of annual amortization over the forecast exceeding tangible capital asset acquisitions. However, the Municipality is forecasting to invest over \$13 million in tangible capital asset acquisitions from 2010 to 2020, along with significant investments prior to 2010. This indicates that the Municipality is investing in tangible capital assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues ranging from 90% to 102% between 2010 and 2015. This implies that the Municipality is using a significant portion of annual revenues to fund annual operating expenses during this period. After 2015, this ratio gradually decreases to 77% over the remainder of the forecast period and as a result, annual surplus grows from smaller surpluses/deficits early in the forecast to over \$1.2 million by 2020. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately \$5.3 million to a 2009 accumulated surplus of \$25.4 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominately made up of reserve and reserve fund balances as well as historical investments in tangible capital assets.

4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that forecasted tangible capital asset acquisitions (net of amortization for the year) exceed the forecasted annual surplus in 2010 and 2015, resulting in a decrease in net financial assets. In all other years (2011 to 2014, 2016 to 2020), forecasted annual surplus exceeds forecasted tangible capital asset acquisition (net of amortization for the year). This results in an improving net financial debt position and allows for a long term plan of funding capital through accumulated surplus (i.e. reserves and reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 0.57 to 1.53 over the forecast period¹.

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the planning period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash and accrual based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the

Municipality's water system to improve from a balance of approximately \$81,700 at the beginning of 2010, to just under \$4 million by the end of 2020. For further discussions, on projected cash balances please refer to the Notes to the Financial Plan.

¹ A desirable ratio is 1:1 or better.

Table 4-1
Municipality of Port Hope
Statement of Financial Position (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010 - 2020

	Notes	Forecast										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financial Assets												
Cash	1	464,954	1,042,545	1,609,434	1,874,820	2,220,997	2,495,742	2,449,573	2,448,544	2,459,492	3,655,468	3,991,147
Accounts Receivable	1	596,440	704,533	774,926	868,802	906,649	946,099	987,223	1,030,093	1,074,786	1,121,382	1,163,652
Investments		-	-	-	-	-	-	-	-	-	-	-
Inventory for resale		-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets		1,061,394	1,747,078	2,384,360	2,743,622	3,127,646	3,441,841	3,436,796	3,478,637	3,534,278	4,776,850	5,154,799
Liabilities												
Accounts Payable & Accrued Liabilities	1	1,061,394	1,120,116	1,111,127	1,098,984	1,063,817	1,065,251	1,042,868	1,016,200	984,731	947,882	905,069
Debt (Principal only)	2	14,400,871	13,870,261	13,315,010	12,793,973	12,125,544	12,514,807	11,990,975	11,684,505	11,068,451	10,380,124	10,705,302
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-
Total Liabilities		15,462,265	14,990,377	14,426,137	13,892,957	13,209,361	13,580,058	13,033,843	12,700,705	12,053,182	11,328,006	11,610,371
Net Financial Assets/(Debt)		(14,400,871)	(13,243,299)	(12,041,777)	(11,089,235)	(10,081,715)	(10,138,217)	(9,597,047)	(9,222,068)	(8,518,904)	(6,551,156)	(6,455,572)
Non-Financial Assets												
Tangible Capital Assets		39,823,478	38,587,579	37,366,622	36,541,066	35,812,879	36,277,469	36,325,300	36,678,503	36,858,459	35,986,708	37,110,655
Inventory of Supplies	4	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses		-	-	-	-	-	-	-	-	-	-	-
Total Non-Financial Assets		39,823,478	38,587,579	37,366,622	36,541,066	35,812,879	36,277,469	36,325,300	36,678,503	36,858,459	35,986,708	37,110,655
Accumulated Surplus/(Deficit)	5	25,422,607	25,344,280	25,324,848	25,451,831	25,731,164	26,139,252	26,728,253	27,456,436	28,339,555	29,436,552	30,655,083
Financial Indicators												
Total Change		6,948,366	1,157,572	1,201,522	952,542	1,007,520	(66,502)	541,170	374,979	703,164	1,967,748	95,584
1) Increase/(Decrease) in Net Financial Assets		(996,933)	1,157,572	1,201,522	952,542	1,007,520	(66,502)	541,170	374,979	703,164	1,967,748	95,584
2) Increase/(Decrease) in Tangible Capital Assets		1,015,328	(1,235,899)	(1,220,957)	(825,556)	(728,187)	464,590	47,831	353,203	179,956	(871,751)	1,123,947
3) Increase/(Decrease) in Accumulated Surplus		18,394	(78,327)	(19,435)	126,986	279,333	408,088	589,001	728,182	883,120	1,095,997	1,219,531

Table 4-2
Municipality of Port Hope
Statement of Operations (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010 - 2020

Notes	Forecast										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue											
Base Charge Revenue	283,058	314,710	351,293	392,824	439,129	490,746	548,274	612,375	683,786	763,326	851,828
Rate Based Revenue	2,257,659	2,694,330	2,962,314	3,327,312	3,444,179	3,562,669	3,682,488	3,803,291	3,924,672	4,046,156	4,139,863
Earned Development Charges Revenue	-	-	-	-	-	-	-	-	-	-	-
Developer Contributions	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	994,940	574,827	350,828	116,283	132,834	146,856	148,774	152,688	157,347	207,894	225,445
Total Revenues	3,536,658	3,583,867	3,664,436	3,836,420	4,016,142	4,200,271	4,379,536	4,566,354	4,765,905	5,017,376	5,217,136
Water Expenses											
Operating Expenses	1,783,467	1,851,178	1,893,859	1,937,531	1,982,218	2,039,612	2,074,731	2,122,608	2,171,598	2,221,728	2,286,641
Interest on Debt	447,097	481,265	456,623	430,737	403,546	420,578	396,931	382,830	354,856	323,547	337,144
Amortization	1,286,700	1,329,751	1,333,389	1,341,166	1,351,045	1,331,983	1,318,873	1,334,734	1,356,231	1,376,104	1,373,820
Other	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	3,517,264	3,662,194	3,683,871	3,709,434	3,736,809	3,792,183	3,790,535	3,840,172	3,882,685	3,921,379	3,997,605
Annual Surplus/(Deficit)	18,394	(78,327)	(19,435)	126,986	279,333	408,088	589,001	728,182	883,120	1,095,997	1,219,531
Accumulated Surplus/(Deficit), beginning of year	25,404,213	25,422,607	25,344,280	25,324,845	25,451,831	25,731,164	26,139,252	26,728,253	27,456,435	28,339,555	29,435,552
Accumulated Surplus/(Deficit), end of year	25,422,607	25,344,280	25,324,845	25,451,831	25,731,164	26,139,252	26,728,253	27,456,435	28,339,555	29,435,552	30,655,083
Note 5:											
Accumulated Surplus/(Deficit) is made up of:											
Opening Reserve Balances	-	-	-	-	-	-	-	-	-	-	-
Reserves: Development Charges	-	-	-	-	-	-	-	-	-	-	-
Reserves: Ontario Potable Water Program	-	-	-	-	-	-	-	-	-	-	-
Reserves: Other	(209,095)	-	-	-	-	-	-	-	-	-	-
Total Reserves Balance	(209,095)										
Less: Debt Obligations and Deferred Revenue	(13,194,842)										
Add: Adjustment for TCA During the Year	38,808,150										
Total Opening Balance	25,404,213										
Add: Contributions to/(from) Reserves (excl. DC reserves)	959,095	1,126,961	895,271	371,405	399,191	332,761	717,338	768,510	787,110	1,279,421	1,120,760
Contributions to Reserves and Interest	(750,000)	(500,000)	(250,000)	-	-	-	(700,000)	(700,000)	(700,000)	-	(700,000)
Transfers from Reserves	209,095	626,961	646,271	371,405	399,191	332,761	17,338	68,510	87,110	1,279,421	420,760
Total Change in Reserves	209,095	626,961	646,271	371,405	399,191	332,761	17,338	68,510	87,110	1,279,421	420,760
Add: Changes in TCA During the Year	2,302,027	93,853	112,432	515,610	622,858	1,796,583	1,366,704	1,687,937	1,536,187	504,352	2,487,768
Capital Assets Purchased (net of disposals)	(1,286,700)	(1,329,751)	(1,333,389)	(1,341,166)	(1,351,045)	(1,331,983)	(1,318,873)	(1,334,734)	(1,356,231)	(1,376,104)	(1,373,820)
Amortization of Capital Assets	1,015,327	(1,235,898)	(1,220,957)	(825,556)	(728,187)	464,590	47,831	353,203	179,956	(871,752)	1,123,948
Total Changes in TCA	1,015,327	(1,235,898)	(1,220,957)	(825,556)	(728,187)	464,590	47,831	353,203	179,956	(871,752)	1,123,948
Subtract Changes in Debt Position	(1,880,274)	(188,901)	(195,457)	(191,421)	(186,752)	(1,207,562)	(318,404)	(560,447)	(276,308)	(230,273)	(1,270,835)
New Debt	674,246	729,511	750,708	772,558	795,081	818,239	842,236	866,916	892,362	918,601	945,658
Debt Repayment	(1,206,028)	530,610	555,251	561,137	608,329	(389,263)	523,832	306,469	616,054	688,328	(325,177)
Total Change in Debt	(1,206,028)	530,610	555,251	561,137	608,329	(389,263)	523,832	306,469	616,054	688,328	(325,177)
Total Ending Balance	25,422,607	25,344,280	25,324,845	25,451,831	25,731,164	26,139,252	26,728,253	27,456,435	28,339,555	29,435,552	30,655,083
Financial Indicators											
1) Expense to Revenue Ratio	99%	102%	101%	97%	93%	90%	87%	84%	81%	78%	77%
2) Increase/(Decrease) in Accumulated Surplus	18,394	(78,327)	(19,435)	126,986	279,333	408,088	589,001	728,182	883,120	1,095,997	1,219,531

Schedule 4-1
Municipality of Port Hope
Schedule of Operating Expenses
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010 - 2020

	Notes	Forecast										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Expenditures												
Administration and Overhead Costs												
Administration		18,304	18,717	19,139	19,571	20,013	20,465	20,926	21,399	21,881	22,375	22,860
Communications		16,054	16,417	16,787	17,166	17,553	17,949	18,354	18,769	19,192	19,625	20,068
Insurance		38,858	39,734	40,631	41,548	42,486	43,444	44,425	45,427	46,452	47,500	48,572
Utilities		182,017	186,124	190,324	194,619	199,011	203,502	208,094	212,790	217,592	222,502	227,523
Conferences & Training		20,963	21,436	21,919	22,414	22,920	23,437	23,966	24,507	25,060	25,625	26,204
Subtotal-Admin. & Overhead Costs		276,195	282,428	288,801	295,318	301,982	308,797	315,765	322,891	330,177	337,628	345,247
Water Treatment Operating Costs												
Salaries/Wages & Benefits (2010 Incl. 1/3 cost Engineering Allocation)		494,147	505,298	516,701	528,360	540,284	552,476	564,943	577,692	590,728	604,058	617,690
Water Treatment		61,558	62,948	64,368	65,821	67,306	68,825	70,378	71,966	73,590	75,251	76,949
Buildings, Equip. & Maintenance		168,928	172,740	176,638	180,624	184,700	188,868	193,130	197,488	201,945	206,502	211,162
Subtotal-Water Treatment Operating Costs		724,633	740,985	757,707	774,805	792,290	810,169	828,451	847,146	866,263	885,811	905,801
Water Distribution Operating Costs												
Salaries/Wages & Benefits		449,929	460,082	470,465	481,081	491,937	503,039	514,390	525,998	537,868	550,005	562,417
Water Distribution		168,212	172,008	175,890	179,859	183,918	188,068	192,312	196,652	201,089	205,627	210,267
Buildings, Equip. & Maintenance		64,933	66,398	67,897	69,429	70,996	72,598	74,236	75,911	77,624	79,376	81,167
Vehicle Expenses		25,564	26,141	26,731	27,334	27,951	28,582	29,227	29,886	30,561	31,250	31,956
Subtotal-Operating Costs		708,638	724,630	740,982	757,703	774,801	792,286	810,165	828,447	847,142	866,259	885,807
Non TCA - Expenses from Capital Budget	7	74,000	103,135	106,369	109,704	113,144	128,361	120,350	124,124	128,016	132,029	149,786
TOTAL OPERATING EXPENSES		1,783,467	1,851,178	1,893,859	1,937,531	1,982,218	2,039,612	2,074,731	2,122,608	2,171,598	2,221,728	2,286,641

Table 4-3
Municipality of Port Hope
Statement of Changes in Net Financial Assets/Debt (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010 - 2020

	Notes	Forecast										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Surplus/(Deficit)		18,394	(78,327)	(19,435)	126,986	279,333	408,068	589,001	728,182	883,120	1,095,997	1,219,531
Less: Acquisition of Tangible Capital Assets	4	(2,302,027)	(83,853)	(112,432)	(515,610)	(622,858)	(1,796,583)	(1,366,704)	(1,687,937)	(1,536,187)	(504,352)	(2,487,768)
Add: Amortization of Tangible Capital Assets	4	1,286,700	1,329,751	1,333,389	1,341,166	1,351,045	1,331,993	1,318,873	1,334,734	1,366,231	1,376,104	1,373,820
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
		(996,933)	1,157,572	1,201,522	952,542	1,007,520	(66,502)	541,170	374,979	703,164	1,967,748	95,584
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(996,933)	1,157,572	1,201,522	952,542	1,007,520	(66,502)	541,170	374,979	703,164	1,967,748	95,584
Net Financial Assets/(Net Debt), beginning of year		(13,403,938)	(14,400,871)	(13,243,299)	(12,041,777)	(11,089,235)	(10,081,715)	(9,597,047)	(9,597,047)	(9,222,068)	(8,518,904)	(6,551,156)
Net Financial Assets/(Net Debt), end of year		(14,400,871)	(13,243,299)	(12,041,777)	(11,089,235)	(10,081,715)	(9,597,047)	(9,597,047)	(9,222,068)	(8,518,904)	(6,551,156)	(6,455,572)
Financial Indicators												
1) Acquisition of Tangible Capital Assets (Cumulative)		2,302,027	2,395,880	2,508,312	3,023,922	3,646,780	5,443,363	6,810,067	8,498,004	10,034,191	10,538,543	13,036,311
2) Annual Surplus/Deficit before Amortization (Cumulative)		1,305,094	2,556,519	3,870,473	5,338,625	6,969,003	8,709,064	10,616,958	12,679,874	14,919,225	17,391,325	19,984,677
3) Ratio of Annual Surplus before Amortization to Acquisition of TCAs (Cumulative)		0.57	1.07	1.54	1.77	1.91	1.60	1.56	1.49	1.49	1.65	1.53

Table 4-4
Municipality of Port Hope
Statement of Cash Flow - Indirect Method (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010 - 2020

	Notes	Forecast										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Transactions												
Annual Surplus/Deficit		18,394	(78,327)	(19,435)	126,986	279,333	408,088	589,001	728,182	883,120	1,095,997	1,219,531
Add: Amortization of TCA's	4	1,286,700	1,329,751	1,333,389	1,341,166	1,351,045	1,331,983	1,318,873	1,334,734	1,356,231	1,376,104	1,373,820
Less: E earned Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-	-
Add: Development Charge Proceeds net of DC Credits		(9,486)	(108,093)	(70,393)	(93,876)	(37,847)	(39,449)	(41,124)	(42,870)	(44,694)	(46,596)	(42,269)
Change in A/R (Increase)/Decrease		183,621	58,722	(8,989)	(12,143)	(15,167)	(18,566)	(22,383)	(26,668)	(31,469)	(36,849)	(42,813)
Less: Interest Proceeds		-	(24,114)	(48,970)	(63,255)	(78,609)	(91,407)	(92,074)	(94,709)	(98,059)	(147,268)	(163,451)
Cash P provided by Operating Transactions		1,479,229	1,177,939	1,185,602	1,298,878	1,498,755	1,590,659	1,752,293	1,898,669	2,065,129	2,241,388	2,344,818
Capital Transactions												
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(2,302,027)	(93,853)	(112,432)	(515,610)	(622,858)	(1,796,583)	(1,366,704)	(1,687,937)	(1,536,187)	(504,352)	(2,497,768)
Cash Applied to Capital Transactions		(2,302,027)	(93,853)	(112,432)	(515,610)	(622,858)	(1,796,583)	(1,366,704)	(1,687,937)	(1,536,187)	(504,352)	(2,497,768)
Investing Transactions												
Proceeds from Investments		-	24,114	48,970	63,255	78,609	91,407	92,074	94,709	98,059	147,268	163,451
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-	-
Cash P provided by (applied to) Investing Transactions		-	24,114	48,970	63,255	78,609	91,407	92,074	94,709	98,059	147,268	163,451
Financing Transactions												
Proceeds from Debt Issue	2	1,880,274	198,901	195,457	191,421	186,752	1,207,562	318,404	560,447	276,308	230,273	1,270,835
Less: Debt Repayment (principal only)	2	(674,246)	(729,511)	(750,708)	(772,558)	(795,081)	(818,299)	(842,236)	(866,916)	(892,362)	(918,601)	(945,658)
Cash Applied to Financing Transactions		1,206,028	(530,610)	(555,251)	(581,137)	(608,329)	389,263	(523,832)	(306,469)	(616,054)	(688,328)	325,177
Increase in Cash and Cash Equivalents		383,230	577,590	568,889	265,386	346,177	274,746	(46,169)	(1,028)	10,947	1,195,976	335,678
Cash and Cash Equivalents, beginning of year	1	81,723	464,954	1,042,948	1,609,434	1,874,820	2,220,987	2,486,742	2,448,573	2,448,544	2,489,492	3,655,468
Cash and Cash Equivalents, end of year	1	464,953	1,042,544	1,609,434	1,874,820	2,220,997	2,495,743	2,448,573	2,448,546	2,459,491	3,655,468	3,991,146

NOTES TO FINANCIAL PLAN

The financial plan format as outlined in Chapter 4 closely approximates the full accrual format used by municipalities (2009 onward) on their audited financial statements. However, the financial plan is not an audited document and contains various estimates. In this regard, Section 3 (2) of O.Reg. 453/07 states the following:

“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).”

The information referred to in sub-subparagraphs 4 i A, B and C of subsection (1) includes:

- A. Total financial assets (i.e. cash and receivables);
- B. Total liabilities (i.e. payables, debt and deferred revenue);
- C. Net debt (i.e. the difference between A and B above).

The information referred to in sub-subparagraphs 4 iii A, C, E and F of subsection (1) includes:

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- C. Investing transactions that are acquisitions and disposal of investments
- E. Change in cash and cash equivalents during the year
- F. Cash and cash equivalents at the beginning and end of the year

In order to show a balanced financial plan in a full accrual format for the Municipality of Port Hope, some of the items listed above have been estimated given that the Municipality does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses). The assumptions used have been documented below:

1. Cash, Receivables and Payables

It is assumed that the opening cash balances required to complete the financial plan are equal to:

Ending Reserve/Reserve Fund Balance
Plus: Ending Accounts Payable Balance
Less: Ending Accounts Receivable Balance
Equals: Approximate Ending Cash Balance

For the Municipality of Port Hope, water receivables were estimated for 2009 based on water's proportionate share of the water and wastewater revenues (proportions based on 2009 revenue split).

Water accounts payable was estimated for 2009 using Municipal-wide ending balances. A multiplier equal to the average 2008 and 2009 ending Accounts Payable balances as a percentage of revenues was calculated as follows:

Municipal Wide	<u>2009</u>	<u>2008</u>	
Accounts Payable	5,806,639	7,788,110	
Expenses	10,412,062	8,901,240	Average
	<u>55.77%</u>	<u>87.49%</u>	71.63%

This multiplier was then applied to projected water expenses in each year of the forecast period to determine annual Accounts Payable balances.

2. Debt

For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense. For the purposes of this financial plan, adjustments were made to reflect the total water-related indebtedness of the Municipality which includes negative DC reserve fund balances, outstanding working fund balances (i.e. self-funding), outstanding debentures and additional debt proceeds anticipated throughout the forecast period. With regards to outstanding debentures, it is noted that only the water portion has been included herein. Outstanding water related debt is summarized as follows:

Water Debt Continuity Schedule

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Existing Debt:											
Debt 1 WTP Debenture:											
Opening Balance (Principal)	7,457,865	6,917,743	6,364,034	5,796,395	5,214,477	4,617,920	4,006,356	3,379,407	2,736,686	2,077,797	1,402,333
Principal Payment	540,122	553,709	567,639	581,918	596,557	611,564	626,949	642,721	658,889	675,464	692,456
Interest Payment	183,092	169,504	155,575	141,295	126,657	111,649	96,265	80,493	64,325	47,749	30,757
Total Payment (P & I)	723,214	723,214	723,214	723,214	723,214	723,214	723,214	723,214	723,214	723,214	723,214
Ending Balance (Principal)	6,917,743	6,364,034	5,796,395	5,214,477	4,617,920	4,006,356	3,379,407	2,736,686	2,077,797	1,402,333	709,876
Debt 2 DC Reserves:											
Opening Balance (Principal)	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138
Interest Payment	199,593	198,901	195,457	191,421	186,752	227,003	227,293	237,871	235,343	230,273	270,928
Total Payment (P & I)	199,593	198,901	195,457	191,421	186,752	227,003	227,293	237,871	235,343	230,273	270,928
Ending Balance (Principal)	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138	3,928,138
Debt 3 - Working Fund (Self Funding):											
Opening Balance (Principal)	1,808,839	1,674,715	1,535,226	1,390,158	1,239,287	1,082,382	919,200	749,491	572,993	389,436	198,536
Principal Payment	134,124	139,489	145,068	150,871	156,906	163,182	169,709	176,498	183,557	190,900	198,536
Interest Payment	64,412	59,047	53,468	47,665	41,630	35,354	28,827	22,038	14,978	7,636	(0)
Total Payment (P & I)	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536
Ending Balance (Principal)	1,674,715	1,535,226	1,390,158	1,239,287	1,082,382	919,200	749,491	572,993	389,436	198,536	(0)
Existing Debt Summary											
Opening Balance (Principal)	13,194,842	12,520,597	11,827,399	11,114,692	10,381,903	9,628,440	8,853,694	8,057,035	7,237,817	6,395,371	5,529,007
Principal Payment	674,246	693,198	712,707	732,789	753,463	774,746	796,658	819,218	842,447	866,364	890,992
Interest Payment	447,097	427,453	404,500	380,381	355,038	374,006	352,384	340,402	314,646	288,659	301,685
Total Payment (P & I)	1,121,343	1,120,651	1,117,206	1,113,170	1,108,501	1,148,752	1,149,042	1,159,621	1,157,093	1,152,023	1,192,677
Ending Balance (Principal)	12,520,597	11,827,399	11,114,692	10,381,903	9,628,440	8,853,694	8,057,035	7,237,817	6,395,371	5,529,007	4,638,014
New Debt:											
New Debt Description:											
Opening Balance (Principal)	-	1,880,274	2,042,863	2,200,318	2,351,970	2,497,105	3,661,113	3,933,939	4,446,688	4,673,081	4,851,118
New Debt Proceeds (Incl. Add'l DC Reserve Funding)	1,880,274	1,981,901	195,457	191,421	186,752	1,207,562	318,404	560,447	276,308	230,273	1,270,835
Principal Payment	-	36,313	38,001	39,768	43,553	45,578	45,578	47,698	49,915	52,377	54,665
Interest Payment	-	53,812	52,124	50,356	48,507	46,572	44,547	42,427	40,209	37,888	35,459
Total Payment (P & I)	-	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125
Ending Balance (Principal)	1,880,274	2,042,863	2,200,318	2,351,970	2,497,105	3,661,113	3,933,939	4,446,688	4,673,081	4,851,118	6,067,287
Total Debt:											
Opening Balance (Principal)	13,194,842	14,400,871	13,870,261	13,315,010	12,733,873	12,125,544	12,514,807	11,990,975	11,684,451	11,068,451	10,380,124
New Debt Proceeds (Incl. Add'l DC Reserve Funding)	1,880,274	1,981,901	195,457	191,421	186,752	1,207,562	318,404	560,447	276,308	230,273	1,270,835
Principal Payment	674,246	729,511	750,708	772,558	795,081	818,299	842,236	866,916	892,362	918,601	945,658
Interest Payment	447,097	481,265	456,623	430,737	403,546	420,578	382,830	362,330	354,856	333,547	337,144
Total Payment (P & I)	1,121,343	1,210,776	1,207,331	1,203,295	1,198,626	1,238,877	1,239,167	1,249,746	1,247,218	1,242,148	1,282,802
Ending Balance (Principal)	14,400,871	13,870,261	13,315,010	12,733,873	12,125,544	12,514,807	11,990,975	11,684,451	11,068,451	10,380,124	10,705,302

3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. The Municipality's development charge reserve fund is in a deficit position throughout the forecast period and as such, has been classified as a long-term debt liability. This is based on the premise that the municipality would rely on interim funding from another source (i.e. general capital reserve) to fund growth related projects until the relevant development charges can be collected.

4. Tangible Capital Assets

- Opening 2010 net book value of tangible capital assets includes water related assets in the following categories:
 - i. Buildings
 - ii. Land
 - iii. Land Improvements
 - iv. Linear Assets
 - v. Machinery & Equipment
 - vi. Technical & Communication
 - vii. Vehicles
 - viii. Work-in-Progress
- Amortization is calculated based on using the straight-line approach with 50% amortization incurred in the year of acquisition or construction.
- Given the planned asset replacement forecast in the 2010 Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal (when actual disposal information was not provided), the replacement value (of each new asset that has been identified as a "replacement") has been deflated (by weighted average useful life for all assets on hand in the respective asset category) to an estimated historical cost. This figure was used to calculate disposals only.

- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.
- The Municipality is unaware of any specific lead service piping in the municipal water system. However when older portions of the water main system are replaced as part of the ongoing replacement program, any lead service pipes will be replaced if and when found.

The balance of tangible capital assets is summarized as follows:

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening TCA Balance (Historical Cost)	44,532,743	46,669,962	46,723,952	46,827,125	47,254,782	47,856,004	49,429,536	50,733,666	52,355,382	53,727,276	54,168,540
Acquisitions	2,302,027	93,853	112,432	515,610	622,858	1,796,583	1,366,704	1,687,937	1,536,187	504,352	2,497,768
Disposals	164,808	39,863	9,259	87,953	21,635	223,052	62,574	66,222	164,293	63,089	262,562
Closing TCA Balance (Historical Cost)	46,669,962	46,723,952	46,827,125	47,254,782	47,856,004	49,429,536	50,733,666	52,355,382	53,727,276	54,168,540	56,403,746
Opening Accumulated Amortization	5,724,594	6,846,486	8,136,373	9,460,503	10,713,716	12,043,125	13,152,067	14,408,366	15,676,879	16,868,817	18,181,832
Amortization Expense	1,286,700	1,329,751	1,333,389	1,341,167	1,351,044	1,331,993	1,318,873	1,334,734	1,356,231	1,376,104	1,373,820
Amortization on Disposal	164,808	39,863	9,259	87,953	21,635	223,052	62,574	66,222	164,293	63,089	262,562
Ending Accumulated Amortization	6,846,486	8,136,373	9,460,503	10,713,716	12,043,125	13,152,067	14,408,366	15,676,879	16,868,817	18,181,832	19,293,091
Net Book Value	39,823,476	38,587,579	37,366,622	36,541,066	35,812,879	36,277,469	36,325,300	36,678,503	36,858,459	35,986,708	37,110,655

5. Accumulated Surplus

Accumulated Surplus for the initial year of the forecast period is reconciled as follows:

Water	2010
Opening Reserve Balances	
Reserves: Development Charges	-
Reserves: Ontario Potable Water Program	-
Reserves: Other	(209,095)
Total Reserves Balance	(209,095)
Less: Debt Obligations and Deferred Revenue	(13,194,842)
Add: Adjustment for TCA (Year of Implementation Only)	38,808,150
Total Opening Balance	25,404,213
Add: Contributions to/(from) Reserves (excl. DC reserves)	
Contributions to Reserves and Interest	959,095
Transfers from Reserves	(750,000)
Total Change in Reserves	209,095
Add: Changes in TCA During the Year	
Capital Assets Purchased (net of disposals)	2,302,027
Amortization of Capital Assets	(1,286,700)
Total Changes in TCA	1,015,327
Subtract Changes in Debt Position	
New Debt	(1,880,274)
Debt Repayment	674,246
Total Change in Debt	(1,206,028)
Total Ending Balance	25,422,607

The accumulated surplus reconciliation for all years within the forecast period is contained in Table 4-2.

6. Other revenue

Other revenue includes interest, service charges, meter repair revenue, water sales at pump house, and other non-operating general revenues.

7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.

5. PROCESS FOR FINANCIAL PLAN APPROVAL AND SUBMISSION TO THE PROVINCE

5. PROCESS FOR APPROVAL AND SUBMISSION TO THE PROVINCE

As provided in section 1.2, the requirement to prepare the financial plan is provided in Section 32 (5) 2 ii of the SDWA. Proof of the preparation of a financial plan is one of the submission requirements for municipal drinking water licensing and upon completion, must be submitted to the Ministry of the Environment. As part of O.Reg. 453/07, the process established for approval of the plan, public circulation, and filing is provided as follows:

1. The financial plan must be approved by resolution of the municipality who owns the drinking water system or the governing body of the owner. (O.Reg. 453/07, Section 3 (1) 1)
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O.Reg. 453/07, Section 3 (1) 5)
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The owner of the drinking water system must provide proof satisfactory to the Ministry of the Environment that the financial plans for the system satisfy the requirements under the Safe Water Drinking Act. (SDWA Section 32 (5) 2 ii)

6. RECOMMENDATIONS

6. RECOMMENDATIONS

This report presents the water financial plan for the Municipality of Port Hope in accordance with the mandatory reporting formats for water systems as detailed in O.Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Council's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the 2010 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Municipality of Port Hope Water Financial Plan prepared by Watson & Associates Economists Ltd. dated August 16, 2010 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. Submit the Financial Plan, the Council Resolution approving the Financial Plan, and the Water and Wastewater Rate Study underpinning the Financial Plan, to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. Submit the Council Resolution approving the Financial Plan, to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (SDWA Section 32 (5) 2 ii))

APPENDIX A
2010 WATER AND WASTEWATER RATE STUDY –
WATER SUMMARY TABLES

Table A-1
MUNICIPALITY OF PORT HOPE
WATER SERVICES CAPITAL BUDGET FORECAST
2010-2020
Inflated \$

Project Description	Year											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Capital Expenditures												
Watermain replacement - (Non-DC)												
Caven/Highland-Joseph reconstruction	1,361,691	-	-	-	-	-	-	-	-	-	-	1,361,691
Caven/Walton-Highland reconstruction	1,203,503	-	-	-	-	-	1,203,503	-	-	-	-	-
Ontario/Oxford-Orchard w/m rehab	192,023	-	-	-	-	-	-	-	192,023	-	-	-
Mill/Madison-Peter w/m	496,495	-	-	-	-	-	-	496,495	-	-	-	-
Mill/Dorset-10 m south w/m rehab	128,016	-	-	-	-	-	-	-	128,016	-	-	-
Hope/Howard-Beamish w/m rehab	217,627	-	-	-	-	-	-	-	217,627	-	-	-
Ridout/Toronto-Bramley w/m rehab	296,031	-	-	-	-	-	-	-	296,031	-	-	-
Peter/Ziratic-Hamilton w/m rehab	438,817	-	-	-	-	-	-	-	-	-	-	-
Treliss/Fraser-Peroval w/m rehab	310,309	-	-	-	-	-	-	310,309	-	-	-	-
Bruton/Toronto-Julia w/m rehab	384,047	-	-	-	-	-	-	-	384,047	-	-	-
Brown/Walton-Beaford rehab	396,004	-	-	-	396,004	-	-	-	-	-	-	-
Pine/Walton-Beaford w/m rehab	60,175	-	-	-	-	-	60,175	-	-	-	-	-
Hay/Harris-Elizabeth w/m rehab	62,062	-	-	-	-	-	-	62,062	-	-	-	-
Harris-Hay-Alexander w/m rehab	198,044	-	-	-	-	-	-	-	-	198,044	-	-
Alexander/Hayward-Catherine w/m rehab	284,059	-	-	-	-	-	-	-	-	-	284,059	-
William/King-Hope w/m rehab	169,716	-	-	-	169,716	-	-	-	-	-	-	-
Francis/Hope-Elgin w/m rehab	56,572	-	-	-	56,572	-	-	-	-	-	-	-
King/Madison-Peter w/m	136,169	-	-	-	-	-	-	-	-	-	-	136,169
Madison/Mill-King road w/m	106,369	-	-	-	-	-	-	-	-	-	-	-
Peter/King-Nelson w/m replacement	-	-	-	-	-	-	-	-	-	-	-	-
Charles/West End-Victoria w/m rehab	400,000	-	-	-	-	-	-	-	-	-	-	-
Charles/Walton-Beaford w/m rehab	400,000	-	-	-	-	-	-	-	-	-	-	-
Charles/Bramley-Church w/m rehab	400,000	-	-	-	-	-	-	-	-	-	-	-
Shelton w/m rehab	51,568	51,568	-	-	-	-	-	-	-	-	-	-
Elgin/Ward-Croft reconstruction	486,495	-	-	-	-	-	-	486,495	-	-	-	-
King/Peter - Ward w/m rehab	700,149	-	-	-	-	700,149	-	-	-	-	-	-
Armour/Mill-King w/m rehab	93,353	-	-	-	-	93,353	-	-	-	-	-	-
Catherine/Elizabeth/Percy Street w/m rehab	300,000	-	-	-	-	-	-	-	-	-	-	-
Watermain Replacement - (DC-Related)												
Toronto/Ridout-Arthur w/m improvements	591,400	-	-	-	-	-	-	-	-	-	-	591,400
Victoria/Strachan-Ridout w/m improvements	91,111	-	-	-	-	-	91,111	-	-	-	-	-
Marsh/O.23 W of Rapley-Rapley w/m improvements	296,031	-	-	-	-	-	-	-	296,031	-	-	-
Lakeshore/CNR - Toronto w/m improvements	322,575	-	-	-	-	-	-	322,575	-	-	-	-
Hope/Shuter-CPR w/m improvements (2/3 Grant Funded)	-	-	-	-	-	-	-	-	-	-	-	-
Hamilton/Peter-Ward new trunk watermain	513,793	-	-	-	-	513,793	-	-	-	-	-	-
Dorset/Bramley-John Interim w/m rehab	485,285	-	-	-	-	-	-	-	-	-	-	-
Arthur/Toronto-Victoria w/m rehab	485,285	-	-	-	-	-	-	-	-	-	-	-
Business Park	433,600	-	-	-	-	-	-	-	-	-	-	-
Vehicles & Equipment												
Security Fencing for existing WTP, Water Dist., and new WTP	3,000	42,286	6,063	76,793	566	22,521	11,915	-	102,412	42,249	-	-
Joint Operations Centre	175,142	-	-	-	-	-	-	-	-	-	-	-
Dorset St. Standpipe Rehab	10,000	-	-	-	-	11,669	-	-	-	-	-	13,617
Raw Water Sample Line	40,000	-	-	-	-	-	-	-	-	-	-	-
Catholic Protection Program Annual	40,000	103,156	106,369	109,704	113,144	116,692	120,350	124,124	128,016	132,029	136,169	
DV/QMS	64,000	-	-	-	-	-	-	-	-	-	-	-
Valve Maintenance Trailer	65,000	-	-	-	-	-	-	-	-	-	-	-
Water Treatment - (DC Related)												
Water Tower (New Tower/Reservoir)	-	-	-	-	-	-	-	-	-	-	-	-
Zerom Membrane Upgrades	408,507	-	-	-	-	-	-	-	-	-	-	408,507
2005 GE/Zerom membrane modules (total replacement)	466,766	-	-	-	-	466,766	-	-	-	-	-	-
Total Capital Expenditures	2,376,027	196,989	216,801	625,314	736,002	1,924,943	1,487,054	1,812,061	1,664,203	636,382	2,647,554	
Capital Financing												
Provincial Grants and Other Funding	195,346	-	-	-	-	-	-	-	-	-	-	-
Transfer from DC Reserves	2,958,550	-	-	-	-	980,559	91,111	322,575	40,965	-	-	999,908
Debt Service Requirements (Rate-related)	1,157,249	-	-	-	-	-	-	-	-	-	-	-
Debt Service Requirements (DC-related)	-	-	-	-	-	-	-	-	-	-	-	-
Self-Funding (Rate-related)	-	-	-	-	-	-	-	-	-	-	-	-
Self-Funding (DC-related)	-	-	-	-	-	-	-	-	-	-	-	-
Operating Contributions	7,214,185	196,989	216,801	625,314	736,002	944,385	695,943	789,486	923,238	636,382	947,646	
Water Reserves	2,800,000	-	-	-	-	-	700,000	700,000	700,000	-	-	700,000
Total Capital Financing	2,376,027	196,989	216,801	625,314	736,002	1,924,943	1,487,054	1,812,061	1,664,203	636,382	2,647,554	

Table A-2
 MUNICIPALITY OF PORT HOPE
 WATER SERVICES RATE-RELATED DEBTENTURE AND DEBT CHARGES
 2010-2020
 Inflated \$

Debtenture Year	Principal (Inflated)	Year												
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2010	1,157,249		\$90,124.92	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125
2011	-		-	-	-	-	-	-	-	-	-	-	-	-
2012	-		-	-	-	-	-	-	-	-	-	-	-	-
2013	-		-	-	-	-	-	-	-	-	-	-	-	-
2014	-		-	-	-	-	-	-	-	-	-	-	-	-
2015	-		-	-	-	-	-	-	-	-	-	-	-	-
2016	-		-	-	-	-	-	-	-	-	-	-	-	-
2017	-		-	-	-	-	-	-	-	-	-	-	-	-
2018	-		-	-	-	-	-	-	-	-	-	-	-	-
2019	-		-	-	-	-	-	-	-	-	-	-	-	-
2020	-		-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Debt Charges	1,157,249	-	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125	90,125
Interest Rate	4.65%													
Term	20													

Table A-3
 MUNICIPALITY OF PORT HOPE
 WATER SERVICES DC-RELATED DEBTENTURE AND DEBT CHARGES
 2010-2020
 Inflated \$

Debtenture Year	Principal (Inflated)	Year												
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2009	-		-	-	-	-	-	-	-	-	-	-	-	-
2010	-		-	-	-	-	-	-	-	-	-	-	-	-
2011	-		-	-	-	-	-	-	-	-	-	-	-	-
2012	-		-	-	-	-	-	-	-	-	-	-	-	-
2013	-		-	-	-	-	-	-	-	-	-	-	-	-
2014	-		-	-	-	-	-	-	-	-	-	-	-	-
2015	-		-	-	-	-	-	-	-	-	-	-	-	-
2016	-		-	-	-	-	-	-	-	-	-	-	-	-
2017	-		-	-	-	-	-	-	-	-	-	-	-	-
2018	-		-	-	-	-	-	-	-	-	-	-	-	-
2019	-		-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Debt Charges	4,65%	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Rate	4.65%													
Term	20													

Table A-4
MUNICIPALITY OF PORT HOPE
RESERVES & RESERVE FUND CONTINUITY SCHEDULE
2009-2020
Inflated \$

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Reserve Fund												
Opening Balance	52,612	(299,095)	-	-	-	-	-	-	-	-	-	-
Income	73,433	209,095	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	327,098	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	(201,053)	-	-	-	-	-	-	-	-	-	-	-
Interest	(8,042)	-	-	-	-	-	-	-	-	-	-	-

Table A-5
MUNICIPALITY OF PORT HOPE
LIFECYCLE RESERVE CONTINUITY SCHEDULE
2009-2020
Inflated \$

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Lifecycle Reserve Fund												
Opening Balance	-	-	-	626,961	1,273,231	1,644,635	2,043,827	2,376,588	2,393,925	2,462,435	2,549,546	3,029,987
Income	-	-	602,847	597,300	306,149	320,583	241,353	625,263	673,807	689,051	1,132,154	957,309
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	700,000	700,000	700,000	-	700,000
Closing Balance	-	-	602,847	1,224,260	1,581,380	1,965,218	2,285,181	2,301,851	2,367,726	2,451,466	3,681,699	4,086,277
Interest	-	-	24,114	48,970	63,255	78,609	91,407	92,074	94,709	98,059	147,268	163,451

Table A-6
MUNICIPALITY OF PORT HOPE
WORKING FUND (SELF-FUNDING) CONTINUITY SCHEDULE
2009-2020
Inflated \$

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Working Fund												
Opening Balance	(1,360,392)	(1,808,839)	(1,674,715)	(1,556,226)	(1,390,158)	(1,239,287)	(1,082,382)	(919,200)	(749,491)	(572,993)	(389,436)	(198,536)
Income (incl. Repayment from DC)	3,680,448	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	4,059,324	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	(1,739,268)	(1,610,303)	(1,476,179)	(1,336,691)	(1,191,623)	(1,040,752)	(883,846)	(720,664)	(550,955)	(374,457)	(190,900)	0
Interest	(69,571)	(64,412)	(59,047)	(53,468)	(47,665)	(41,630)	(35,354)	(28,827)	(22,038)	(14,978)	(7,636)	0

Table A-7
MUNICIPALITY OF PORT HOPE
LAGOON RESERVE/LLRW INTEREST CONTINUITY SCHEDULE
2009-2020
Inflated \$

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	-	-	-	-	-	-	-	-	-	-	-	-
Income	-	750,000	500,000	250,000	-	-	-	-	-	-	-	-
Transfer to Operating	-	750,000	500,000	250,000	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-

Table A-8
MUNICIPALITY OF PORT HOPE
DEVELOPMENT CHARGE RESERVE FUND CONTINUITY SCHEDULE
2009-2020
Inflated \$

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	81,100	(3,928,138)	(4,491,919)	(4,476,350)	(4,398,830)	(4,307,994)	(4,202,919)	(5,108,783)	(5,115,310)	(5,353,380)	(5,296,464)	(5,182,385)
Income	298,102	182,221	237,445	295,953	305,232	314,803	324,673	334,853	345,352	356,180	367,348	378,866
Transfer to Capital	452,350	523,432	22,976	22,976	22,976	22,976	980,559	91,111	322,575	40,965	-	999,908
DC Credits	-	22,976	22,976	22,976	22,976	22,976	22,976	22,976	22,976	22,976	22,976	22,976
Debt Repayment	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Working Funds	3,680,448	-	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	(3,753,596)	(4,292,325)	(4,277,449)	(4,203,373)	(4,116,573)	(4,016,167)	(4,881,780)	(4,888,017)	(5,115,509)	(5,061,141)	(4,952,112)	(5,826,402)
Interest	(174,542)	(199,593)	(198,901)	(195,457)	(191,421)	(186,752)	(227,003)	(227,293)	(237,871)	(236,343)	(230,273)	(270,928)

Table A-3
MUNICIPALITY OF PORT HOPE
WATER OPERATING BUDGET FORECAST
2009 Budget & 2010-2020 Forecast

Description	Forecast											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenditures												
Administration and Overhead Costs	17,900	18,304	18,717	19,139	19,571	20,013	20,465	20,926	21,399	21,881	22,375	22,880
Administration	15,700	16,054	16,417	16,787	17,166	17,553	17,949	18,354	18,769	19,192	19,625	20,068
Communications	38,000	38,858	39,734	40,631	41,548	42,486	43,444	44,425	45,427	46,452	47,500	48,572
Insurance	178,000	182,017	186,124	190,324	194,619	199,011	203,502	208,094	212,790	217,592	222,502	227,523
Utilities	20,500	20,963	21,436	21,919	22,414	22,920	23,437	23,966	24,507	25,060	25,625	26,204
Conferences & Training	-	723,214	813,339	813,339	813,339	813,339	813,339	813,339	813,339	813,339	813,339	813,339
New/Existing Debt (2010+ includes Water Portion of existing debt)	(13,753)	(716,351)	(761,057)	(750,847)	(715,833)	(676,192)	(631,389)	(580,830)	(523,855)	(459,730)	(387,641)	(306,769)
Basecharge Reallocation	256,347	283,058	314,710	351,293	392,824	439,129	490,746	548,274	612,375	683,766	763,326	851,828
Subtotal-Admin. & Overhead Costs	4,714	4,738	4,795	4,872	4,959	5,046	5,133	5,220	5,307	5,394	5,481	5,568
Residential Equivalent Users	54,38	59,74	65,63	72,10	79,21	87,03	95,61	105,03	115,39	126,77	139,27	153,00
Annual Base Charge/Res. User	13,60	14,94	16,41	18,03	19,80	21,76	23,90	26,26	28,85	31,69	34,82	38,25
Quarterly Base Charge/Res. User	4,53	4,98	5,47	6,01	6,60	7,25	7,97	8,75	9,62	10,56	11,61	12,75
Monthly Base Charge/Res. User	4,53	4,98	5,47	6,01	6,60	7,25	7,97	8,75	9,62	10,56	11,61	12,75
Water Treatment Operating Costs	381,700	494,147	505,298	516,701	528,360	540,284	552,476	564,943	577,692	590,728	604,058	617,690
Salaries/Wages & Benefits (2010 Incl. 1/3 cost Engineering Allocation)	60,200	61,558	62,948	64,368	65,821	67,306	68,825	70,378	71,966	73,590	75,251	76,949
Water Treatment	165,200	168,928	172,740	176,638	180,624	184,700	188,868	193,130	197,483	201,945	206,502	211,162
Buildings, Equip. & Maintenance	13,753	13,753	13,753	13,753	13,753	13,753	13,753	13,753	13,753	13,753	13,753	13,753
Basecharge Reallocation	620,853	1,440,984	1,522,042	1,508,553	1,490,638	1,468,482	1,441,558	1,409,281	1,371,001	1,325,993	1,273,452	1,212,559
Subtotal-Water Treatment Operating Costs	440,000	449,823	460,082	470,465	481,081	491,937	503,039	514,390	525,998	537,868	550,005	562,417
Water Distribution	164,500	168,212	172,068	175,960	179,889	183,918	188,068	192,312	196,652	201,089	205,627	210,267
Salaries/Wages & Benefits	63,500	64,933	66,398	67,897	69,429	70,986	72,568	74,236	75,911	77,624	79,376	81,167
Buildings, Equip. & Maintenance	25,000	25,564	26,141	26,731	27,334	27,951	28,582	29,227	29,886	30,561	31,250	31,956
Vehicle Expenses	693,000	708,638	724,630	740,982	757,703	774,801	792,286	810,165	828,447	847,142	866,259	885,807
Subtotal-Operating Costs	803,571	803,571	803,571	803,571	803,571	803,571	803,571	803,571	803,571	803,571	803,571	803,571
Capital Related Expenditures												
Existing Debt	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Capital	500,000	500,000	196,989	218,801	625,314	736,002	944,385	695,943	789,486	923,238	636,382	947,646
Lifecycle Reserve Contribution	-	-	602,847	597,300	308,149	320,583	241,353	625,263	673,801	689,051	1,132,154	957,309
Repayment of Working Funds	73,433	209,095	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536	198,536
Contributions to Reserves/Reserve Funds	877,004	907,631	998,371	1,014,637	1,131,999	1,255,121	1,384,274	1,519,742	1,661,823	1,810,825	1,967,071	2,103,481
Subtotal-Capital Related Expenditures	2,190,856	3,057,254	3,245,943	3,264,172	3,380,341	3,498,404	3,618,117	3,739,188	3,861,271	3,983,960	4,106,782	4,201,857
Total Expenditures												
Revenues												
Water Administration & Service Fees	10,000	10,226	10,456	10,692	10,934	11,180	11,433	11,691	11,955	12,224	12,500	12,782
Meter Repair Revenue	16,000	16,361	16,730	17,108	17,494	17,889	18,292	18,705	19,127	19,559	20,000	20,452
Water Sales At Pumphouse	16,000	16,361	16,730	17,108	17,494	17,889	18,292	18,705	19,127	19,559	20,000	20,452
Investment Income	5,000	5,113	5,228	5,346	5,467	5,590	5,716	5,845	5,977	6,112	6,250	6,391
Other	1,500	1,534	1,568	1,604	1,640	1,677	1,715	1,754	1,793	1,834	1,875	1,917
Contributions from Working Funds	-	-	-	-	-	-	-	-	-	-	-	-
Contributions from Reserves/Reserve Funds	327,098	-	-	-	-	-	-	-	-	-	-	-
Contributions from Lagoon Reserve & LLRW Interest	-	750,000	900,000	250,000	-	-	-	-	-	-	-	-
Development Charge Repayment	298,102	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	673,700	799,594	550,714	301,858	53,028	3,444,179	3,562,669	3,682,488	3,803,291	3,924,672	4,046,156	4,139,863
Water Billing Recovery	1,517,156	2,257,659	2,694,330	2,962,314	3,327,312	3,444,179	3,562,669	3,682,488	3,803,291	3,924,672	4,046,156	4,139,863