

**Municipality of North Middlesex**

**Motion of Council**

**Date:** September 16, 2013

**Moved by:** Moir **Seconded by:** Hemming

**Recommendation:**

That the Finance & Administration recommend to North Middlesex Council that:

1. In accordance with Provincial Regulation 453/07, the Water Financial Plan (Provincial #00~~2~~-301A) as provided in Appendix #1, which has been prepared in the Public Sector Accounting Board (PSAB) format employing tangible capital asset methodology, be approved;
2. A copy of the Water Financial Plan and Council Resolution approving the plan be submitted to the Ministry of Municipal Affairs and Housing (MMAH) as prescribed by Ontario Regulation 453/07 under the Safe Drinking Water Act, 2002 which requires owners of municipal drinking water systems to submit a Water Financial Plan to the Province in order to obtain or maintain a Municipal Drinking Water Licence; and
3. North Middlesex Staff be authorized to place notification in newspapers and on the North Middlesex website advising the public of the availability of North Middlesex Water Financial Plan, as prescribed by Ontario Regulation 453/07.

*Carried*

MUNICIPALITY OF NORTH MIDDLESEX  
WATER FINANCIAL PLAN

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Licence #: 002-301A

HEMSON Consulting Ltd

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September, 2013

**HEMSON**

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## **I INTRODUCTION**

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This Municipality of North Middlesex Water Financial Plan is presented as one of the submission requirements necessary in obtaining a municipal drinking water license under the *Safe Drinking Water Act, 2002 (SDWA)*.

Financial Plans are defined in section 30(1) of the *SDWA* as follows:

- (a) Financial plans that satisfy the requirements of subsection (2), but only if,
- (i) Bill 175 (Sustainable Water and Sewage Systems Act, 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).

At this time, Bill 175 (Sustainable Water and Sewage Systems Act, 2002) as noted above, is not in force however, the specific requirements of s.30 (1) part b are outlined in O.Reg. 453/07.

The *SDWA* and O. Reg. 453/07 include the following general requirements for a financial plan:

- mandatory for all municipal water systems and recommended for wastewater systems;
- include a planning horizon of at least six years (commencing when the system first serves the public, for new systems);
- completed and approved by the later of July 1, 2010 and the date that is six months after the first license is issued;
- may be amended and additional information may be included beyond what is prescribed, as necessary;
- be approved by Council resolution indicating that the drinking water system is financially viable.

In addition to the above noted general requirements, the following specific statements are required in the financial plan:

### **Statement of Operations**

This statement includes details on the projected financial operations itemized by total revenues, total expenses, annual surplus/deficit, and the cumulative surplus/deficit for each year in which the financial plan applies. An annual surplus represents funds available to the Municipality to fund non operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve and reserve funds. The Statement of Operations is discussed in more detail later in this report, and is included as Table 1.

### **Statement of Financial Position**

This statement provides information on the Municipality's assets and liabilities includes details on the financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets. The recording of tangible capital assets is new to all municipalities, and requires the capitalization of assets and to account for their ability to provide for future benefits.

A net financial asset position on this statement indicates that the water system has the financial resources required to fund its future operations. The Statement of Financial Position is discussed in more detail later in this report, and is included as Table 2.

### **Statement of Cash Flow**

This statement provided information on the generation and use of cash resources. The gross cash receipts/payments are itemized by: operating; capital; investing and financial transactions. By itemizing the cash receipts and payments by category allows the reader to understand where the cash is being generated (ie. Operating water rates), and how the cash is being used (ie. Capital and operating expenses).

### **Statement of Net Financial Assets/Debt**

This statement is not required under O. Reg 453/07; however, it does provide further information about the financial performance of the Municipality's water system. The Statement of Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to

support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period

In 2013, the Municipality of North Middlesex completed a water rate analysis, including a full cost recovery model. The detailed analysis in the rate setting exercise formed the basis for completing the financial plan. Section II provides a summary of the pertinent information contained in the water rate analysis.

Section III includes a discussion on the key inputs and documents used to develop the financial plan consistent with the governing legislation.

Section IV includes the Statement of Operations, Statement of Financial Position, Statement of Cash Flows, and Statement of Change in Net Financial Assets/Debt that form the Financial Plan for the North Middlesex Water System.

Section IV includes the Notes and Assumptions to the Financial Plan. As the Municipality does not maintain all financial information separately for water services, assumptions used in the preparation of the statements are included in this section.

## **II SUMMARY OF 2013 WATER RATE ANALYSIS**

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In 2012 Hemson Consulting was retained by the Municipality of North Middlesex to assist in preparing a report on water rates, a capital replacement schedule and the implementation of full cost recovery water rates. This analysis was undertaken consistent with the requirements of the proposed *Sustainable Water and Sewage Systems Act*.

### **A. SUSTAINABLE WATER AND SEWAGE SYSTEMS ACT**

The two reports required under the *Sustainable Water and Sewage Systems Act* are the Full Cost of Services Report and the Cost Recovery Plan. These two reports are also included in the definition of a financial plan under the *Safe Drinking Water Act*.

The Full Cost of Services Report provides an inventory and asset management plan, ensuring the integrity of the water infrastructure. The Report addresses the full cost of providing water services, including provisions for the periodic rehabilitation and eventual replacement of the water infrastructure.

The Cost Recovery Plan consists of a revenue plan, identifying the revenue requirements to finance the system. The plan includes the development of water rates which will fund the expansion, upgrading, rehabilitation, replacement, operation and maintenance of the water system. Financing, administrative and all other relevant costs related to providing the services are also included.

### **B. STUDY APPROACH**

The first step in a rate setting analysis is to establish a population and household forecast as a basis for determining anticipated water consumption. The study period for this analysis examined the period of 2013 through 2022.

The Municipality provided a completed inventory of water assets, including the expected useful life, and valuation costs. The remaining useful life of the assets was used to determine the asset replacements anticipated during the planning period. Growth related infrastructure needs are usually funded through development charges and direct developer contributions for local and internal servicing needs. The non-growth related costs will therefore require funding from the Municipality, through the user rates.



The Municipality's current water rates, reserves and annual operating budgets are analysed. Based on this analysis, the financial position of the Municipality's water system is determined.

The next step in the process is to compare the Municipality's current financial position with the fiscal requirements of the Act. A strategy for the Municipality to achieve full cost recovery for its water service can then be developed.

The final step in the process is to evaluate the impacts of implementing the full cost recovery rates to the residents and businesses of the Municipality.

The financial model was developed to assist the Municipality in completing a number of tasks. Its primary objective is to assist in finalizing the required Financial Plan under the SDWA.

### C. WATER RATES

North Middlesex's water rates contain two components: a fixed rate and a consumption rate. The rate table below summarizes the rates through to 2022.

North Middlesex Proposed Water Rates										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Fixed Quarterly</b>	\$21.21	\$25.05	\$41.87	\$46.20	\$51.28	\$61.36	\$64.66	\$65.49	\$69.61	\$73.56
<b>Charge per Cubic Meter</b>	\$1.58	\$1.62	\$1.67	\$1.72	\$1.76	\$1.81	\$1.85	\$1.90	\$1.94	\$1.99

### **III KEY INPUTS**

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This chapter discusses the key inputs and documents used to develop the financial plan consistent with the governing legislation. The costs, revenues and assumptions used in preparing the financial projections are based on Municipal data such as the 2013 adopted operating and capital plan, year-end reserve continuity schedules and other relevant information provided by staff. The five key financial inputs discussed below drive the prescribed statements outlined in Section II and are described in more detail in Section IV of this report.

#### **1. Expenditure and Revenue Forecast**

The expenditure and revenue forecast is based upon the information obtained from the Municipality's 2013 adopted operating budget. Adjustments were made to the base 2013 budget to forecast expenditures to 2022. The Municipality recovers most of its costs through user fees charged to its customers that include an annual fixed fee in addition to a variable rate charged for each cubic metre of water consumed. The forecast of expenditures and revenues is included as Appendix Table A-1.

Some main assumptions used to derive the operating projections are as follows:

- Water operating and general administration costs were increased at a rate of about 1.4% per annum;
- Water purchase costs are increased annually at the rate of 5% to reflect the Lake Huron water supply funding arrangements;
- Most non-rate revenues are projected to remain constant throughout the forecast planning period;
- Interest earned on in-year contributions to reserves is included as a non-user rate revenue source.

#### **2. Capital Expenditures**

The Municipality's capital budget forecast used in preparing the financial plan is outlined in Appendix Table A-2. This table identifies the cumulative cost for all in-year capital projects over the planning period and identifies the annual funding sources as outlined by Municipal staff and Council.

### **3. Reserve Statements**

The Municipality's transfers to and from water related reserves have been obtained from available year-end reserve statements. The actual 2010, 2011 and 2012 figures as well as the projected transfers to and from these reserves are outlined in Appendix Table A-3. The reserve statements account for all funds in the Municipality's water reserve, the money accumulated for asset repair and replacement as well as the water reserves accumulated from Development Charges.

The Water Reserve is used to fund non-growth related capital projects as well as the repair and replacement of water assets. Additionally, these funds can be used to address revenue shortfalls which can arise from fluctuating annual water consumption (i.e. less water is billed during wet summers).

The Development Charges Reserve Fund is used to fund the growth-related capital projects outlined in the capital forecast.

### **4. Debt Repayment**

As of year-end 2009, the Municipality had approximately \$640,000 of outstanding debt related to its water system. This debt is largely related to the secondary waterline which is expected to be entirely paid by 2014. It is anticipated that no new debt will be incurred over the planning period to 2022. A breakdown of the existing debentures can be found in Appendix Table A-4.

### **5. Tangible Capital Asset Analysis (TCA)**

The following assumptions were made in regard to tangible capital assets:

- The amortization of assets was calculated using a straight-line approach with amortization commencing in the year that it was acquired or constructed.
- The useful life of each asset, as provided by the Municipality, was included in the calculation of amortization
- It is assumed that no write-offs occurred in any of the years
- It is assumed that there were no gains or losses on the disposal of assets (assets were disposed when they had reached the end of their useful life and therefore the historic cost is equal to accumulated depreciation)

- Contributed assets were unknown and therefore not included in the forecast
- It should be noted, that tangible capital asset costs and useful life are under review by the Municipality.

A summary of the tangible capital asset balances for the 10 year plan (in \$000's) follows:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Opening Tangible Capital Assets	\$12,499	\$13,221	\$13,221	\$13,365	\$13,515	\$13,715	\$14,015	\$14,315	\$14,615	\$14,965	\$15,315	\$15,665	\$16,015
Plus: Acquisitions - Repair/Replacement	\$809	\$0	\$145	\$150	\$200	\$300	\$300	\$300	\$350	\$350	\$350	\$350	\$350
Plus: Acquisitions - Growth Related	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Disposals	(\$88)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Tangible Capital Assets	\$13,221	\$13,221	\$13,365	\$13,515	\$13,715	\$14,015	\$14,315	\$14,615	\$14,965	\$15,315	\$15,665	\$16,015	\$16,365
Opening Accumulated Amortization	\$2,918	\$3,050	\$3,228	\$3,403	\$3,581	\$3,761	\$3,943	\$4,129	\$4,319	\$4,514	\$4,712	\$4,916	\$5,124
Plus: Amortization Expense	\$132	\$178	\$176	\$178	\$180	\$182	\$186	\$190	\$194	\$199	\$204	\$208	\$213
Less: Amortization of Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Accumulated Amortization	\$3,050	\$3,228	\$3,403	\$3,581	\$3,761	\$3,943	\$4,129	\$4,319	\$4,514	\$4,712	\$4,916	\$5,124	\$5,337
Net Book Value	\$10,171	\$9,993	\$9,962	\$9,934	\$9,955	\$10,073	\$10,186	\$10,296	\$10,452	\$10,603	\$10,749	\$10,891	\$11,028

## **IV WATER FINANCIAL PLAN**

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This section summarizes the complete financial plan for the North Middlesex water system. The financial plan represents a forecast or projection of the system's future financial position. The statements included in this study are not audited documents and contain estimates and assumptions as described in section IV of this report.

### **A. STATEMENT OF OPERATIONS – TABLE 1**

The Statement of Operations provides information on the revenues and expenses generated from the water systems in each year. An annual surplus will be generated where annual revenues exceed annual expenses for the year. Conversely, where the expenses exceed the revenues, an annual deficit will result. The annual surplus is available to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserves and reserve funds.

In 2010, the revenue for the Municipality's water system was \$1.35 million with expenditures of approximately \$1.19 million. As revenues exceed expenses, an annual surplus of approximately \$159,000 was recorded. It is anticipated that an annual surplus will occur in each year the financial plan applies. The beginning period accumulated surplus of approximately \$8.24 million is equal to the opening reserve balances, plus tangible capital assets, and less any debt obligations and deferred revenue. A reconciliation of this amount can be found in Table 5. The accumulated surplus is anticipated to grow over the 12 year period to \$12.96 million. These funds will support the Municipality's need to grow its reserves to pay for the repair and ultimate replacement of the tangible capital assets.

### **B. STATEMENT OF FINANCIAL POSITION – TABLE 2**

The Statement of Financial Position provides information on the assets and liabilities of the water system. Net Financial Assets/(Debt) is the difference between assets and liabilities. A position of net financial assets occurs when assets are greater than liabilities. Conversely, net financial debt occurs when liabilities exceed their assets. A net financial assets position implies that the system has the financial resources required to fund its future operations. A net financial debt position indicates that future revenues will be required to pay for past transactions. The

**Table 1**  
**Municipality of North Middlesex**  
**Statement of Operations**  
**in \$000's**

	Actual 2010	Actual 2011	Actual 2012	2013	2014	2015	2016	FORECAST					2021	2022
								2017	2018	2019	2020			
<b>Revenues</b>														
<i>Water Sales</i>														
Metered	\$1,337	\$1,306	\$1,305	\$1,487	\$1,556	\$1,750	\$1,824	\$1,905	\$2,035	\$2,102	\$2,147	\$2,223	\$2,298	
Other	\$17	\$173	\$121	\$40	\$42	\$40	\$43	\$48	\$50	\$56	\$63	\$70	\$78	
<i>Earned DC Revenue</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total Revenue</b>	<b>\$1,354</b>	<b>\$1,479</b>	<b>\$1,427</b>	<b>\$1,527</b>	<b>\$1,598</b>	<b>\$1,789</b>	<b>\$1,867</b>	<b>\$1,953</b>	<b>\$2,086</b>	<b>\$2,158</b>	<b>\$2,210</b>	<b>\$2,293</b>	<b>\$2,376</b>	
<b>Expenditures</b>														
Amortization Expense	\$132	\$178	\$176	\$178	\$180	\$182	\$186	\$190	\$194	\$199	\$204	\$208	\$213	
In-year asset disposal	\$88	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest on Debt Expense	\$18	\$14	\$10	\$6	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Operating Expense	\$958	\$944	\$1,084	\$1,208	\$1,244	\$1,281	\$1,320	\$1,359	\$1,401	\$1,443	\$1,487	\$1,532	\$1,579	
<b>Total Expenditures</b>	<b>\$1,195</b>	<b>\$1,135</b>	<b>\$1,269</b>	<b>\$1,392</b>	<b>\$1,426</b>	<b>\$1,463</b>	<b>\$1,506</b>	<b>\$1,550</b>	<b>\$1,595</b>	<b>\$1,642</b>	<b>\$1,691</b>	<b>\$1,741</b>	<b>\$1,792</b>	
<b>Annual Surplus/(Deficit)</b>	<b>\$159</b>	<b>\$344</b>	<b>\$158</b>	<b>\$135</b>	<b>\$172</b>	<b>\$326</b>	<b>\$361</b>	<b>\$403</b>	<b>\$491</b>	<b>\$516</b>	<b>\$519</b>	<b>\$552</b>	<b>\$584</b>	
Annual Surplus/(Deficit)	\$159	\$344	\$158	\$135	\$172	\$326	\$361	\$403	\$491	\$516	\$519	\$552	\$584	
Accumulated Surplus, Beginning of Period	\$8,243	\$8,402	\$8,746	\$8,904	\$9,039	\$9,211	\$9,537	\$9,898	\$10,302	\$10,792	\$11,309	\$11,828	\$12,380	
Accumulated Surplus, End of Period	\$8,402	\$8,746	\$8,904	\$9,039	\$9,211	\$9,537	\$9,898	\$10,302	\$10,792	\$11,309	\$11,828	\$12,380	\$12,964	

**Table 2**  
**Municipality of North Middlesex**  
**Statement of Financial Position**  
**in \$000's**

	Actual 2010	Actual 2011	Actual 2012	2013	2014	2015	2016	FORECAST					
								2017	2018	2019	2020	2021	2022
<b>Financial Assets</b>													
Cash	(\$1,285)	(\$874)	(\$801)	(\$746)	(\$706)	(\$484)	(\$222)	\$86	\$436	\$817	\$1,205	\$1,632	\$2,094
<b>Total Assets</b>	<b>(\$1,285)</b>	<b>(\$874)</b>	<b>(\$801)</b>	<b>(\$746)</b>	<b>(\$706)</b>	<b>(\$484)</b>	<b>(\$222)</b>	<b>\$86</b>	<b>\$436</b>	<b>\$817</b>	<b>\$1,205</b>	<b>\$1,632</b>	<b>\$2,094</b>
<b>Liabilities</b>													
Debt	\$478	\$364	\$247	\$125	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Revenue (deficit)	\$5	\$9	\$11	\$24	\$38	\$52	\$66	\$81	\$96	\$111	\$127	\$143	\$159
<b>Total Liabilities</b>	<b>\$483</b>	<b>\$373</b>	<b>\$257</b>	<b>\$149</b>	<b>\$38</b>	<b>\$52</b>	<b>\$66</b>	<b>\$81</b>	<b>\$96</b>	<b>\$111</b>	<b>\$127</b>	<b>\$143</b>	<b>\$159</b>
<b>Net Financial Assets/(Debt)</b>	<b>(\$1,769)</b>	<b>(\$1,246)</b>	<b>(\$1,058)</b>	<b>(\$895)</b>	<b>(\$744)</b>	<b>(\$536)</b>	<b>(\$288)</b>	<b>\$6</b>	<b>\$341</b>	<b>\$706</b>	<b>\$1,078</b>	<b>\$1,489</b>	<b>\$1,935</b>
<b>Non-Financial Assets</b>													
Tangible Capital Assets	\$10,171	\$9,993	\$9,962	\$9,934	\$9,955	\$10,073	\$10,186	\$10,296	\$10,452	\$10,603	\$10,749	\$10,891	\$11,028
<b>Accumulated Surplus/(Deficit)</b>	<b>\$8,402</b>	<b>\$8,746</b>	<b>\$8,904</b>	<b>\$9,039</b>	<b>\$9,211</b>	<b>\$9,537</b>	<b>\$9,898</b>	<b>\$10,302</b>	<b>\$10,792</b>	<b>\$11,309</b>	<b>\$11,828</b>	<b>\$12,380</b>	<b>\$12,964</b>

Municipality's water system remains in a net financial debt position until 2016. In 2010, the Municipality had \$483,000 in total liabilities, mainly related to the secondary waterline debenture. The total financial assets in 2010 are in a deficit position of approximately \$1.28 million, resulting in a net financial debt of approximately \$1.77 million. Overall, the financial assets are expected to increase to a net position of approximately \$1.94 million by 2022.

The Statement of Financial Position also provides information on the Municipality's tangible capital assets. The reporting of tangible capital assets is a new requirement under PS3150 of the Public Sector Accounting Board. Previous to 2009, the costs to acquire or construct capital assets were expensed in the year in which they occur. Effective for the statements prepared in 2009, municipalities are required to capitalize their assets and to account for their ability to provide future benefits. An increase in the tangible capital asset balance suggests that new assets have been acquired, and a decrease in the balance indicates the disposal, write down or use of assets.

#### **C. STATEMENT OF CASH FLOW – TABLE 3**

The Statement of Cash Flow provides information on the generation and use of cash resources in the following categories: operating; capital; investments; and financing activities. The statement describes how the cash from operations (\$383,000) will be used to support the 2010 capital transactions (\$809,000) and financing transactions (\$162,000) or new debt. The difference between the total cash generated and cash used results in an increase or decrease in cash and cash equivalents. The case in 2010 indicates there is a decrease of about \$588,000 in cash and cash equivalents, mainly a result of the significant in-year investments in capital assets. Although, the Municipality is projected to see an increase in cash and cash equivalents for the remainder of the planning period. The beginning of period cash and cash equivalents is equal to the water reserves and reserve funds on hand at the start of the period. The Municipality's cash position is anticipated to increase by approximately \$3.38 million by 2022.

#### **D. STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/DEBT – TABLE 4**

The Statement of Change in Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital assets costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. The statement outlines that the municipality is in a net deficit position for the year 2010, as the annual surplus (\$159,000) and amortization (\$132,000)



does not exceed the net in-year capital expenditures (\$721,000). The municipality will be in a net surplus position throughout the remainder of the planning period.

**Table 3**  
**Municipality of North Middlesex**  
**Statement of Cash Flow**  
**In \$000's**

	Actual 2010	Actual 2011	Actual 2012	2013	2014	2015	2016	FORECAST		2019	2020	2021	2022
								2017	2018				
<b>Operating Transactions</b>													
Annual Surplus/(Deficit)	\$159	\$344	\$158	\$135	\$172	\$326	\$361	\$403	\$491	\$516	\$519	\$552	\$584
Add: Amortization of TCA's	\$132	\$178	\$176	\$178	\$180	\$182	\$186	\$190	\$194	\$199	\$204	\$208	\$213
Less: DC Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Development Charge Proceeds	\$5	\$4	\$2	\$13	\$14	\$14	\$14	\$15	\$15	\$15	\$16	\$16	\$16
Less: Interest Proceeds	\$0	\$0	\$0	(\$1)	(\$3)	(\$5)	(\$9)	(\$13)	(\$19)	(\$25)	(\$31)	(\$39)	(\$47)
Add: In-year Asset Disposal	\$88	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash Provided by Operating :</b>	<b>\$383</b>	<b>\$526</b>	<b>\$335</b>	<b>\$325</b>	<b>\$363</b>	<b>\$517</b>	<b>\$553</b>	<b>\$595</b>	<b>\$681</b>	<b>\$705</b>	<b>\$707</b>	<b>\$738</b>	<b>\$766</b>
<b>Capital Transactions</b>													
Proceeds on Sale of Tangible Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Tangible Capital Assets	(\$809)	\$0	(\$145)	(\$150)	(\$200)	(\$300)	(\$300)	(\$300)	(\$350)	(\$350)	(\$350)	(\$350)	(\$350)
<b>Cash Applied to Capital</b>	<b>(\$809)</b>	<b>\$0</b>	<b>(\$145)</b>	<b>(\$150)</b>	<b>(\$200)</b>	<b>(\$300)</b>	<b>(\$300)</b>	<b>(\$300)</b>	<b>(\$350)</b>	<b>(\$350)</b>	<b>(\$350)</b>	<b>(\$350)</b>	<b>(\$350)</b>
<b>Investing Transactions</b>													
Proceeds from Investments	\$0	\$0	\$0	\$1	\$3	\$5	\$9	\$13	\$19	\$25	\$31	\$39	\$47
Less: Cash Used to Acquire Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash Provided by Investing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1</b>	<b>\$3</b>	<b>\$5</b>	<b>\$9</b>	<b>\$13</b>	<b>\$19</b>	<b>\$25</b>	<b>\$31</b>	<b>\$39</b>	<b>\$47</b>
<b>Financing Transactions</b>													
Proceeds from Debt Issues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Debt Repayment (principal only)	(\$162)	(\$114)	(\$118)	(\$122)	(\$125)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash Applied to Financing</b>	<b>(\$162)</b>	<b>(\$114)</b>	<b>(\$118)</b>	<b>(\$122)</b>	<b>(\$125)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(\$588)</b>	<b>\$412</b>	<b>\$73</b>	<b>\$55</b>	<b>\$40</b>	<b>\$222</b>	<b>\$262</b>	<b>\$308</b>	<b>\$350</b>	<b>\$380</b>	<b>\$389</b>	<b>\$426</b>	<b>\$463</b>
<b>Cash and Cash Equivalents</b>													
Beginning of Period	(\$698)	(\$1,285)	(\$874)	(\$801)	(\$746)	(\$706)	(\$484)	(\$222)	\$86	\$436	\$817	\$1,205	\$1,632
Increase/(Decrease)	(\$588)	\$412	\$73	\$55	\$40	\$222	\$262	\$308	\$350	\$380	\$389	\$426	\$463
End of Period	(\$1,285)	(\$874)	(\$801)	(\$746)	(\$706)	(\$484)	(\$222)	\$86	\$436	\$817	\$1,205	\$1,632	\$2,094

**Table 4**  
**Municipality of North Middlesex**  
**Statement of Change in Net Financial Assets/(Debt)**  
**in \$000's**

	Actual	Actual	Actual	2013	2014	2015	2016	FORECAST					
	2010	2011	2012					2017	2018	2019	2020	2021	2022
Annual Surplus/(Deficit)	\$159	\$344	\$158	\$135	\$172	\$326	\$361	\$403	\$491	\$516	\$519	\$552	\$584
Amortization of Tangible Capital Assets	\$132	\$178	\$176	\$178	\$180	\$182	\$186	\$190	\$194	\$199	\$204	\$208	\$213
Less: Acquisition of Tangible Capital Assets	(\$721)	\$0	(\$145)	(\$150)	(\$200)	(\$300)	(\$300)	(\$300)	(\$350)	(\$350)	(\$350)	(\$350)	(\$350)
<b>Change in Net Financial Assets/(Debt)</b>	<b>(\$431)</b>	<b>\$522</b>	<b>\$188</b>	<b>\$163</b>	<b>\$152</b>	<b>\$208</b>	<b>\$248</b>	<b>\$294</b>	<b>\$335</b>	<b>\$365</b>	<b>\$373</b>	<b>\$410</b>	<b>\$446</b>
<b>Net Financial Assets/(Debt)</b>													
Beginning of Period	(\$1,338)	(\$1,769)	(\$1,246)	(\$1,058)	(\$895)	(\$744)	(\$536)	(\$288)	\$6	\$341	\$706	\$1,078	\$1,489
Increase/(Decrease)	(\$431)	\$522	\$188	\$163	\$152	\$208	\$248	\$294	\$335	\$365	\$373	\$410	\$446
End of Period	(\$1,769)	(\$1,246)	(\$1,058)	(\$895)	(\$744)	(\$536)	(\$288)	\$6	\$341	\$706	\$1,078	\$1,489	\$1,935

## **V OTHER NOTES AND ASSUMPTIONS TO FINANCIAL PLAN**

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Section 3(2) of O Reg. 453/07 states that the information is required only if the information is known to the owner at the time the financial plan preparation. The assumptions used in preparing the financial plan are noted below.

### **1. Cash**

The beginning of period Cash and Cash equivalents contained in the Statement of Cash Flows is the total of the opening balance of reserves and reserve funds. The opening balances were unaudited at the time the Financial Plan was prepared and may change.

### **2. Receivables and Payables**

It is assumed that the water receivables and payables are not significant and therefore have not been identified.

### **3. Debt**

Outstanding debt of about \$640,000 existed at the start of 2010.

### **4. Accumulated Surplus**

The accumulated surplus for all years in the forecast period is contained in Table 5.

**Table 5**  
**Municipality of North Middlesex**  
**Reconciliation of Accumulated Surplus**  
**in \$000's**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Accumulated Surplus consists of:</b>													
<b>Opening Reserve Balance</b>													
<i>Development Charges</i>	\$0												
<i>Water Reserve</i>	(\$698)												
<b>Total Reserve Balance</b>	(\$698)												
<i>Less: Debt Obligations and Deferred Revenue</i>	(\$640)												
<i>Add: Tangible Capital Assets</i>	\$9,581												
<b>Total Opening Balance</b>	<b>\$8,243</b>	<b>\$8,402</b>	<b>\$8,746</b>	<b>\$8,904</b>	<b>\$9,039</b>	<b>\$9,211</b>	<b>\$9,537</b>	<b>\$9,898</b>	<b>\$10,301</b>	<b>\$10,792</b>	<b>\$11,308</b>	<b>\$11,828</b>	<b>\$12,380</b>
<i>Add: Contributions to/(from) Reserves (excl DC)</i>													
<i>Water Reserve</i>	(\$593)	\$408	\$71	\$41	\$26	\$208	\$248	\$294	\$335	\$365	\$373	\$410	\$446
<b>Total Change in Reserve</b>	<b>(\$593)</b>	<b>\$408</b>	<b>\$71</b>	<b>\$41</b>	<b>\$26</b>	<b>\$208</b>	<b>\$248</b>	<b>\$294</b>	<b>\$335</b>	<b>\$365</b>	<b>\$373</b>	<b>\$410</b>	<b>\$446</b>
<i>Add: Changes in TCA during the year</i>													
<i>Capital Assets Acquired/disposed</i>	\$721	\$0	\$145	\$150	\$200	\$300	\$300	\$300	\$350	\$350	\$350	\$350	\$350
<i>Amortization of Capital Assets</i>	(\$132)	(\$178)	(\$176)	(\$178)	(\$180)	(\$182)	(\$186)	(\$190)	(\$194)	(\$199)	(\$204)	(\$208)	(\$213)
<b>Total Changes in Tangible Capital Assets</b>	<b>\$590</b>	<b>(\$178)</b>	<b>(\$31)</b>	<b>(\$28)</b>	<b>\$20</b>	<b>\$118</b>	<b>\$114</b>	<b>\$110</b>	<b>\$156</b>	<b>\$151</b>	<b>\$146</b>	<b>\$142</b>	<b>\$137</b>
<b>Subtract Changes in Debt Position</b>													
<i>New Debt</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Debt Repayment</i>	\$162	\$114	\$118	\$122	\$125	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Change in Debt</b>	<b>\$162</b>	<b>\$114</b>	<b>\$118</b>	<b>\$122</b>	<b>\$125</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Ending Balance</b>	<b>\$8,402</b>	<b>\$8,746</b>	<b>\$8,904</b>	<b>\$9,039</b>	<b>\$9,211</b>	<b>\$9,537</b>	<b>\$9,898</b>	<b>\$10,301</b>	<b>\$10,792</b>	<b>\$11,308</b>	<b>\$11,828</b>	<b>\$12,380</b>	<b>\$12,963</b>

**APPENDIX**

**Appendix A - Table 1  
Municipality of North Middlesex  
Operating Budget Forecast  
in \$000's**

	ACTUAL			BUDGET 2013	FORECAST								
	2010	2011	2012		2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenditures</b>													
<b>Operating Costs</b>													
General Expenditures	\$479	\$468	\$597	\$703	\$714	\$724	\$735	\$746	\$756	\$766	\$776	\$786	\$796
Water Purchases	\$479	\$475	\$486	\$505	\$530	\$557	\$585	\$614	\$645	\$677	\$711	\$746	\$783
	<b>\$958</b>	<b>\$944</b>	<b>\$1,084</b>	<b>\$1,208</b>	<b>\$1,244</b>	<b>\$1,281</b>	<b>\$1,320</b>	<b>\$1,359</b>	<b>\$1,401</b>	<b>\$1,443</b>	<b>\$1,487</b>	<b>\$1,532</b>	<b>\$1,579</b>
<b>Capital Related Costs</b>													
Capital from Current	\$809	-	\$145	\$150	\$200	\$300	\$300	\$300	\$350	\$350	\$350	\$350	\$350
Capital Related Debt (Secondary waterline)	\$180	\$128	\$128	\$128	\$128	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<b>\$989</b>	<b>\$128</b>	<b>\$273</b>	<b>\$278</b>	<b>\$328</b>	<b>\$300</b>	<b>\$300</b>	<b>\$300</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>
<b>Reserve Contribution</b>													
Contributions to/(from) General Water Reserve	\$0	\$408	\$71	\$0	\$0	\$130	\$130	\$130	\$130	\$130	\$130	\$130	\$130
Contributions to/(from) Reserve (Asset R&R)	\$0	\$0	\$0	\$41	\$26	\$78	\$118	\$164	\$205	\$235	\$243	\$280	\$316
	<b>\$0</b>	<b>\$408</b>	<b>\$71</b>	<b>\$41</b>	<b>\$26</b>	<b>\$208</b>	<b>\$248</b>	<b>\$294</b>	<b>\$335</b>	<b>\$365</b>	<b>\$373</b>	<b>\$410</b>	<b>\$446</b>
<b>Total Expenditures</b>	<b>\$1,947</b>	<b>\$1,479</b>	<b>\$1,427</b>	<b>\$1,527</b>	<b>\$1,598</b>	<b>\$1,789</b>	<b>\$1,867</b>	<b>\$1,953</b>	<b>\$2,086</b>	<b>\$2,158</b>	<b>\$2,210</b>	<b>\$2,293</b>	<b>\$2,376</b>
<b>Revenues</b>													
Water Billing Revenue	\$1,337	\$1,306	\$1,305	\$1,487	\$1,556	\$1,750	\$1,824	\$1,905	\$2,035	\$2,102	\$2,147	\$2,223	\$2,298
Transfer from Reserve (interest on in-year transaction)	\$0	\$0	\$0	\$1	\$3	\$5	\$9	\$13	\$19	\$25	\$31	\$39	\$47
Transfer from Reserve to support operating	\$593	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Non-User Rate Revenues	\$17	\$173	\$121	\$39	\$39	\$34	\$34	\$34	\$31	\$31	\$31	\$31	\$31
	<b>\$1,947</b>	<b>\$1,479</b>	<b>\$1,427</b>	<b>\$1,527</b>	<b>\$1,598</b>	<b>\$1,789</b>	<b>\$1,867</b>	<b>\$1,953</b>	<b>\$2,086</b>	<b>\$2,158</b>	<b>\$2,210</b>	<b>\$2,293</b>	<b>\$2,376</b>

**Appendix A - Table 2**  
**Municipality of North Middlesex**  
**Capital Budget Forecast**  
**in \$000's**

	Actual	Actual	Actual	2013	2014	2015	2016	FORECAST					
	2010	2011	2012					2017	2018	2019	2020	2021	2022
<b>Capital Program</b>													
Growth Related	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-Growth Related	\$809	\$0	\$145	\$150	\$200	\$300	\$300	\$300	\$350	\$350	\$350	\$350	\$350
Capital Repair and Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$809</b>	<b>\$0</b>	<b>\$145</b>	<b>\$150</b>	<b>\$200</b>	<b>\$300</b>	<b>\$300</b>	<b>\$300</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>
<b>Funding Sources</b>													
Operating Contributions	\$809	\$0	\$145	\$150	\$200	\$300	\$300	\$300	\$350	\$350	\$350	\$350	\$350
Transfer From Development Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Funding</b>	<b>\$809</b>	<b>\$0</b>	<b>\$145</b>	<b>\$150</b>	<b>\$200</b>	<b>\$300</b>	<b>\$300</b>	<b>\$300</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>



**Appendix A-3**  
**Municipality of North Middlesex**  
**Reserve and Reserve Fund Continuity**  
**in \$000's**

	Actual 2010	Actual 2011	Actual 2012	2013	2014	2015	2016	FORECAST					
								2017	2018	2019	2020	2021	2022
<b>Water Reserve</b>													
Opening Balance	(\$698)	(\$1,290)	(\$882)	(\$811)	(\$770)	(\$744)	(\$536)	(\$288)	\$5	\$340	\$705	\$1,078	\$1,488
Transfer from Operating (general)	\$0	\$408	\$71	\$0	\$0	\$90	\$90	\$90	\$90	\$90	\$90	\$90	\$90
Transfer from Operating (deficit repayment)	\$0	\$0	\$0	\$0	\$0	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
Transfer from Operating (asset R&R)	\$0	\$0	\$0	\$41	\$26	\$78	\$118	\$164	\$205	\$235	\$243	\$280	\$316
Interest on in-year contribution	\$0	\$0	\$0	\$1	\$3	\$5	\$9	\$13	\$19	\$25	\$31	\$39	\$47
Transfer to Operating	(\$593)	\$0	\$0	(\$1)	(\$3)	(\$5)	(\$9)	(\$13)	(\$19)	(\$25)	(\$31)	(\$39)	(\$47)
Ending Balance	(\$1,290)	(\$882)	(\$811)	(\$770)	(\$744)	(\$536)	(\$288)	\$5	\$340	\$705	\$1,078	\$1,488	\$1,935
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Development Charge Reserve</b>													
Opening Balance	\$0	\$5	\$9	\$11	\$24	\$38	\$52	\$66	\$81	\$96	\$111	\$127	\$143
Revenue	\$5	\$4	\$2	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Transfer to Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer to Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$0	\$0	\$0	\$1	\$1	\$1	\$1	\$2	\$2	\$2	\$3	\$3	\$4
Ending Balance	\$5	\$9	\$11	\$24	\$38	\$52	\$66	\$81	\$96	\$111	\$127	\$143	\$159
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Interest on Positive Balances	2.25%
Interest on Negative Balances	4.25%

**Appendix A - Table 4  
Municipality of North Middlesex  
Non- Growth Related Debenture Schedule  
in \$000's**

	2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
Debt Payment - Secondary Waterline	\$111	\$18	\$114	\$14	\$118	\$10	\$122	\$6	\$125	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$589	\$49
Debt Payment - Ward 4 Waterline																												\$17	\$0
Debt Payment - Ward 4 Waterline																												\$35	\$0
	<b>\$162</b>	<b>\$18</b>	<b>\$114</b>	<b>\$14</b>	<b>\$118</b>	<b>\$10</b>	<b>\$122</b>	<b>\$6</b>	<b>\$125</b>	<b>\$2</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$640</b>	<b>\$49</b>

**HEMSON**