

Projected Financial Statements of

**CORPORATION OF THE TOWN
OF LAURENTIAN HILLS**

Waterworks System

Financial Plan Number 261-301

Years ended December 31, 2012 through 2022
(Unaudited - see Notice to Reader)

SCOTT ROSIEN & DEMPSEY

Chartered Accountants

D.M. Scott, CPA, CA, LPA
D.W. Rosien, CPA, CA, LPA
W.T. Dempsey, CPA, CA, LPA

545 Pembroke Street West
Pembroke, Ontario K8A 5P2

TELEPHONE: 613-735-3981
FAX: 613-732-3829

NOTICE TO READER

We have compiled the financial projections of the Corporation Of The Town of Laurentian Hills Waterworks System Financial Plan Number 261-301, consisting of the statement of financial position at December 31, 2011, and projected statement of financial position for the years ended December 31, 2012 through 2022, the statement of operations, change in net financial assets and cash flows for the year ended December 31, 2011, and the projected statement of operations, change in net assets and cash flows for the years ended December 31, 2012 through 2022 using assumptions with an effective date of September 6, 2012, and other information provided by management. Our engagement was performed in accordance with the applicable guidance on compilation of a financial projection issued by The Canadian Institute of Chartered Accountants.

A compilation is limited to presenting, in the form of a financial projection, information provided by management and does not include evaluating the support for the assumptions, including the hypotheses, or other information underlying the projection. Accordingly, we do not express an opinion or any other form of assurance on the financial projection or assumptions, including the hypotheses. Further, since this financial projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material. We have no responsibility to update this communication for events and circumstances occurring after the date of the communication.

SCOTT ROSIEN & DEMPSEY

Licensed Public Accountants
Chartered Accountants

Pembroke, Ontario

September 6, 2012

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Statement of Financial Position
(Unaudited – see Notice to Reader)

December 31, 2011, with projected figures for 2012 through 2022

	Actual												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Financial Assets													
Cash	\$ 123,011	\$ 148,872	\$ 174,914	\$ 201,138	\$ 227,546	\$ 254,139	\$ 280,918	\$ 307,884	\$ 335,039	\$ 362,384	\$ 205,973	\$ 232,415	
Accounts receivable	12,181	8,977	9,150	9,396	9,528	9,666	9,799	9,939	10,067	10,195	10,323	10,452	
Due from the Corporation Of The Town of Laurentian Hills	–	–	–	15,202	28,605	48,576	69,429	91,313	113,854	131,012	–	24,308	
	135,192	157,849	184,064	225,736	265,679	312,381	360,146	409,136	458,960	503,591	216,296	267,175	
Financial Liabilities													
Due to the Corporation Of The Town of Laurentian Hills	16,786	16,343	2,671	–	–	–	–	–	–	–	–	–	
Net Financial Assets	118,406	141,506	181,393	225,736	265,679	312,381	360,146	409,136	458,960	503,591	216,296	267,175	
Non-Financial Assets													
Tangible capital assets – net (note 2)	2,659,010	2,481,726	2,304,442	2,127,158	1,949,874	1,772,590	1,595,306	1,418,194	1,241,260	1,064,326	1,222,683	1,041,646	
Accumulated Surplus (note 3)	\$ 2,777,416	\$ 2,623,232	\$ 2,485,835	\$ 2,352,894	\$ 2,215,553	\$ 2,084,971	\$ 1,955,452	\$ 1,827,330	\$ 1,700,220	\$ 1,567,917	\$ 1,438,979	\$ 1,308,821	

The accompanying notes are an integral part of these projected financial statements.

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Statement of Operations
(Unaudited – see Notice to Reader)

Year ended December 31, 2011, with projected figures for 2012 through 2022

	Actual 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues												
Service charges to users	\$ 244,858	\$ 258,707	\$ 263,692	\$ 270,812	\$ 274,610	\$ 278,605	\$ 282,438	\$ 286,473	\$ 290,152	\$ 293,844	\$ 297,547	\$ 301,263
Frontage and connection charges	160	–	–	–	–	–	–	–	–	–	–	–
Late payment fees	1,495	1,495	1,514	1,534	1,554	1,574	1,594	1,615	1,636	1,657	1,679	1,701
Province of Ontario grant	130,302	–	–	–	–	–	–	–	–	–	–	–
Interest on reserve fund	1,446	861	1,042	1,224	1,408	1,593	1,779	1,966	2,155	2,345	2,537	1,442
Total revenues	378,261	261,063	266,248	273,570	277,572	281,772	285,811	290,054	293,943	297,846	301,763	304,406
Expenditures												
Operation and maintenance	232,930	211,431	204,627	207,288	209,983	212,714	215,478	218,280	221,117	223,992	226,903	229,853
General administration	21,201	26,532	21,734	21,939	27,646	22,356	22,568	22,784	23,002	29,223	23,447	23,674
Amortization of tangible capital assets	172,323	177,284	177,284	177,284	177,284	177,284	177,284	177,112	176,934	176,934	180,351	181,037
Total expenditures	426,454	415,247	403,645	406,511	414,913	412,354	415,330	418,176	421,053	430,149	430,701	434,564
Annual deficit	(48,193)	(154,184)	(137,397)	(132,941)	(137,341)	(130,582)	(129,519)	(128,122)	(127,110)	(132,303)	(128,938)	(130,158)
Accumulated surplus, beginning of year	2,825,609	2,777,416	2,623,232	2,485,835	2,352,894	2,215,553	2,084,971	1,955,452	1,827,330	1,700,220	1,567,917	1,438,979
Accumulated surplus, end of year	\$ 2,777,416	\$ 2,623,232	\$ 2,485,835	\$ 2,352,894	\$ 2,215,553	\$ 2,084,971	\$ 1,955,452	\$ 1,827,330	\$ 1,700,220	\$ 1,567,917	\$ 1,438,979	\$ 1,308,821

The accompanying notes are an integral part of these projected financial statements.

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Statement of Change in Net Financial Assets
(Unaudited – see Notice to Reader)

Year ended December 31, 2011, with projected figures for 2012 through 2022

	Actual 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annual deficit	\$ (48,193)	\$ (154,184)	\$ (137,397)	\$ (132,941)	\$ (137,341)	\$ (130,582)	\$ (129,519)	\$ (128,122)	\$ (127,110)	\$ (132,303)	\$ (128,938)	\$ (130,158)
Amortization of tangible capital assets	172,323	177,284	177,284	177,284	177,284	177,284	177,284	177,112	176,934	176,934	180,351	181,037
Acquisition of tangible capital assets	(204,026)	–	–	–	–	–	–	–	–	–	(338,708)	–
Increase (decrease) in net financial assets	(79,896)	23,100	39,887	44,343	39,943	46,702	47,765	48,990	49,824	44,631	(287,295)	50,879
Net financial assets, beginning of year	198,302	118,406	141,506	181,393	225,736	265,679	312,381	360,146	409,136	458,960	503,591	216,296
Net financial assets, end of year	\$ 118,406	\$ 141,506	\$ 181,393	\$ 225,736	\$ 265,679	\$ 312,381	\$ 360,146	\$ 409,136	\$ 458,960	\$ 503,591	\$ 216,296	\$ 267,175

The accompanying notes are an integral part of these projected financial statements.

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Statement of Cash Flows

(Unaudited – see Notice to Reader)

Year ended December 31, 2011, with projected figures for 2012 through 2022

	Actual												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Operations:													
Annual surplus (deficit)	\$ (48,193)	\$ (154,184)	\$ (137,397)	\$ (132,941)	\$ (137,341)	\$ (130,582)	\$ (129,519)	\$ (128,122)	\$ (127,110)	\$ (132,303)	\$ (128,938)	\$ (130,158)	
Non-cash charges to operations:													
Amortization of tangible capital assets	172,323	177,284	177,284	177,284	177,284	177,284	177,284	177,112	176,934	176,934	180,351	181,037	
Changes in non-cash working capital:													
Increase (decrease) in due to the Corporation Of The Town of Laurentian Hills	6,861	(443)	(13,672)	(17,873)	(13,403)	(19,971)	(20,853)	(21,884)	(22,541)	(17,158)	131,012	(24,308)	
Decrease (increase) in accounts receivable	(4,463)	3,204	(173)	(246)	(132)	(138)	(133)	(140)	(128)	(128)	(128)	(129)	
Increase in cash from operations	126,528	25,861	26,042	26,224	26,408	26,593	26,779	26,966	27,155	27,345	182,297	26,442	
Capital:													
Acquisition of tangible capital assets	(204,026)	–	–	–	–	–	–	–	–	–	(338,708)	–	
Net change in cash	(77,498)	25,861	26,042	26,224	26,408	26,593	26,779	26,966	27,155	27,345	(156,411)	26,442	
Cash, beginning of year	200,509	123,011	148,872	174,914	201,138	227,546	254,139	280,918	307,884	335,039	362,384	205,973	
Cash, end of year	\$ 123,011	\$ 148,872	\$ 174,914	\$ 201,138	\$ 227,546	\$ 254,139	\$ 280,918	\$ 307,884	\$ 335,039	\$ 362,384	\$ 205,973	\$ 232,415	

The accompanying notes are an integral part of these projected financial statements.

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Notes to the Projected Financial Statements
(Unaudited – see Notice to Reader)

Years ended December 31, 2012 through 2022

1. Significant Assumptions:

These financial projections have been prepared as at September 6, 2012, on the basis of the following assumptions made by the management of the Corporation Of The Town of Laurentian Hills Waterworks System (the Waterworks System). These assumptions are based on management's judgement of the most likely course of action, based on information existing at the date these projections were prepared.

However, unanticipated events and circumstances may occur; therefore, the actual results achieved during the projected periods may vary from the projected results and the variations may be material.

These financial projections have been prepared to comply with the requirements of the Safe Drinking Water Act in conjunction with the renewal of the Waterworks System municipal drinking water license issued under financial plan number 261-301.

In preparing these projections, management has made the following significant assumptions:

(a) Basis of Projections:

Projected figures for the year ending December 31, 2012 are based on the Corporation Of The Town of Laurentian Hills Waterworks System Council approved budget with adjustments for actual results to September 6, 2012.

Projected figures for the statement of operations for the years ending December 31, 2013 through 2022 have been increased by 1.3% annually with exceptions for unusual transactions.

The Waterworks System takes water from Corry Lake to supply its users. It is assumed that Corry Lake will continue to provide sufficient water to cover the needs of the Waterworks System.

(b) Revenues:

(i) Service charges to users:

Service charges to users is calculated as the number of connections multiplied by the rate in effect as follows:

	Total Connections	New Connections	Bi-monthly Rate
2012	495	–	\$ 86
2013	506	11	87
2014	507	1	88
2015	509	2	89
2016	510	1	90
2017	512	2	91
2018	513	1	92
2019	514	1	93
2020	515	1	94
2021	516	1	95
2022	517	1	96

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Notes to the Projected Financial Statements, continued
(Unaudited – see Notice to Reader)

Years ended December 31, 2012 through 2022

1. Significant Assumptions (continued):

(i) Service charges to users (continued):

New connections are assumed to be made September 1 of each year.

The number of new connections is limited by the existing capacity of the wastewater system which has not been included in these projections.

(ii) Interest on reserve funds:

Interest on reserve funds is calculated as 0.7% of the prior year balance.

(c) Expenditures:

(i) Operation and maintenance:

The Waterworks System has an operating agreement related to the shared operation of the water treatment and wastewater operations. The contract includes provision for annual increases that approximate inflation and expires March 31, 2017. It is assumed that a similar contract will be entered into at that time at a similar rate of inflation.

(ii) General administration:

An annual administration charge of \$6,000 is recorded each year, paid to the Corporation Of The Town of Laurentian Hills.

It is expected that a financial projection will need to be performed in conjunction with each renewal of the municipal drinking water license. The cost of these projections have been provided for as follows: 2012 - \$5,000; 2015 - \$5,500; and 2020 - \$6,000.

(d) Tangible Capital Assets:

The Waterworks System will acquire a new SCADA system in the year ending December 31, 2021. This equipment will have a 10 year estimated useful life. The projected purchase price of \$338,708 will be financed with a combination of working capital (\$154,760) and reserve funds (\$183,948).

No consideration has been made for assets that may be contributed to the Waterworks System by developers or other third parties.

No other capital expenditures are projected.

(e) Reserve Funds:

The projections include an annual contribution of \$25,000 plus interest to the Waterworks System reserve fund. This fund will earn interest at 0.7% annually.

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Notes to the Projected Financial Statements, continued
(Unaudited – see Notice to Reader)

Years ended December 31, 2012 through 2022

1. Significant Assumptions (continued):

(f) Accounts Receivable:

Accounts receivable were estimated as a percentage of annual service charges to users and late payment fees. The percentage used of 3.45% is based on prior years audited financial reports.

(g) Due from/to the Corporation Of The Town of Laurentian Hills:

The Corporation Of The Town of Laurentian Hills does not maintain all financial asset and financial liability data separately for the Waterworks System. To provide a balanced set of financial statements any surplus or deficit in working capital has been shown as a financial asset or financial liability due from or due to the Corporation Of The Town of Laurentian Hills. Interest is not applied to these balances.

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Notes to the Projected Financial Statements, continued
(Unaudited – see Notice to Reader)

Years ended December 31, 2012 through 2022

2. Tangible Capital Assets:

- (a) Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Estimated useful life
Waterworks system	10 to 80 years

The Corporation Of The Town of Laurentian Hills Waterworks System has a capitalization threshold so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

- (b) Tangible Capital Assets:

	Actual 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cost												
Balance, beginning of year	\$ 7,643,696	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,847,722	\$ 7,888,763
Additions during the year	204,026	–	–	–	–	–	–	–	–	–	338,708	–
Disposals during the year	–	–	–	–	–	–	–	–	–	–	(297,667)	–
Balance, end of year	7,847,722	7,847,722	7,847,722	7,847,722	7,847,722	7,847,722	7,847,722	7,847,722	7,847,722	7,847,722	7,888,763	7,888,763
Accumulated amortization												
Balance, beginning of year	5,016,389	5,188,712	5,365,996	5,543,280	5,720,564	5,897,848	6,075,132	6,252,416	6,429,528	6,606,462	6,783,396	6,666,080
Amortization during the year	172,323	177,284	177,284	177,284	177,284	177,284	177,284	177,112	176,934	176,934	180,351	181,037
Accumulated amortization on disposals	–	–	–	–	–	–	–	–	–	–	(297,667)	–
Balance, end of year	5,188,712	5,365,996	5,543,280	5,720,564	5,897,848	6,075,132	6,252,416	6,429,528	6,606,462	6,783,396	6,666,080	6,847,117
Net book value of tangible capital assets												
	\$ 2,659,010	\$ 2,481,726	\$ 2,304,442	\$ 2,127,158	\$ 1,949,874	\$ 1,772,590	\$ 1,595,306	\$ 1,418,194	\$ 1,241,260	\$ 1,064,326	\$ 1,222,683	\$ 1,041,646

CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Notes to the Projected Financial Statements, continued
(Unaudited – see Notice to Reader)

Years ended December 31, 2012 through 2022

3. Accumulated Surplus:

	Actual											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Reserve fund	\$ 123,011	\$ 148,872	\$ 174,914	\$ 201,138	\$ 227,546	\$ 254,139	\$ 280,918	\$ 307,884	\$ 335,039	\$ 362,384	\$ 205,973	\$ 232,415
Invested in tangible capital assets	2,659,010	2,481,726	2,304,442	2,127,158	1,949,874	1,772,590	1,595,306	1,418,194	1,241,260	1,064,326	1,222,683	1,041,646
General revenue fund	(4,605)	(7,366)	6,479	24,598	38,133	58,242	79,228	101,252	123,921	141,207	10,323	34,760
Accumulated surplus	\$ 2,777,416	\$ 2,623,232	\$ 2,485,835	\$ 2,352,894	\$ 2,215,553	\$ 2,084,971	\$ 1,955,452	\$ 1,827,330	\$ 1,700,220	\$ 1,567,917	\$ 1,438,979	\$ 1,308,821

4. Continuity of Reserve Fund:

	Actual											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Balance, beginning of year	\$ 200,509	\$ 123,011	\$ 148,872	\$ 174,914	\$ 201,138	\$ 227,546	\$ 254,139	\$ 280,918	\$ 307,884	\$ 335,039	\$ 362,384	\$ 205,973
Transfers in	15,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Interest	1,446	861	1,042	1,224	1,408	1,593	1,779	1,966	2,155	2,345	2,537	1,442
	216,955	148,872	174,914	201,138	227,546	254,139	280,918	307,884	335,039	362,384	389,921	232,415
Transfers out	(93,944)	-	-	-	-	-	-	-	-	-	(183,948)	-
Balance, end of year	\$ 123,011	\$ 148,872	\$ 174,914	\$ 201,138	\$ 227,546	\$ 254,139	\$ 280,918	\$ 307,884	\$ 335,039	\$ 362,384	\$ 205,973	\$ 232,415