



Water Ontario Regulation 453/07 Financial Plan

Township of Whitewater Region

Financial Plan #203-301A

January 28, 2020

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List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
OCIF	Ontario Community Infrastructure Fund
O. Reg.	Ontario Regulation
PSAB	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
T.C.A.	Tangible Capital Assets
W.O.A.	Water Opportunities Act



Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

The Township of Whitewater Region (the Township) retained Watson & Associates Economists Ltd. (Watson) 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. The detailed financial planning and forecasting regarding the Township's water systems has already been completed based on the Township's 2019 Water and Wastewater Rate Study (2019 Rate Study), dated December 17, 2019. The objective of the report provided herein is to convert the findings of the 2019 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* (S.D.W.A.), "the Act," was passed in December 2002 in order to address the recommendations made by the Walkerton Inquiry Part II report. Note that S.D.W.A. has been amended several times since 2002. 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.

For licence renewals, the application must be accompanied by proof that the financial plan meets the prescribed requirements as per the Act s. 32 (5) 2 ii.

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

1.2.1 Financial Plan Defined

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3)

As of time of writing, the *Sustainable Water and Sewage Systems Act, 2002* has been repealed (see Section 2.2 of this report) however, the standards that it directs underpin the specific requirements of s.30 as they are outlined in O. Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – Existing System

The O. Reg. 453/07 provides details with regards to the financial plans for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by resolution of Council (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 in the year of licence expiry);
- 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;
- 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.

1.2.3 Financial Plan Requirements - General

Given that the requirements for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The ten-year forecast goes above and beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1) 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e. six months prior to license expiry).



A copy of the financial plan will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the MECP; however, the MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary. 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.

1.2.4 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 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.”

The format required is to conform to the requirements of PS1200 and PS3150. The financial statements are to be reported on a full accrual accounting basis. 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 financial position.

The accounting treatment of tangible capital assets is prescribed under section PS3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned are recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. 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. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.



1.2.5 The Township's Financial Plan

The Township is currently in the process of renewing the drinking water licenses and the previous version of the financial plan no longer meets the requirements as it must apply to a period of a least six years beginning in the year that the licenses would otherwise expire. Although the Act requires at least six years to be included, this financial plan provides for the current 2019 budget ten-year forecast period 2020 to 2029.



Chapter 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 Act requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the MECP 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.

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that, the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010

Since the passage of the *Safe Drinking Water Act*, changes and refinements to the legislation have been introduced, including the *Water Opportunities Act* (W.O.A). W.O.A. was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010, as the *Water Opportunities Act*.

The purposes of the *Water Opportunities Act* are to foster innovative water, wastewater and storm water technologies, services and practices; create opportunities for economic development and clean-technology jobs; and conserve and sustain water resources. To achieve this, the W.O.A. provides for the creation of performance targets (financial, operational and maintenance related), which will vary by service type and location and the required submission of conservation and sustainability plans for water, wastewater and stormwater.

The sustainability plan in the W.O.A. expands on interim legislation for financial plans included in O. Reg. 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;



- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and
- additional information considered advisable.

Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require certification, the public consultation process (if required), limitations updates and refinements.

2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015

On June 4, 2015, the Province passed the *Infrastructure for Jobs and Prosperity Act* (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

Every municipality in Ontario will have to prepare a strategic asset management policy by July 1, 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2021):
 - For core assets – municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2023):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2024):
 - Builds on Phase 1 and 2 by adding:



- Proposed levels of service; and
- Lifecycle management and financial strategy.

In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2021 (Phase 1). O. Reg. 588/17 specifies that the municipality's asset management plan must include the following for each asset category:

- the current levels of service being provided;
 - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the asset management plan.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the municipality's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that would need to be undertaken to maintain the current levels of service.

Upon completion of the asset management plan for water, the Township will need to consider the impacts during the annual budget and forecast process.

2.5 Water Forecast

The Township has already completed extensive financial planning through its 2019 Water budget and forecasting exercise and through the 2019 Rate Study. The budget & rate study processes are designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2019 Rate Study provides the basis for a sound financial plan for the Township's water systems by assessing:



- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- A review and recommendation on rate structure that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the Township's 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.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2019 Rate Study has been used as a starting point to prepare the water financial plan. The Water forecast is prepared on a modified cash basis; therefore, a conversion is 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.

3.2 Conversion Process

The conversion from the existing modified cash basis identified in the 2019 Rate Study 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 by the Township for the purposes of their annual PSAB 3150 compliance process. As required, for PSAB 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each asset and any anticipated salvage value is recorded. 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 2019 Rate Study. These estimates, however, only represent future assets that the Township anticipates purchasing or constructing without consideration for future assets that may be contributed by developers and other parties (at no or partial cost to the Township). These contributed assets will form part of the infrastructure going forward in terms of the sustainability of the system and despite their non-monetary nature; future financial plans 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

A wide range of adjustments will be considered, dependent on the size and complexity of the system, in order to convert from the cash to full accrual basis. For example, debt repayment costs relating to the principal payment portion only needs to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.



Table 3-1
Conversion Adjustments
Statement of Operations

Modified Cash Basis	Budget 2019	Adjustments		Full Accrual Budget 2019	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	759,820			759,820	Base Charge Revenue
Rate Based Revenue	25,207			25,207	Rate Based Revenue
Transfers from Reserves	27,644	27,644			
Other Revenue	35,493		1,160	36,653	Other Revenue
Total Revenues	848,164			821,680	Total Revenues
Expenditures					Expenses
Operating	697,939	1,225		699,164	Operating Expenses
Capital					
Transfers to Reserves	-		-		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	150,226		74,079	76,147	Interest on Debt
		181,751		181,751	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	848,164			957,062	Total Expenses
Net Expenditures	-			(135,382)	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			6,336,408	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	-	135,382	6,201,026	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		210,621	210,621		

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



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). 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 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 Township 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 Township 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 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, 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.



**Table 3-2
Conversion Adjustments
Statement of Financial Position**

Modified Cash Basis	Budget 2019	Adjustments		Full Accrual Budget 2019	Accrual Basis
		DR	CR		
ASSETS					ASSETS
<u>Financial Assets</u>					<u>Financial Assets</u>
Cash	56,413			56,413	Cash
Accounts Receivable	2,883			2,883	Accounts Receivable
Total Financial Assets	59,296			59,296	Total Financial Assets
<u>Non-Financial Assets</u>					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
Total Non-Financial Assets	-				
LIABILITIES					LIABILITIES
Accounts Payable & Accrued Liabilities	128			128	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	1,651,910			1,651,910	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Other	-			-	Other
Total Liabilities	1,652,038			1,652,038	Total Liabilities
Net Assets/(Debt)	(1,592,742)			(1,592,742)	Net Financial Assets/(Debt)
		7,794,993	1,225	7,793,768	<u>Non-Financial Assets</u>
		-		-	Tangible Capital Assets
		-		-	Inventory of Supplies
					Prepaid Expenses
				7,793,768	Total Non-Financial Assets
<u>Municipal Position</u>					
Water Reserves	59,168	59,168	-		
Gas Tax Reserve Fund	-	-	-		
Development Charge Reserve Fund	-	-	-		
Amounts to be Recovered	(1,651,910)	-	1,651,910		
Total Municipal Position	(1,592,742)		6,201,026	6,201,026	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		7,854,161	7,854,161		

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



3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Township 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 within the Township’s ledgers. It may not, however, be possible to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that 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:

$$\begin{aligned} & \text{Ending Reserve/Reserve Fund Balance} \\ & \text{Plus: Ending Accounts Payable Balance} \\ & \underline{\text{Less: Ending Accounts Receivable Balance}} \\ & \text{Equals: Approximate Ending Cash Balance} \end{aligned}$$

- b) Amortization Expense – The method and timing of amortization should be based on the Township’s amortization policy.



- 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 capital asset listing provided.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Township’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 minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Township's water systems. 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 Township's water systems. It is not an audited document¹ and it 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 Township's water systems. 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 2019, the Township's water system was in a net financial asset position of approximately \$1.59 million. The financial plan forecasts a reduction in the net financial debt over the forecast period to net debt of just below \$790,00 by 2029.

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

- Tangible capital assets such as watermains and treatment facilities are imperative to water service delivery.

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



- 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 increase by approximately \$3.57 million over the forecast period. This indicates that the Township has plans to increase their 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 with a decrease over the forecast period from 116% in 2019 to 57% in 2029. As a result, annual surplus/deficit increases from a deficit of approximately \$135,000 to a surplus of approximately \$900,000. This is due to a general increasing trend in the revenues anticipated based on the rate study. 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 capital 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 \$4.2 million to a 2019 accumulated surplus of \$6.3 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly



made up of reserve fund balances as well as historical investments in tangible capital assets by the Township.

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 between 2019 and 2024 the forecasted tangible capital asset acquisitions (net of amortization for the year) exceeds the forecasted annual surplus/(deficit) however, beginning in 2025 and through 2029, the forecasted annual surplus/(deficit) exceeds the forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an increase to net financial assets over the forecast period. This change demonstrates the Township's long-term plan for funding capital through accumulated surplus (i.e. reserves and reserve funds). The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is 0.26 in 2019 and increases to 1.11 over the forecast period.¹

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast 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 non-tangible capital asset maintenance) and build internal reserve funds over the forecast period. The financial plan projects the cash position of the Township's water system to improve from a balance of approximately \$267,000 at the beginning of 2019, to just over \$1.25 million by the end of 2029. 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
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Financial Assets												
Cash	1	56,413	4,892	5,034	4,603	175,195	240,782	4,465	516,081	1,143,053	328,885	1,255,842
Accounts Receivable	1	2,883	3,010	3,358	3,745	4,169	4,641	5,165	5,747	6,384	7,091	7,875
Total Financial Assets		59,296	7,902	8,392	8,348	179,364	245,423	9,630	521,828	1,149,437	335,976	1,263,717
Liabilities												
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	128	131	133	136	139	142	144	147	150	153	156
Debt (Principal only)	2	1,651,910	1,795,633	1,922,819	1,934,450	1,851,112	1,764,362	2,597,054	2,468,687	2,335,421	2,197,058	2,053,394
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities		1,652,038	1,795,764	1,922,952	1,934,586	1,851,251	1,764,504	2,597,198	2,468,834	2,335,571	2,197,211	2,053,550
Net Financial Assets/(Debt)		(1,592,742)	(1,787,862)	(1,914,560)	(1,926,238)	(1,671,887)	(1,519,081)	(2,587,568)	(1,947,006)	(1,186,134)	(1,861,235)	(789,833)
Non-Financial Assets												
Tangible Capital Assets	4	7,793,768	7,965,021	8,152,340	8,321,359	8,340,278	8,594,497	10,210,033	10,157,069	10,086,905	11,537,679	11,366,453
Total Non-Financial Assets		7,793,768	7,965,021	8,152,340	8,321,359	8,340,278	8,594,497	10,210,033	10,157,069	10,086,905	11,537,679	11,366,453
Accumulated Surplus/(Deficit)	5	6,201,026	6,177,159	6,237,780	6,395,121	6,668,391	7,075,416	7,622,465	8,210,063	8,900,771	9,676,444	10,576,620
Financial Indicators	Total Change	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
1) Increase/(Decrease) in Net Financial Assets	669,478	(133,431)	(195,120)	(126,698)	(11,678)	254,351	152,806	(1,068,487)	640,562	760,872	(675,101)	1,071,402
2) Increase/(Decrease) in Tangible Capital Assets	3,570,734	(1,951)	171,253	187,319	169,019	18,919	254,219	1,615,536	(52,964)	(70,164)	1,450,774	(171,226)
3) Increase/(Decrease) in Accumulated Surplus	4,240,212	(135,382)	(23,867)	60,621	157,341	273,270	407,025	547,049	587,598	690,708	775,673	900,176



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Water Revenue												
Flat Rate Revenue		759,820	917,959	1,023,340	1,140,617	1,269,943	1,413,727	1,573,569	1,671,640	1,774,018	1,882,455	1,997,300
Rate Based Revenue		25,207	27,525	30,277	33,305	36,635	40,299	44,329	46,545	48,872	51,316	53,882
Earned Development Charges Revenue	3	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	6	36,653	152	162	162	3,514	4,809	186	10,229	22,535	6,584	24,775
Total Revenues		821,680	945,636	1,053,779	1,174,084	1,310,092	1,458,835	1,618,084	1,728,414	1,845,425	1,940,355	2,075,957
Water Expenses												
Operating Expenses	Sch. 4-1	699,164	711,800	725,900	740,200	754,700	769,400	784,500	799,800	815,400	831,400	847,800
Interest on Debt	2	76,147	72,956	76,577	79,562	79,041	75,629	72,071	96,052	91,153	86,056	80,755
Amortization	4	181,751	184,747	190,681	196,981	203,081	206,781	214,464	244,964	248,164	247,226	247,226
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Total Expenses		957,062	969,503	993,158	1,016,743	1,036,822	1,051,810	1,071,035	1,140,816	1,154,717	1,164,682	1,175,781
Annual Surplus/(Deficit)		(135,382)	(23,867)	60,621	157,341	273,270	407,025	547,049	587,598	690,708	775,673	900,176
Accumulated Surplus/(Deficit), beginning of year	5	6,336,408	6,201,026	6,177,159	6,237,780	6,395,121	6,668,391	7,075,416	7,622,465	8,210,063	8,900,771	9,676,444
Accumulated Surplus/(Deficit), end of year		6,201,026	6,177,159	6,237,780	6,395,121	6,668,391	7,075,416	7,622,465	8,210,063	8,900,771	9,676,444	10,576,620
Note 5:												
Accumulated Surplus/(Deficit) Reconciliation:		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Reserve Balances												
Reserves: Development Charges		-	-	-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		59,168	7,771	8,259	8,212	179,225	245,281	9,486	521,681	1,149,287	335,823	1,263,561
Total Reserves Balance		59,168	7,771	8,259	8,212	179,225	245,281	9,486	521,681	1,149,287	335,823	1,263,561
Less: Debt Obligations and Deferred Revenue		(1,651,910)	(1,795,633)	(1,922,819)	(1,934,450)	(1,851,112)	(1,764,362)	(2,597,054)	(2,468,687)	(2,335,421)	(2,197,058)	(2,053,394)
Add: Tangible Capital Assets	4	7,793,768	7,965,021	8,152,340	8,321,359	8,340,278	8,594,497	10,210,033	10,157,069	10,086,905	11,537,679	11,366,453
Total Ending Balance		6,201,026	6,177,159	6,237,780	6,395,121	6,668,391	7,075,416	7,622,465	8,210,063	8,900,771	9,676,444	10,576,620
Financial Indicators	Total Change	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
1) Expense to Revenue Ratio		116%	103%	94%	87%	79%	72%	66%	66%	63%	60%	57%
2) Increase/(Decrease) in Accumulated Surplus	4,240,212	(135,382)	(23,867)	60,621	157,341	273,270	407,025	547,049	587,598	690,708	775,673	900,176



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Expenses		-	-	-	-	-	-	-	-	-	-	-
COBDEN - ADMINISTRATION		-	-	-	-	-	-	-	-	-	-	-
2-4-2401-1330 COBDEN WATER Education, Semim		500	500	500	500	500	500	500	500	500	500	500
2-4-2401-2230 COBDEN WATER - Insurance		7,700	7,900	8,100	8,300	8,500	8,700	8,900	9,100	9,300	9,500	9,700
2-4-2401-4010 COBDEN WATER - Contracts		255,000	260,100	265,300	270,600	276,000	281,500	287,100	292,800	298,700	304,700	310,800
2-4-2401-5020 COBDEN WATER - PIL		1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
COBDEN - TRANSMISSION		-	-	-	-	-	-	-	-	-	-	-
2-4-2402-1010 COBDEN WATER TRANS - Salary		5,045	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000
2-4-2402-1110 COBDEN WATER TRANS - Benefits		707	700	700	700	700	700	700	700	700	700	700
2-4-2402-1210 COBDEN WATER TRANS - Payroll De		340	300	300	300	300	300	300	300	300	300	300
2-4-2402-1220 COBDEN WATER TRANS - WSIB		55	100	100	100	100	100	100	100	100	100	100
2-4-2402-2410 COBDEN WATER TRANS - Equipment		25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	30,500
2-4-2402-2430 COBDEN WATER TRANS - Building F		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
2-4-2402-5010 COBDEN WATER TRANS - Miscellaneous		5,500	5,600	5,700	5,800	5,900	6,000	6,100	6,200	6,300	6,400	6,500
COBDEN - DISTRIBUTION		-	-	-	-	-	-	-	-	-	-	-
2-4-2403-1010 COBDEN WATER DIST - Salary		5,045	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000
2-4-2403-1110 COBDEN WATER DIST - Benefits		707	700	700	700	700	700	700	700	700	700	700
2-4-2403-1210 COBDEN WATER DIST - Payroll De&		340	300	300	300	300	300	300	300	300	300	300
2-4-2403-1220 COBDEN WATER DIST - WSIB		55	100	100	100	100	100	100	100	100	100	100
2-4-2403-2010 COBDEN WATER DIST - Materials/Supplies		2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500
2-4-2403-2440 COBDEN WATER DIST - Equipment F		7,500	7,700	7,900	8,100	8,300	8,500	8,700	8,900	9,100	9,300	9,500
2-4-2403-5010 COBDEN WATER DIST - Miscellaneous		7,000	7,100	7,200	7,300	7,400	7,500	7,700	7,900	8,100	8,300	8,500
BEACHBURG - ADMINISTRATION		-	-	-	-	-	-	-	-	-	-	-
2-4-3401-1330 BEACHBURG WATER - Education, SE		500	500	500	500	500	500	500	500	500	500	500
2-4-3401-2230 BEACHBURG WATER - Insurance		7,465	7,600	7,800	8,000	8,200	8,400	8,600	8,800	9,000	9,200	9,400
2-4-3401-4010 BEACHBURG WATER - Contracts		245,000	249,900	254,900	260,000	265,200	270,500	275,900	281,400	287,000	292,700	298,600
2-4-3401-5020 BEACHBURG WATER - PIL		6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500	7,700	7,900
BEACHBURG - TRANSMISSION		-	-	-	-	-	-	-	-	-	-	-
2-4-3402-1010 BEACHBURG WATER TRANS - Salary		4,890	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900
2-4-3402-1110 BEACHBURG WATER TRANS - Benefits		685	700	700	700	700	700	700	700	700	700	700
2-4-3402-1210 BEACHBURG WATER TRANS - Payroll		330	300	300	300	300	300	300	300	300	300	300
2-4-3402-1220 BEACHBURG WATER TRANS - WSIB		55	100	100	100	100	100	100	100	100	100	100
2-4-3402-2410 BEACHBURG WATER TRANS - Equipment		10,000	10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000
2-4-3402-2430 BEACHBURG WATER TRANS - Building		6,500	6,600	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500
2-4-3402-5010 BEACHBURG WATER TRANS - Misc. (6,000	6,100	6,200	6,300	6,400	6,500	6,600	6,700	6,800	6,900	7,000
BEACHBURG - DISTRIBUTION		-	-	-	-	-	-	-	-	-	-	-
2-4-3403-1010 BEACHBURG WATER DIST - Salary		4,890	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900
2-4-3403-1110 BEACHBURG WATER DIST - Benefits		685	700	700	700	700	700	700	700	700	700	700
2-4-3403-1210 BEACHBURG WATER DIST - Payroll		330	300	300	300	300	300	300	300	300	300	300
2-4-3403-1220 BEACHBURG WATER DIST - WSIB		55	100	100	100	100	100	100	100	100	100	100
2-4-3403-2010 BEACHBURG WATER DIST Material		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
2-4-3403-2440 BEACHBURG WATER DIST - Equipment		3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900	4,000
2-4-3403-5010 BEACHBURG WATER DIST - Miscellaneous		5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000
HALEY - ADMINISTRATION		-	-	-	-	-	-	-	-	-	-	-
2-4-4401-1330 HALEY WATER - Education, Seminar:		500	500	500	500	500	500	500	500	500	500	500
2-4-4401-2230 HALEY WATER - Insurance		550	600	600	600	600	600	600	600	600	600	600
2-4-4401-4010 HALEY WATER - Contracts		19,000	19,400	19,800	20,200	20,600	21,000	21,400	21,800	22,200	22,600	23,100
HALEY - TRANSMISSION		-	-	-	-	-	-	-	-	-	-	-
2-4-4402-1010 HALEY WATER TRANS - Salary		365	400	400	400	400	400	400	400	400	400	400
2-4-4402-1110 HALEY WATER TRANS - Benefits		55	100	100	100	100	100	100	100	100	100	100



Schedule 4-1 (Cont'd)
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2019 to 2029

	Notes	Forecast											
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
2-4-4402-1210 HALEY WATER TRANS - Payroll Deck		25	-	-	-	-	-	-	-	-	-	-	-
2-4-4402-1220 HALEY WATER TRANS - WSIB		5	-	-	-	-	-	-	-	-	-	-	-
2-4-4402-2410 HALEY WATER TRANS - Equipment F		4,500	4,600	4,700	4,800	4,900	5,000	5,100	5,200	5,300	5,400	5,500	
2-4-4402-2430 HALEY WATER TRANS - Building ReF		2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	
2-4-4402-5010 HALEY WATER TRANS - Miscellaneous		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
HALEY - DISTRIBUTION		-	-	-	-	-	-	-	-	-	-	-	
2-4-4403-1010 HALEY WATER DIST - Salary		365	400	400	400	400	400	400	400	400	400	400	
2-4-4403-1110 HALEY WATER DIST - Benefits		55	100	100	100	100	100	100	100	100	100	100	
2-4-4403-1210 HALEY WATER DIST - Payroll Deduct		25	-	-	-	-	-	-	-	-	-	-	
2-4-4403-1220 HALEY WATER DIST - WSIB		5	-	-	-	-	-	-	-	-	-	-	
2-4-4403-2440 HALEY WATER DIST - Equipment Rei		-	-	-	-	-	-	-	-	-	-	-	
2-4-4403-5010 HALEY WATER DIST - Miscellaneous		500	500	500	500	500	500	500	500	500	500	500	
Chargeback Salaries		-	-	-	-	-	-	-	-	-	-	-	
Chargeback Salaries - Cobden		19,555	19,900	20,300	20,700	21,100	21,500	21,900	22,300	22,700	23,200	23,700	
Chargeback Salaries - Beachburg		18,382	18,700	19,100	19,500	19,900	20,300	20,700	21,100	21,500	21,900	22,300	
Chargeback Salaries - Haley		1,173	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	
Non TCA - Expenses from Capital Budget	7	1,225	-	-	-	-	-	-	-	-	-	-	
TOTAL OPERATING EXPENSES		699,164	711,800	725,900	740,200	754,700	769,400	784,500	799,800	815,400	831,400	847,800	



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Annual Surplus/(Deficit)		(135,382)	(23,867)	60,621	157,341	273,270	407,025	547,049	587,598	690,708	775,673	900,176
Less: Acquisition of Tangible Capital Assets	4	(179,800)	(356,000)	(378,000)	(366,000)	(222,000)	(461,000)	(1,830,000)	(192,000)	(178,000)	(1,698,000)	(76,000)
Add: Amortization of Tangible Capital Assets	4	181,751	184,747	190,681	196,981	203,081	206,781	214,464	244,964	248,164	247,226	247,226
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
		1,951	(171,253)	(187,319)	(169,019)	(18,919)	(254,219)	(1,615,536)	52,964	70,164	(1,450,774)	171,226
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)		(133,431)	(195,120)	(126,698)	(11,678)	254,351	152,806	(1,068,487)	640,562	760,872	(675,101)	1,071,402
Net Financial Assets/(Net Debt), beginning of year		(1,459,311)	(1,592,742)	(1,787,862)	(1,914,560)	(1,926,238)	(1,671,887)	(1,519,081)	(2,587,568)	(1,947,006)	(1,186,134)	(1,861,235)
Net Financial Assets/(Net Debt), end of year		(1,592,742)	(1,787,862)	(1,914,560)	(1,926,238)	(1,671,887)	(1,519,081)	(2,587,568)	(1,947,006)	(1,186,134)	(1,861,235)	(789,833)
Financial Indicators		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
1) Acquisition of Tangible Capital Assets (Cumulative)		179,800	535,800	913,800	1,279,800	1,501,800	1,962,800	3,792,800	3,984,800	4,162,800	5,860,800	5,936,800
2) Annual Surplus/Deficit before Amortization (Cumulative)		46,369	207,249	458,551	812,873	1,289,224	1,903,030	2,664,543	3,497,105	4,435,977	5,458,876	6,606,278
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.26	0.39	0.50	0.64	0.86	0.97	0.70	0.88	1.07	0.93	1.11



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Transactions												
Annual Surplus/Deficit		(135,382)	(23,867)	60,621	157,341	273,270	407,025	547,049	587,598	690,708	775,673	900,176
Add: Amortization of TCA's	4	181,751	184,747	190,681	196,981	203,081	206,781	214,464	244,964	248,164	247,226	247,226
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		-	-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(2,883)	(126)	(348)	(387)	(424)	(472)	(525)	(582)	(637)	(707)	(784)
Change in A/P Increase/(Decrease)		128	3	2	3	3	3	2	3	3	3	3
Less: Interest Proceeds		(1,160)	(152)	(162)	(161)	(3,514)	(4,809)	(186)	(10,229)	(22,535)	(6,585)	(24,776)
Cash Provided by Operating Transactions		42,454	160,605	250,794	353,777	472,416	608,528	760,804	821,754	915,703	1,015,610	1,121,845
Capital Transactions												
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(179,800)	(356,000)	(378,000)	(366,000)	(222,000)	(461,000)	(1,830,000)	(192,000)	(178,000)	(1,698,000)	(76,000)
Cash Applied to Capital Transactions		(179,800)	(356,000)	(378,000)	(366,000)	(222,000)	(461,000)	(1,830,000)	(192,000)	(178,000)	(1,698,000)	(76,000)
Investing Transactions												
Proceeds from Investments		1,160	152	162	161	3,514	4,809	186	10,229	22,535	6,585	24,776
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		1,160	152	162	161	3,514	4,809	186	10,229	22,535	6,585	24,776
Financing Transactions												
Proceeds from Debt Issue	2	-	210,500	194,000	88,500	-	-	923,000	-	-	-	-
Less: Debt Repayment (Principal only)	2	(74,079)	(66,778)	(66,814)	(76,869)	(83,338)	(86,750)	(90,307)	(128,367)	(133,266)	(138,363)	(143,664)
Cash Applied to Financing Transactions		(74,079)	143,722	127,186	11,631	(83,338)	(86,750)	832,693	(128,367)	(133,266)	(138,363)	(143,664)
Increase in Cash and Cash Equivalents		(210,265)	(51,521)	142	(431)	170,592	65,587	(236,317)	511,616	626,972	(814,168)	926,957
Cash and Cash Equivalents, beginning of year	1	266,678	56,413	4,892	5,034	4,603	175,195	240,782	4,465	516,081	1,143,053	328,885
Cash and Cash Equivalents, end of year	1	56,413	4,892	5,034	4,603	175,195	240,782	4,465	516,081	1,143,053	328,885	1,255,842



Notes to Financial Plan

The financial plan format as outlined in Chapter 4 closely approximates the full accrual format used by municipalities on their audited financial statements. The financial plan, however, 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); and
- 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;
- B. Investing transactions that are acquisitions and disposal of investments;
- C. Change in cash and cash equivalents during the year; and
- D. 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 Township, some of the items listed above have been estimated given that the Township 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 Township, receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on the historical levels of water receivables as a percentage of annual water revenue earned; and
- b) Payables: Based on historical levels of water payables as a percentage of annual water expenses.

2. Debt

Outstanding water related debt at the end of 2018 was just under \$1.73 million. Principal repayments, for existing debt required over the forecast period are scheduled as follows:

Year	Principal Payments
2019	74,079
2020	66,778
2021	66,814
2022	76,869
2023	83,338
2024	86,750
2025	90,307
2026	128,367
2027	133,266
2028	138,363
2029	143,664
Total	1,088,595



3. Deferred Revenue

The Township does not have deferred revenue to report as they do not impose development charges which is considered a liability for financial reporting purposes until funds are used to emplace the works for which they have been collected.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Township-owned Assets:
 - a. Land
 - b. Linear Infrastructure (watermains); and
 - c. Facilities.
- Amortization is calculated based on using the straight-line approach with no amortization in the year of acquisition or construction.
- Given the planned asset replacement forecast provided by the Township, 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, 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. Future assets are disposed of when fully amortized.
- 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 Township is unaware of any specific lead service piping in the municipal water system. When older portions of the watermain system are replaced as part of the ongoing replacement program, however, any lead service pipes will be replaced if and when found.



- The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Tangible Capital Asset Balance	11,451,375	11,618,549	11,948,897	12,299,528	12,638,767	12,844,081	13,281,089	15,090,408	15,265,892	15,427,740	17,060,325
Acquisitions	179,800	356,000	378,000	366,000	222,000	461,000	1,830,000	192,000	178,000	1,698,000	76,000
Disposals	12,626	25,652	27,369	26,761	16,686	23,992	20,681	16,516	16,152	65,415	7,652
Closing Tangible Capital Asset Balance	11,618,549	11,948,897	12,299,528	12,638,767	12,844,081	13,281,089	15,090,408	15,265,892	15,427,740	17,060,325	17,128,673
Opening Accumulated Amortization	3,655,656	3,824,781	3,983,876	4,147,188	4,317,408	4,503,803	4,686,592	4,880,375	5,108,823	5,340,835	5,522,646
Amortization Expense	181,751	184,747	190,681	196,981	203,081	206,781	214,464	244,964	248,164	247,226	247,226
Amortization on Disposal	12,626	25,652	27,369	26,761	16,686	23,992	20,681	16,516	16,152	65,415	7,652
Ending Accumulated Amortization	3,824,781	3,983,876	4,147,188	4,317,408	4,503,803	4,686,592	4,880,375	5,108,823	5,340,835	5,522,646	5,762,220
Net Book Value	7,793,768	7,965,021	8,152,340	8,321,359	8,340,278	8,594,497	10,210,033	10,157,069	10,086,905	11,537,679	11,366,453



5. Accumulated Surplus

Opening accumulated surplus for the forecast period is reconciled as follows:

Wastewater	2019 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	266,678
Total Reserves Balance	266,678
Less: Debt Obligations and Deferred Revenue	(1,725,989)
Less: Unfinanced Capital	-
Add: Long-term Accounts Receivable	-
Add: Tangible Capital Assets	7,795,719
Total Opening Balance	6,336,408

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

6. Other Revenue

Other revenue in 2019 includes funding from the Ontario Community Infrastructure Fund (OCIF), and interest on the bank account. The OCIF funding is not anticipated over the forecast, and interest on the bank account is typically minor and therefore, has not been budgeted for the forecast years.

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.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



5. Process for Financial Plan Approval and Submission to the Province

As mentioned in section 1.2, preparation of and approval of a financial plan for water assets that meets the requirements of the Act is mandatory for municipal water providers. Proof of the plan preparation and approval is a key submission requirement for municipal drinking water licensing and, upon completion, must be submitted to the MECP. The process established for plan approval, public circulation and filing is set out in O. Reg. 453/07 and can be summarized as follows:

1. The financial plan must be approved by resolution of Council 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)

The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. section 32 (5) 2. ii.)



Chapter 6

Recommendations



6. Recommendations

This report presents the water financial plan for the Township 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 2019 Rate Study, dated December 17, 2019. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Township of Whitewater Region Water Financial Plan prepared by Watson & Associates Economists Ltd. dated January 28, 2020 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated January 28, 2020 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6)

The resolution of Council approving the Financial Plan be submitted to the MECP, satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. section 32 (5) 2. ii.)