



 **Watson  
& Associates**  
ECONOMISTS LTD.

# **Water & Wastewater Ontario Regulation 453/07 Financial Plan**

Municipality of Central Elgin

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Financial Plan #046-101 & 046-102

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# List of Acronyms and Abbreviations

<b>Acronym</b>	<b>Full Description of Acronym</b>
D.C.	Development Charges
F.I.R.	Financial Information Return
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

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Watson & Associates Economists Ltd. (Watson) was retained by the Municipality of Central Elgin (Municipality) to prepare a water and wastewater financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regard to the Municipality's water and wastewater systems have already been completed and documented by Watson within the "Municipality of Central Elgin Water and Wastewater Rate Study, dated February 15, 2024" (2024 Rate Study). The objective of the report provided herein is to convert the findings of the 2024 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

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

"No person shall,

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

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

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

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

### **1.2.1 Financial Plan Defined**

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**

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

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing 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 P.S.A.B.) 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 P.S.A.B.) 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 P.S.A.B.) 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 2024 to 2033 forecast included in this financial plan exceeds that 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 must be submitted to the Ministry of Municipal Affairs and Housing (MMAH). The financial plan does not need to be submitted to the Ministry of the Environment, Conservation, and Parks (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 (P.S.A.B.) 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 is 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.



# Chapter 2

## Sustainable Financial Planning



## 2. Sustainable Financial Planning

### 2.1 Introduction

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In general, sustainability refers to the ability to maintain a certain position over time. While the S.D.W.A. 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 Services are provided below:

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system 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 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

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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

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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 W.O.A.

The purposes of the W.O.A. 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**

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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 three phases that municipalities must meet. The timelines associated with the three phases were later extended by Ontario Regulation 193/21 which was filed on March 15, 2021.

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, 2022):
  - 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, 2024):
  - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2025):
  - 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, 2022 (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.

The Municipality completed an Asset Management Plan in 2021 which included a review of their water and wastewater infrastructure. The Municipality will need to consider the impacts of funding the lifecycle requirements identified in the Asset Management Plan during the annual budget and forecast periods.

## **2.5 Water & Wastewater Forecast**

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The Municipality has already completed their financial planning through the 2024 Rate Study. The rate study was designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2024 Rate Study provides the basis for a financial plan for the Municipality's water and wastewater system by including:



- 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;
- An analysis of required water rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the Municipality'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 water financial plan.





# Chapter 3

## Approach



## 3. Approach

### 3.1 Overview

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The 2024 Rate Study has been used as a starting point to prepare the water and wastewater financial plan. The water and wastewater forecasts are 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 plans along with the opening balances that will underpin the forecasts. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plans. It is noted that financial plans have been prepared for both water and wastewater; however, the focus of the remaining chapters will be on water only. The complete financial plan for wastewater is provided in Appendix A.

### 3.2 Conversion Process

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

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

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

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water and wastewater assets, an inventory has already been compiled and summarized within the



2024 Rate Study as well as part of the Municipality's annual P.S.A.B. 3150 compliance processes. While the 2024 Rate Study identifies replacement costs for each asset, historical costs (which is the original cost to purchase, develop, or construct each asset) are required for financial reporting purposes. Once historical cost is established, the following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2024 Rate Study. However, these estimates only represent future assets that the Municipality anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the Municipality). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system despite their non-monetary nature; the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

### **3.2.2 Convert Statement of Operations**

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 need 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 (Water)

Modified Cash Basis	Budget 2024	Adjustments		Full Accrual Budget 2024	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	2,168,136			2,168,136	Base Charge Revenue
Rate Based Revenue	2,117,535			2,117,535	Rate Based Revenue
Transfers from Reserves	31,667	31,667			
Other Revenue	173,160		31,667	31,667	Earned Development Charges and Gas Tax Revenue
			904,347	1,077,507	Other Revenue
<b>Total Revenues</b>	<b>4,490,498</b>			<b>5,394,845</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	2,282,779	-		2,282,779	Operating Expenses
Capital					
Transfers to Reserves	865,330		865,330		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	1,342,389		1,139,624	202,765	Interest on Debt
		555,986		555,986	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
<b>Total Expenditures</b>	<b>4,490,498</b>			<b>3,041,530</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>2,353,315</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			20,253,937	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>2,353,315</b>	<b>-</b>	<b>22,607,252</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>2,940,968</b>	<b>2,940,968</b>		

**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). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Municipality and as such, it may 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. O. Reg. 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

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

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

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



Table 3-2  
Conversion Adjustments  
Statements of Financial Position (Water)

Modified Cash Basis	Budget 2024	Adjustments		Full Accrual Budget 2024	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	(442,122)			-	Cash
Accounts Receivable	1,678,774			1,678,774	Accounts Receivable
Accounts Receivable - Other	280,691			280,691	Accounts Receivable - Other
<b>Total Financial Assets</b>	<b>1,517,343</b>			<b>1,959,465</b>	<b>Total Financial Assets</b>
<b>LIABILITIES</b>					<b>Liabilities</b>
Accounts Payable & Accrued Liabilities	479,589			479,589	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	4,354,583			4,354,583	Debt (Principal only)
Bank Indebtedness	-			442,122	Bank Indebtedness
<b>Total Liabilities</b>	<b>4,834,172</b>			<b>5,276,294</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>(3,316,829)</b>			<b>(3,316,829)</b>	<b>Net Financial Assets/(Debt)</b>
		25,924,081	-	25,924,081	<b>Non-Financial Assets</b>
				<b>25,924,081</b>	Tangible Capital Assets
					<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Water Reserves	1,037,754	1,037,754	-		
Development Charge Reserve Fund	(280,691)	-	280,691		
Amounts to be Recovered	(4,073,892)	-	4,073,892		
<b>Total Municipal Position</b>	<b>(3,316,829)</b>		22,607,252	<b>22,607,252</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>26,961,835</b>	<b>26,961,835</b>		

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

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

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

- a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the Municipality’s ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume 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:

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





- b) Amortization Expense – The method and timing of amortization should be based on the Municipality’s amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2024 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Municipality’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.



# Chapter 4

## Financial Plan



## 4. Financial Plan

### 4.1 Introduction

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The following tables provide the complete financial plan for the Municipality's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Municipality's water system. It is not an audited document<sup>1</sup> and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

Similar tables and analysis for the Municipality's wastewater financial plan is included in Appendix A.

### 4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Municipality's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that for 2024, the Municipality's water system will be in a net financial deficit position of approximately \$3.32 million. The Municipality's net financial deficit position is projected to increase to a positive position over forecast period, reaching approximately \$16.75 million by 2033.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a requirement for

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



municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

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

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the Municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to grow by approximately \$4.63 million over the 10-year forecast period. This indicates that the Municipality has plans to invest in tangible capital assets in excess of the anticipated use of existing 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 over the forecast years, resulting in an average ratio of 58% over the forecast period. As a result, an annual surplus position is forecasted for each year, ultimately reaching an annual surplus of \$3.79 million by the end of the forecast period. It is important to note that an annual surplus is beneficial to ensure funding is available for non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.



Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately \$27.04 million to an opening 2024 accumulated surplus of \$20.25 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of reserve and reserve fund balances as well as historical investments in tangible capital assets.

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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e., inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Table 4-3 indicates that for all years the forecasted annual surplus will exceed forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an increase to the net asset balance. This allows for a long-term plan of funding capital asset acquisitions through accumulated surplus (i.e., reserves and reserve funds) and debenture issuance.

The overall increase to net debt balance is the result of more significant capital asset acquisitions forecasted allowing for a long-term plan of funding capital asset acquisitions through accumulated surplus (i.e., reserves and reserve funds) and debenture issuance. The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is forecasted to increase over the forecast period, increasing from 2.50 in 2024 to 2.86 by 2033 (note: a desirable ratio is 1:1 or better).

### **4.2.4 Statement of Cash Flow (Table 4-4)**

The Statement of Cash Flow summarizes how the Municipality's water system is 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 build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Municipality's water system to increase from a negative balance of approximately \$0.53 million at the beginning of 2024 to a balance of approximately \$13.40 million by the end of 2033. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.



**Table 4-1**  
**Statement of Financial Position: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2024-2033**

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Financial Assets</b>											
Cash	1	-	-	-	-	-	1,154,634	3,577,841	6,398,401	10,109,364	13,403,811
Accounts Receivable	1	1,678,774	1,780,625	1,867,153	1,971,697	2,080,082	2,195,174	2,314,562	2,441,218	2,575,122	2,716,719
Accounts Receivable - Other	3	280,691	1,318,346	2,384,947	2,321,067	2,251,414	2,175,754	2,093,784	2,005,185	1,909,641	1,806,728
<b>Total Financial Assets</b>		<b>1,959,465</b>	<b>3,098,971</b>	<b>4,252,100</b>	<b>4,292,764</b>	<b>4,331,496</b>	<b>5,525,562</b>	<b>7,986,187</b>	<b>10,844,804</b>	<b>14,594,127</b>	<b>17,927,258</b>
<b>Liabilities</b>											
Bank Indebtedness		442,122	2,432,030	3,216,723	2,713,079	1,444,423	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	479,589	500,033	520,394	541,505	562,972	584,939	607,824	631,362	655,822	681,181
Debt (Principal only)	2	4,354,583	3,182,308	2,473,466	2,004,537	1,782,659	1,549,798	1,305,411	1,048,927	779,748	497,245
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>		<b>5,276,294</b>	<b>6,114,371</b>	<b>6,210,583</b>	<b>5,259,121</b>	<b>3,790,054</b>	<b>2,134,737</b>	<b>1,913,235</b>	<b>1,680,289</b>	<b>1,435,570</b>	<b>1,178,426</b>
<b>Net Financial Assets/(Debt)</b>		<b>(3,316,829)</b>	<b>(3,015,400)</b>	<b>(1,958,483)</b>	<b>(966,357)</b>	<b>541,442</b>	<b>3,390,825</b>	<b>6,072,952</b>	<b>9,164,515</b>	<b>13,158,557</b>	<b>16,748,832</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	25,924,082	28,346,887	30,186,985	30,920,165	31,521,026	31,064,643	31,042,948	30,900,479	30,354,681	30,549,781
<b>Total Non-Financial Assets</b>		<b>25,924,082</b>	<b>28,346,887</b>	<b>30,186,985</b>	<b>30,920,165</b>	<b>31,521,026</b>	<b>31,064,643</b>	<b>31,042,948</b>	<b>30,900,479</b>	<b>30,354,681</b>	<b>30,549,781</b>
<b>Accumulated Surplus/(Deficit)</b>	5	<b>22,607,253</b>	<b>25,331,487</b>	<b>28,228,502</b>	<b>29,953,808</b>	<b>32,062,468</b>	<b>34,455,468</b>	<b>37,115,900</b>	<b>40,064,994</b>	<b>43,513,238</b>	<b>47,298,613</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
1) Increase/(Decrease) in Net Financial Assets	19,505,225	1,241,303	301,429	1,056,917	992,126	1,507,799	2,849,383	2,682,127	3,091,563	3,994,042	3,590,275
2) Increase/(Decrease) in Tangible Capital Assets	5,340,544	1,112,014	2,422,805	1,840,098	733,180	600,861	(456,383)	(21,695)	(142,469)	(545,798)	195,100
3) Increase/(Decrease) in Accumulated Surplus	24,845,769	2,353,317	2,724,234	2,897,015	1,725,306	2,108,660	2,393,000	2,660,432	2,949,094	3,448,244	3,785,375



**Table 4-2**  
**Statement of Operations: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2024-2033**

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Water Revenue</b>											
Base Charge Revenue		2,168,136	2,293,160	2,424,691	2,562,912	2,708,001	2,860,743	3,021,348	3,190,649	3,368,253	3,555,011
Rate Based Revenue		2,117,535	2,264,909	2,396,495	2,537,917	2,682,742	2,837,856	2,996,599	3,166,086	3,346,657	3,538,651
Earned Development Charges Revenue	3	31,667	1,112,918	1,125,000	-	-	-	-	-	-	-
Other Revenue	6	1,077,509	176,473	183,297	193,557	218,770	270,076	317,873	373,464	446,499	511,359
<b>Total Revenues</b>		<b>5,394,847</b>	<b>5,847,460</b>	<b>6,129,483</b>	<b>5,294,386</b>	<b>5,609,513</b>	<b>5,968,675</b>	<b>6,335,820</b>	<b>6,730,199</b>	<b>7,161,409</b>	<b>7,605,021</b>
<b>Water Expenses</b>											
Operating Expenses	Sch. 4-1	2,282,779	2,380,091	2,477,004	2,577,494	2,709,673	2,784,233	2,893,161	3,005,200	3,121,627	3,242,329
Interest on Debt	2	202,765	165,940	131,562	320,766	93,041	82,059	70,532	58,436	45,740	32,417
Amortization	4	555,986	577,195	623,902	670,820	698,139	709,383	711,695	717,469	545,798	544,900
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>		<b>3,041,530</b>	<b>3,123,226</b>	<b>3,232,468</b>	<b>3,569,080</b>	<b>3,500,853</b>	<b>3,575,675</b>	<b>3,675,388</b>	<b>3,781,105</b>	<b>3,713,165</b>	<b>3,819,646</b>
<b>Annual Surplus/(Deficit)</b>		<b>2,353,317</b>	<b>2,724,234</b>	<b>2,897,015</b>	<b>1,725,306</b>	<b>2,108,660</b>	<b>2,393,000</b>	<b>2,660,432</b>	<b>2,949,094</b>	<b>3,448,244</b>	<b>3,785,375</b>
Accumulated Surplus/(Deficit), beginning of year	5	20,253,936	22,607,253	25,331,487	28,228,502	29,953,808	32,062,468	34,455,468	37,115,900	40,064,994	43,513,238
Accumulated Surplus/(Deficit), end of year		22,607,253	25,331,487	28,228,502	29,953,808	32,062,468	34,455,468	37,115,900	40,064,994	43,513,238	47,298,613
<b>Note 5:</b>											
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>		<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
<b>Reserve Balances</b>											
Reserves: Development Charges		(280,691)	(1,318,346)	(2,384,947)	(2,321,067)	(2,251,414)	(2,175,754)	(2,093,784)	(2,005,185)	(1,909,641)	(1,806,728)
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		1,037,754	166,908	514,983	1,038,180	2,324,101	4,940,623	7,378,363	10,213,442	13,938,305	17,246,077
<b>Total Reserves Balance</b>		<b>757,063</b>	<b>(1,151,438)</b>	<b>(1,869,964)</b>	<b>(1,282,887)</b>	<b>72,687</b>	<b>2,764,869</b>	<b>5,284,579</b>	<b>8,208,257</b>	<b>12,028,664</b>	<b>15,439,349</b>
Less: Debt Obligations and Deferred Revenue		(4,073,892)	(1,863,962)	(88,519)	316,530	468,755	625,956	788,373	956,258	1,129,893	1,309,483
Add: Tangible Capital Assets	4	25,924,082	28,346,887	30,186,985	30,920,165	31,521,026	31,064,643	31,042,948	30,900,479	30,354,681	30,549,781
<b>Total Ending Balance</b>		<b>22,607,253</b>	<b>25,331,487</b>	<b>28,228,502</b>	<b>29,953,808</b>	<b>32,062,468</b>	<b>34,455,468</b>	<b>37,115,900</b>	<b>40,064,994</b>	<b>43,513,238</b>	<b>47,298,613</b>
<b>Financial Indicators</b>	<b>Total Change</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
1) Expense to Revenue Ratio		56%	53%	53%	67%	62%	60%	58%	56%	52%	50%
2) Increase/(Decrease) in Accumulated Surplus	24,845,769	2,353,317	2,724,234	2,897,015	1,725,306	2,108,660	2,393,000	2,660,432	2,949,094	3,448,244	3,785,375





Schedule 4-1  
Statement of Operating Expenses: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2024-2033

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>TOTAL OPERATING EXPENSES</b>		<b>2,282,779</b>	<b>2,380,091</b>	<b>2,477,004</b>	<b>2,577,494</b>	<b>2,709,673</b>	<b>2,784,233</b>	<b>2,893,161</b>	<b>3,005,200</b>	<b>3,121,627</b>	<b>3,242,329</b>



**Table 4-3**  
**Statement of Changes in Net Financial Assets/Debt: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2024-2033**

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Annual Surplus/(Deficit)		2,353,317	2,724,234	2,897,015	1,725,306	2,108,660	2,393,000	2,660,432	2,949,094	3,448,244	3,785,375
Less: Acquisition of Tangible Capital Assets	4	(1,668,000)	(3,000,000)	(2,464,000)	(1,404,000)	(1,299,000)	(253,000)	(690,000)	(575,000)	-	(740,000)
Add: Amortization of Tangible Capital Assets	4	555,986	577,195	623,902	670,820	698,139	709,383	711,695	717,469	545,798	544,900
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(1,112,014)	(2,422,805)	(1,840,098)	(733,180)	(600,861)	456,383	21,695	142,469	545,798	(195,100)
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in Net Financial Assets/(Net Debt)</b>		<b>1,241,303</b>	<b>301,429</b>	<b>1,056,917</b>	<b>992,126</b>	<b>1,507,799</b>	<b>2,849,383</b>	<b>2,682,127</b>	<b>3,091,563</b>	<b>3,994,042</b>	<b>3,590,275</b>
Net Financial Assets/(Net Debt), beginning of year		(4,558,132)	(3,316,829)	(3,015,400)	(1,958,483)	(966,357)	541,442	3,390,825	6,072,952	9,164,515	13,158,557
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>(3,316,829)</b>	<b>(3,015,400)</b>	<b>(1,958,483)</b>	<b>(966,357)</b>	<b>541,442</b>	<b>3,390,825</b>	<b>6,072,952</b>	<b>9,164,515</b>	<b>13,158,557</b>	<b>16,748,832</b>
<b>Financial Indicators</b>		<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		2,018,600	5,018,600	7,482,600	8,886,600	10,185,600	10,438,600	11,128,600	11,703,600	11,703,600	12,443,600
2) Annual Surplus/Deficit before Amortization (Cumulative)		5,048,439	8,349,868	11,870,785	14,266,911	17,073,710	20,176,093	23,548,220	27,214,783	31,208,825	35,539,100
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		2.50	1.66	1.59	1.61	1.68	1.93	2.12	2.33	2.67	2.86



**Table 4-4**  
**Statement of Cash Flow – Indirect Method: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2024-2033**

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Operating Transactions</b>											
Annual Surplus/Deficit		2,353,317	2,724,234	2,897,015	1,725,306	2,108,660	2,393,000	2,660,432	2,949,094	3,448,244	3,785,375
Add: Amortization of TCA's	4	555,986	577,195	623,902	670,820	698,139	709,383	711,695	717,469	545,798	544,900
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Eamed Deferred Revenue	3	(31,667)	(1,112,918)	(1,125,000)	-	-	-	-	-	-	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		91,745	75,263	58,399	63,880	69,653	75,660	81,970	88,599	95,544	102,913
Change in A/R (Increase)/Decrease		(96,014)	(101,851)	(86,528)	(104,544)	(108,385)	(115,092)	(119,388)	(126,656)	(133,904)	(141,597)
Change in A/P Increase/(Decrease)		18,718	20,444	20,361	21,111	21,467	21,967	22,885	23,538	24,460	25,359
Less: Interest Proceeds		(20,348)	(3,273)	(10,098)	(20,356)	(45,571)	(96,875)	(144,674)	(200,264)	(273,300)	(338,158)
<b>Cash Provided by Operating Transactions</b>		<b>2,871,737</b>	<b>2,179,094</b>	<b>2,378,051</b>	<b>2,356,217</b>	<b>2,743,963</b>	<b>2,988,043</b>	<b>3,212,920</b>	<b>3,451,780</b>	<b>3,706,842</b>	<b>3,978,792</b>
<b>Capital Transactions</b>											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(1,668,000)	(3,000,000)	(2,464,000)	(1,404,000)	(1,299,000)	(253,000)	(690,000)	(575,000)	-	(740,000)
<b>Cash Applied to Capital Transactions</b>		<b>(1,668,000)</b>	<b>(3,000,000)</b>	<b>(2,464,000)</b>	<b>(1,404,000)</b>	<b>(1,299,000)</b>	<b>(253,000)</b>	<b>(690,000)</b>	<b>(575,000)</b>	<b>-</b>	<b>(740,000)</b>
<b>Investing Transactions</b>											
Proceeds from Investments		20,348	3,273	10,098	20,356	45,571	96,875	144,674	200,264	273,300	338,158
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
<b>Cash Provided by (applied to) Investing Transactions</b>		<b>20,348</b>	<b>3,273</b>	<b>10,098</b>	<b>20,356</b>	<b>45,571</b>	<b>96,875</b>	<b>144,674</b>	<b>200,264</b>	<b>273,300</b>	<b>338,158</b>
<b>Financing Transactions</b>											
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(1,139,624)	(1,172,275)	(708,842)	(468,929)	(221,878)	(232,861)	(244,387)	(256,484)	(269,179)	(282,503)
<b>Cash Applied to Financing Transactions</b>		<b>(1,139,624)</b>	<b>(1,172,275)</b>	<b>(708,842)</b>	<b>(468,929)</b>	<b>(221,878)</b>	<b>(232,861)</b>	<b>(244,387)</b>	<b>(256,484)</b>	<b>(269,179)</b>	<b>(282,503)</b>
Increase in Cash and Cash Equivalents		84,461	(1,989,908)	(784,693)	503,644	1,268,656	2,599,057	2,423,207	2,820,560	3,710,963	3,294,447
Cash and Cash Equivalents, beginning of year	1	(526,583)	(442,122)	(2,432,030)	(3,216,723)	(2,713,079)	(1,444,423)	1,154,634	3,577,841	6,398,401	10,109,364
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>(442,122)</b>	<b>(2,432,030)</b>	<b>(3,216,723)</b>	<b>(2,713,079)</b>	<b>(1,444,423)</b>	<b>1,154,634</b>	<b>3,577,841</b>	<b>6,398,401</b>	<b>10,109,364</b>	<b>13,403,811</b>



## Water

### Notes to Financial Plan

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

“Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:

1. Sub-subparagraphs 4 a 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 if A, B and C of subsection (1) includes:

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

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

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- B. Investing transactions that are acquisitions and disposal of investments
- C. Change in cash and cash equivalents during the year
- 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 Municipality, some of the items listed above have been estimated given that the Municipality does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).



The assumptions used have been documented below:

## 1. Cash, Receivables and Payables

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

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

Receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on 2021 and 2022 F.I.R.s and financial statements;  
and
- b) Payables: Based on 2021 and 2022 F.I.R.s and financial statements.

## 2. Debt

The Municipality currently has a number of outstanding debt related to water. Principal repayments over the forecast period are scheduled as follows:

Year	Principal Payments
2024	1,139,624
2025	1,172,275
2026	708,842
2027	468,929
2028	221,878
2029	232,861
2030	244,387
2031	256,484
2032	269,179
2033	282,503
<b>Total</b>	<b>4,996,962</b>

For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense.



### 3. Deferred Revenue

Deferred revenue is typically made up of water development charge or connection charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. In years when the water development charge reserve fund balance is negative, it is shown as an asset (accounts receivable – other) for financial reporting purposes, representing future amounts to be collected from developers. Deferred revenue can also represent grant funding that has not been earned as revenue in any given year. For the purposes of this financial plan it is assumed any grant funding received will be earned in the year it is received.

### 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - i. Facilities;
  - ii. Watermains;
  - iii. Valves;
  - iv. Hydrants;
  - v. Chambers; and
  - vi. Meters.
- Amortization is calculated based on the straight-line approach with half-year amortization applied in the year of acquisition or construction and in the last year of the asset's useful life.
- Given the planned asset replacement forecast in the 2024 Rate Study, useful life on acquisitions is assumed to be equal to typical values assigned by the Municipality for each 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, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.



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

The balance of tangible capital assets is summarized as follows:



<b>Asset Historical Cost</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
Opening Tangible Capital Asset Balance	35,896,187	37,448,374	40,090,023	42,147,906	43,303,240	44,564,617	44,798,991	45,468,822	46,028,041	46,028,041
Acquisitions	1,668,000	3,000,000	2,464,000	1,404,000	1,299,000	253,000	690,000	575,000	-	740,000
Disposals	115,813	358,351	406,117	248,666	37,623	18,626	20,169	15,781	-	18,487
<b>Closing Tangible Capital Asset Balance</b>	<b>37,448,374</b>	<b>40,090,023</b>	<b>42,147,906</b>	<b>43,303,240</b>	<b>44,564,617</b>	<b>44,798,991</b>	<b>45,468,822</b>	<b>46,028,041</b>	<b>46,028,041</b>	<b>46,749,554</b>
Opening Accumulated Amortization	11,084,119	11,524,292	11,743,136	11,960,921	12,383,075	13,043,591	13,734,348	14,425,874	15,127,562	15,673,360
Amortization Expense	555,986	577,195	623,902	670,820	698,139	709,383	711,695	717,469	545,798	544,900
Amortization on Disposal	115,813	358,351	406,117	248,666	37,623	18,626	20,169	15,781	-	18,487
<b>Ending Accumulated Amortization</b>	<b>11,524,292</b>	<b>11,743,136</b>	<b>11,960,921</b>	<b>12,383,075</b>	<b>13,043,591</b>	<b>13,734,348</b>	<b>14,425,874</b>	<b>15,127,562</b>	<b>15,673,360</b>	<b>16,199,773</b>
<b>Net Book Value</b>	<b>25,924,082</b>	<b>28,346,887</b>	<b>30,186,985</b>	<b>30,920,165</b>	<b>31,521,026</b>	<b>31,064,643</b>	<b>31,042,948</b>	<b>30,900,479</b>	<b>30,354,681</b>	<b>30,549,781</b>





## 5. Accumulated Surplus

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

Water	2024 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Development Charges	(340,769)
Reserves: Capital/Other	936,076
<b>Total Reserves Balance</b>	<b>595,307</b>
Less: Debt Obligations and Deferred Revenue	(5,153,438)
Add: Tangible Capital Assets	24,812,068
<b>Total Opening Balance</b>	<b>20,253,937</b>

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

## 6. Other Revenue

Other revenue consists of hydrant recoveries, meter sales, bulk water fees, sundry, penalties, and other miscellaneous revenues.

## 7. Operating Expenses

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



# 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 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).
4. 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 and wastewater financial plans for the Municipality of Central Elgin 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 2024 Rate Study or the Municipality's operating and capital budgets. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Municipality of Central Elgin Water and Wastewater Financial Plan prepared by Watson & Associates Economists Ltd. dated February 15, 2024 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated February 15, 2024 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, Section 3 (1) 6)
4. The Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation, and Parks satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii)).



# Appendices



# Appendix A

## Wastewater Financial Plan



Table A-1  
Conversion Adjustments  
Statement of Operations (Wastewater)

Modified Cash Basis	Budget 2024	Adjustments		Full Accrual Budget 2024	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	2,037,031			2,037,031	Base Charge Revenue
Rate Based Revenue	1,422,777			1,422,777	Rate Based Revenue
Transfers from Reserves	734,649	734,649			
			734,649	734,649	Earned Development Charges and Gas Tax Revenue
Other Revenue	190,405		24,879	215,284	Other Revenue
<b>Total Revenues</b>	<b>4,384,862</b>			<b>4,409,741</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	1,863,670	52,000		1,915,670	Operating Expenses
Capital					
Transfers to Reserves	451,589		451,589		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	2,069,603		1,496,758	572,845	Interest on Debt
		837,258		837,258	Amortization
<b>Total Expenditures</b>	<b>4,384,862</b>			<b>3,325,773</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>1,083,968</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			36,364,577	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>1,083,968</b>	<b>-</b>	<b>37,448,545</b>	<b>Accumulated Surplus/(Deficit), end of year</b>

<b>TOTAL ADJUSTMENTS</b>	<b>2,707,875</b>	<b>2,707,875</b>
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**Note:** The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)





Table A-2  
Conversion Adjustments  
Statements of Financial Position (Wastewater)

Modified Cash Basis	Budget 2024	Adjustments		Full Accrual Budget 2024	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	5,381,261			5,381,261	Cash
Accounts Receivable	1,639,282			1,639,282	Accounts Receivable
<b>Total Financial Assets</b>	<b>7,020,543</b>			<b>7,020,543</b>	<b>Total Financial Assets</b>
<b>LIABILITIES</b>					<b>Liabilities</b>
Accounts Payable & Accrued Liabilities	391,538			391,538	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	15,990,498			15,990,498	Debt (Principal only)
Deferred Revenue	5,360,162			5,360,162	Deferred Revenue
<b>Total Liabilities</b>	<b>21,742,198</b>			<b>21,742,198</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>(14,721,655)</b>			<b>(14,721,655)</b>	<b>Net Financial Assets/(Debt)</b>
		52,222,200	52,000	52,170,200	<b>Non-Financial Assets</b> Tangible Capital Assets
				<b>52,170,200</b>	<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Wastewater Reserves	1,268,843	1,268,843	-		
Development Charge Reserve Fund	5,360,162	5,360,162	-		
Amounts to be Recovered	(21,350,660)	-	21,350,660		
<b>Total Municipal Position</b>	<b>(14,721,655)</b>		37,448,545	<b>37,448,545</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>58,851,205</b>	<b>58,851,205</b>		

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



Table A-3  
Statement of Financial Position: Wastewater Services  
UNAUDITED: For Financial Planning Purposes Only  
2024-2033

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Financial Assets</b>											
Cash	1	5,381,261	-	-	1,192,425	3,029,419	5,054,600	5,365,338	7,696,514	9,921,395	12,323,087
Accounts Receivable	1	1,639,282	1,697,897	1,669,556	1,733,331	1,799,801	1,869,239	1,941,733	2,017,368	2,096,442	2,179,052
Accounts Receivable - Other		-	289,776	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>		<b>7,020,543</b>	<b>1,987,673</b>	<b>1,669,556</b>	<b>2,925,756</b>	<b>4,829,220</b>	<b>6,923,839</b>	<b>7,307,071</b>	<b>9,713,882</b>	<b>12,017,837</b>	<b>14,502,139</b>
<b>Liabilities</b>											
Bank Indebtedness		-	735,888	430,079	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	391,538	411,409	432,218	452,078	472,936	494,240	516,380	539,507	563,736	589,108
Debt (Principal only)	2	15,990,498	14,441,189	13,684,920	12,952,291	12,244,277	11,512,490	10,756,132	9,974,377	9,166,373	8,331,238
Deferred Revenue	3	5,360,162	-	41,199	412,478	826,229	1,284,694	642,740	1,174,842	1,758,543	2,396,543
<b>Total Liabilities</b>		<b>21,742,198</b>	<b>15,588,486</b>	<b>14,588,416</b>	<b>13,816,847</b>	<b>13,543,442</b>	<b>13,291,424</b>	<b>11,915,252</b>	<b>11,688,726</b>	<b>11,488,652</b>	<b>11,316,889</b>
<b>Net Financial Assets/(Debt)</b>		<b>(14,721,655)</b>	<b>(13,600,813)</b>	<b>(12,918,860)</b>	<b>(10,891,091)</b>	<b>(8,714,222)</b>	<b>(6,367,585)</b>	<b>(4,608,181)</b>	<b>(1,974,844)</b>	<b>529,185</b>	<b>3,185,250</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	52,170,200	57,919,582	58,272,374	57,335,076	56,397,778	55,460,480	56,263,182	56,082,344	55,532,086	54,992,828
<b>Total Non-Financial Assets</b>		<b>52,170,200</b>	<b>57,919,582</b>	<b>58,272,374</b>	<b>57,335,076</b>	<b>56,397,778</b>	<b>55,460,480</b>	<b>56,263,182</b>	<b>56,082,344</b>	<b>55,532,086</b>	<b>54,992,828</b>
<b>Accumulated Surplus/(Deficit)</b>	5	<b>37,448,545</b>	<b>44,318,769</b>	<b>45,353,514</b>	<b>46,443,985</b>	<b>47,683,556</b>	<b>49,092,895</b>	<b>51,655,001</b>	<b>54,107,500</b>	<b>56,061,271</b>	<b>58,178,078</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
1) Increase/(Decrease) in Net Financial Assets	19,310,131	1,403,226	1,120,842	681,953	2,027,769	2,176,869	2,346,637	1,759,404	2,633,337	2,504,029	2,656,065
2) Increase/(Decrease) in Tangible Capital Assets	2,503,370	(319,258)	5,749,382	352,792	(937,298)	(937,298)	(937,298)	802,702	(180,838)	(550,258)	(539,258)
3) Increase/(Decrease) in Accumulated Surplus	21,813,501	1,083,968	6,870,224	1,034,745	1,090,471	1,239,571	1,409,339	2,562,106	2,452,499	1,953,771	2,116,807



Table A-4  
Statement of Operations: Wastewater Services  
UNAUDITED: For Financial Planning Purposes Only  
2024-2033

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Wastewater Revenue</b>											
Base Charge Revenue		2,037,031	2,161,503	2,292,774	2,431,046	2,576,526	2,729,944	2,891,535	3,061,531	3,240,724	3,429,375
Rate Based Revenue		1,422,777	1,455,096	1,487,415	1,519,734	1,552,053	1,584,372	1,616,691	1,649,010	1,681,329	1,713,648
Earned Development Charges Revenue	3	734,649	6,437,910	495,251	495,251	495,251	495,251	1,620,251	495,251	495,251	495,251
Other Revenue	6	215,284	206,879	205,420	230,816	259,617	291,281	310,949	1,128,254	380,509	416,213
<b>Total Revenues</b>		<b>4,409,741</b>	<b>10,261,388</b>	<b>4,480,860</b>	<b>4,676,847</b>	<b>4,883,447</b>	<b>5,100,848</b>	<b>6,439,426</b>	<b>6,334,046</b>	<b>5,797,813</b>	<b>6,054,487</b>
<b>Wastewater Expenses</b>											
Operating Expenses	Sch. 4-1	1,915,670	2,023,252	2,057,298	2,151,829	2,281,112	2,352,518	2,562,901	2,567,984	2,683,308	2,804,077
Interest on Debt	2	572,845	520,294	473,609	497,249	425,466	401,693	377,121	351,725	325,476	298,345
Amortization	4	837,258	847,618	915,208	937,298	937,298	937,298	937,298	961,838	835,258	835,258
<b>Total Expenses</b>		<b>3,325,773</b>	<b>3,391,164</b>	<b>3,446,115</b>	<b>3,586,376</b>	<b>3,643,876</b>	<b>3,691,509</b>	<b>3,877,320</b>	<b>3,881,547</b>	<b>3,844,042</b>	<b>3,937,680</b>
<b>Annual Surplus/(Deficit)</b>		<b>1,083,968</b>	<b>6,870,224</b>	<b>1,034,745</b>	<b>1,090,471</b>	<b>1,239,571</b>	<b>1,409,339</b>	<b>2,562,106</b>	<b>2,452,499</b>	<b>1,953,771</b>	<b>2,116,807</b>
Accumulated Surplus/(Deficit), beginning of year	5	36,364,577	37,448,545	44,318,769	45,353,514	46,443,985	47,683,556	49,092,895	51,655,001	54,107,500	56,061,271
Accumulated Surplus/(Deficit), end of year		37,448,545	44,318,769	45,353,514	46,443,985	47,683,556	49,092,895	51,655,001	54,107,500	56,061,271	58,178,078
<b>Note 5:</b>											
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>											
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Reserve Balances</b>											
Reserves: Development Charges		5,360,162	(289,776)	41,199	412,478	826,229	1,284,694	642,740	1,174,842	1,758,543	2,396,543
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		1,268,843	840,376	766,060	2,061,200	3,530,055	5,144,905	6,147,951	7,999,533	9,695,558	11,516,488
<b>Total Reserves Balance</b>		<b>6,629,005</b>	<b>550,600</b>	<b>807,259</b>	<b>2,473,678</b>	<b>4,356,284</b>	<b>6,429,599</b>	<b>6,790,691</b>	<b>9,174,375</b>	<b>11,454,101</b>	<b>13,913,031</b>
Less: Debt Obligations and Deferred Revenue		(21,350,660)	(14,151,413)	(13,726,119)	(13,364,769)	(13,070,506)	(12,797,184)	(11,398,872)	(11,149,219)	(10,924,916)	(10,727,781)
Add: Tangible Capital Assets	4	52,170,200	57,919,582	58,272,374	57,335,076	56,397,778	55,460,480	56,263,182	56,082,344	55,532,086	54,992,828
<b>Total Ending Balance</b>		<b>37,448,545</b>	<b>44,318,769</b>	<b>45,353,514</b>	<b>46,443,985</b>	<b>47,683,556</b>	<b>49,092,895</b>	<b>51,655,001</b>	<b>54,107,500</b>	<b>56,061,271</b>	<b>58,178,078</b>
<b>Financial Indicators</b>											
	Total Change	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Expense to Revenue Ratio		75%	33%	77%	77%	75%	72%	60%	61%	66%	65%
2) Increase/(Decrease) in Accumulated Surplus	21,813,501	1,083,968	6,870,224	1,034,745	1,090,471	1,239,571	1,409,339	2,562,106	2,452,499	1,953,771	2,116,807



Schedule A-1  
Statement of Operating Expenses: Wastewater Services  
UNAUDITED: For Financial Planning Purposes Only  
2024-2033

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>TOTAL OPERATING EXPENSES</b>		1,915,670	2,023,252	2,057,298	2,151,829	2,281,112	2,352,518	2,562,901	2,567,984	2,683,308	2,804,077



**Table A-5**  
**Statement of Changes in Net Financial Assets/Debt: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2024-2033**

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Annual Surplus/(Deficit)		1,083,968	6,870,224	1,034,745	1,090,471	1,239,571	1,409,339	2,562,106	2,452,499	1,953,771	2,116,807
Less: Acquisition of Tangible Capital Assets	4	(518,000)	(6,597,000)	(1,268,000)	-	-	-	(1,740,000)	(781,000)	(285,000)	(296,000)
Add: Amortization of Tangible Capital Assets	4	837,258	847,618	915,208	937,298	937,298	937,298	937,298	961,838	835,258	835,258
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		319,258	(5,749,382)	(352,792)	937,298	937,298	937,298	(802,702)	180,838	550,258	539,258
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in Net Financial Assets/(Net Debt)</b>		<b>1,403,226</b>	<b>1,120,842</b>	<b>681,953</b>	<b>2,027,769</b>	<b>2,176,869</b>	<b>2,346,637</b>	<b>1,759,404</b>	<b>2,633,337</b>	<b>2,504,029</b>	<b>2,656,065</b>
Net Financial Assets/(Net Debt), beginning of year		(16,124,881)	(14,721,655)	(13,600,813)	(12,918,860)	(10,891,091)	(8,714,222)	(6,367,585)	(4,608,181)	(1,974,844)	529,185
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>(14,721,655)</b>	<b>(13,600,813)</b>	<b>(12,918,860)</b>	<b>(10,891,091)</b>	<b>(8,714,222)</b>	<b>(6,367,585)</b>	<b>(4,608,181)</b>	<b>(1,974,844)</b>	<b>529,185</b>	<b>3,185,250</b>
<b>Financial Indicators</b>		<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		618,000	7,215,000	8,483,000	8,483,000	8,483,000	8,483,000	10,223,000	11,004,000	11,289,000	11,585,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		3,042,313	10,760,155	12,710,108	14,737,877	16,914,746	19,261,383	22,760,787	26,175,124	28,964,153	31,916,218
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		4.92	1.49	1.50	1.74	1.99	2.27	2.23	2.38	2.57	2.75



**Table A-6**  
**Statement of Cash Flow – Indirect Method: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2024-2033**

	Notes	Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Operating Transactions</b>											
Annual Surplus/Deficit		1,083,968	6,870,224	1,034,745	1,090,471	1,239,571	1,409,339	2,562,106	2,452,499	1,953,771	2,116,807
Add: Amortization of TCA's	4	837,258	847,618	915,208	937,298	937,298	937,298	937,298	961,838	835,258	835,258
Less: Earned Deferred Revenue	3	(734,649)	(6,437,910)	(495,251)	(495,251)	(495,251)	(495,251)	(1,620,251)	(495,251)	(495,251)	(495,251)
Add: Deferred Revenue Proceeds		5,368,229	787,972	826,226	866,530	909,002	953,716	978,297	1,027,353	1,078,952	1,133,251
Change in A/R (Increase)/Decrease		(204,910)	(58,615)	28,342	(63,775)	(66,470)	(69,438)	(72,494)	(75,635)	(79,074)	(82,611)
Change in A/P Increase/(Decrease)		20,277	19,871	20,809	19,860	20,858	21,304	22,140	23,127	24,229	25,372
Less: Interest Proceeds		(24,879)	(16,478)	(15,021)	(40,416)	(69,217)	(100,880)	(120,548)	(156,854)	(190,109)	(225,813)
<b>Cash Provided by Operating Transactions</b>		<b>6,345,294</b>	<b>2,012,682</b>	<b>2,315,058</b>	<b>2,314,717</b>	<b>2,475,791</b>	<b>2,656,088</b>	<b>2,686,548</b>	<b>3,737,077</b>	<b>3,127,776</b>	<b>3,307,013</b>
<b>Capital Transactions</b>											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(518,000)	(6,597,000)	(1,268,000)	-	-	-	(1,740,000)	(781,000)	(285,000)	(296,000)
<b>Cash Applied to Capital Transactions</b>		<b>(518,000)</b>	<b>(6,597,000)</b>	<b>(1,268,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,740,000)</b>	<b>(781,000)</b>	<b>(285,000)</b>	<b>(296,000)</b>
<b>Investing Transactions</b>											
Proceeds from Investments		24,879	16,478	15,021	40,416	69,217	100,880	120,548	156,854	190,109	225,813
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
<b>Cash Provided by (applied to) Investing Transactions</b>		<b>24,879</b>	<b>16,478</b>	<b>15,021</b>	<b>40,416</b>	<b>69,217</b>	<b>100,880</b>	<b>120,548</b>	<b>156,854</b>	<b>190,109</b>	<b>225,813</b>
<b>Financing Transactions</b>											
Less: Debt Repayment (Principal only)	2	(1,496,758)	(1,549,309)	(756,270)	(732,629)	(708,014)	(731,787)	(756,358)	(781,755)	(808,004)	(835,134)
<b>Cash Applied to Financing Transactions</b>		<b>(1,496,758)</b>	<b>(1,549,309)</b>	<b>(756,270)</b>	<b>(732,629)</b>	<b>(708,014)</b>	<b>(731,787)</b>	<b>(756,358)</b>	<b>(781,755)</b>	<b>(808,004)</b>	<b>(835,134)</b>
Increase in Cash and Cash Equivalents		4,355,415	(6,117,149)	305,809	1,622,504	1,836,994	2,025,181	310,738	2,331,176	2,224,881	2,401,692
Cash and Cash Equivalents, beginning of year	1	1,025,846	5,381,261	(735,888)	(430,079)	1,192,425	3,029,419	5,054,600	5,365,338	7,696,514	9,921,395
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>5,381,261</b>	<b>(735,888)</b>	<b>(430,079)</b>	<b>1,192,425</b>	<b>3,029,419</b>	<b>5,054,600</b>	<b>5,365,338</b>	<b>7,696,514</b>	<b>9,921,395</b>	<b>12,323,087</b>



## Wastewater

### Notes to Financial Plan

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

“Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:

3. Sub-subparagraphs 4 a A, B and C of subsection (1)
4. Sub-subparagraphs 4 iii A, C, E and F of subsection (1).”

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

- D. Total financial assets (i.e., cash and receivables);
- E. Total liabilities (i.e., payables, debt and deferred revenue);
- F. 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:

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

In order to show a balanced financial plan in a full accrual format for the Municipality, some of the items listed above have been estimated given that the Municipality does not maintain all financial asset and liability data separately for wastewater. 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

Receivable and payable balances were estimated for each year of the forecast based on the following factors:

- c) Receivables: Based on 2021 and 2022 F.I.R.s and financial statements;  
and
- d) Payables: Based on 2021 and 2022 F.I.R.s and financial statements.

## 2. Debt

Outstanding wastewater related debt at the beginning of 2024 was approximately \$18.93 million. Principal repayments over the forecast period are scheduled as follows:

Year	Principal Payments
2024	1,496,758
2025	1,549,309
2026	756,270
2027	732,629
2028	708,014
2029	731,787
2030	756,358
2031	781,755
2032	808,004
2033	835,134
<b>Total</b>	<b>9,156,018</b>





For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense.

### **3. Deferred Revenue**

Deferred revenue is typically made up of wastewater development charge or connection charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. In years when the wastewater development charge reserve fund balance is negative, it is shown as an asset (accounts receivable – other) for financial reporting purposes, representing future amounts to be collected from developers. Deferred revenue can also represent grant funding that has not been earned as revenue in any given year. For the purposes of this financial plan it is assumed any grant funding received will be earned in the year it is received.

### **4. Tangible Capital Assets**

- Opening net book value of tangible capital assets includes wastewater related assets in the following categories:
  - i. Wastewater mains;
  - ii. Manholes; and
  - iii. Land.
- Amortization is calculated based on the straight-line approach with half-year amortization applied in the year of acquisition or construction and in the last year of the asset's useful life.
- Given the planned asset replacement forecast in the 2024 Rate Study, useful life on acquisitions is assumed to be equal to typical values assigned by the Municipality for each 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, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and



deflating current replacement cost values to those estimated dates in order to calculate original historical cost.

- 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 balance of tangible capital assets is summarized as follows:



<b>Asset Historical Cost</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
Opening Tangible Capital Asset Balance	65,114,471	65,542,611	71,924,573	73,015,912	73,015,912	73,015,912	73,015,912	74,562,282	75,321,847	75,525,890
Acquisitions	518,000	6,597,000	1,268,000	-	-	-	1,740,000	781,000	285,000	296,000
Disposals	89,860	215,038	176,661	-	-	-	193,630	21,435	80,957	7,395
<b>Closing Tangible Capital Asset Balance</b>	<b>65,542,611</b>	<b>71,924,573</b>	<b>73,015,912</b>	<b>73,015,912</b>	<b>73,015,912</b>	<b>73,015,912</b>	<b>74,562,282</b>	<b>75,321,847</b>	<b>75,525,890</b>	<b>75,814,495</b>
Opening Accumulated Amortization	12,625,013	13,372,411	14,004,991	14,743,538	15,680,836	16,618,134	17,555,432	18,299,100	19,239,503	19,993,804
Amortization Expense	837,258	847,618	915,208	937,298	937,298	937,298	937,298	961,838	835,258	835,258
Amortization on Disposal	89,860	215,038	176,661	-	-	-	193,630	21,435	80,957	7,395
<b>Ending Accumulated Amortization</b>	<b>13,372,411</b>	<b>14,004,991</b>	<b>14,743,538</b>	<b>15,680,836</b>	<b>16,618,134</b>	<b>17,555,432</b>	<b>18,299,100</b>	<b>19,239,503</b>	<b>19,993,804</b>	<b>20,821,667</b>
<b>Net Book Value</b>	<b>52,170,200</b>	<b>57,919,582</b>	<b>58,272,374</b>	<b>57,335,076</b>	<b>56,397,778</b>	<b>55,460,480</b>	<b>56,263,182</b>	<b>56,082,344</b>	<b>55,532,086</b>	<b>54,992,828</b>



## 5. Accumulated Surplus

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

Wastewater	2024 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Development Charges	726,582
Reserves: Capital/Other	1,362,375
<b>Total Reserves Balance</b>	<b>2,088,957</b>
Less: Debt Obligations and Deferred Revenue	(18,213,838)
Add: Tangible Capital Assets	52,489,458
<b>Total Opening Balance</b>	<b>36,364,577</b>

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

## 6. Other Revenue

Other revenue consists of land leases, penalties, and connection charges.

## 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.