



 **Watson  
& Associates**  
ECONOMISTS LTD.

# Ontario Regulation 453/07 Water and Wastewater Financial Plans

Township of Leeds and the Thousand Islands

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Financial Plan #262-301

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## List of Acronyms and Abbreviations

<b>Acronym</b>	<b>Full Description of Acronym</b>
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
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 Township of Leeds and the Thousand Islands (Township) to conduct a Water and Wastewater Rate Study. Part of this undertaking was to prepare an Ontario Regulation 453/07 (O.Reg. 453/07) Financial Plan to address the submission requirements for maintaining a municipal drinking water license, as per the Safe Drinking Water Act (S.D.W.A.), as well as a financial plan for the wastewater system. In general, a financial plan requires a forecast of a municipality's financial statements for water services (i.e. statements of financial position, operations, changes in net financial assets/debts, and cashflow). The S.D.W.A. requires that municipalities prepare the plan for a forecast period spanning at least 6 years, and that this plan be submitted to the Ministry of Environment, Conservation and Parks (MECP) every 5 years. As per these requirements, a municipality's financial plan must be approved by Council and submitted to the MECP.

Watson prepared the 2021 Water and Wastewater Rate Study (Rate Study), dated January 20, 2021, which provided detailed financial planning and forecasting regarding the Township's water and wastewater systems. The objective of the report provided herein is to convert the findings of the Rate Study into the prescribed reporting requirements for a financial plan as defined by O. Reg. 453/07.

## 1.2 Background

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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**

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;
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing; and
- The resolution of Council approving the Financial Plan be submitted to the MECP.

### **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, 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 its drinking water license 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 a ten-year forecast period 2021-2030.



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

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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 *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 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 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 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 and Wastewater Forecast

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As noted earlier, the Township has already completed a Rate Study that was designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2020 water and wastewater budgets and ten-year forecasts (2021 to 2030) included in the Rate Study provide the basis for a sound financial plan for the Township's water and wastewater 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;
- A review and recommendation on rates that ensure revenues are equitable and sufficient to meet system needs; and



- A public process that involved 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 water systems.

The details of the financial plans arising from the Rate Study are contained in Appendix A.



# Chapter 3

## Approach



## 3. Approach

### 3.1 Overview

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The Rate Study (along with additional detailed information provided by Township Staff) has been used as a starting point to prepare the financial plans for the municipal water and wastewater systems. The 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 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 for the municipal water and wastewater systems.

### 3.2 Conversion Process

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The conversion from the existing modified cash basis found in the 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 and wastewater 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 capital needs have also been determined and summarized within the Rate Study. These estimates, however, only represent future assets that the Township anticipates purchasing or constructing without consideration for future assets that are 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 systems, in order to convert from the cash to full accrual basis (see Figure 3-1). 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 (Water)

Modified Cash Basis	Budget 2021	Adjustments		Full Accrual Budget 2021	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	288,491			288,491	Base Charge Revenue
Rate Based Revenue	20,094			20,094	Rate Based Revenue
Other Revenue	17,100		-	17,100	Other Revenue
<b>Total Revenues</b>	<b>325,685</b>			<b>325,685</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	244,960	-		244,960	Operating Expenses
Capital					
Transfers to Reserves	80,725		80,725		
		24,321		24,321	Amortization
<b>Total Expenditures</b>	<b>325,685</b>			<b>269,281</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>56,404</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			1,301,862	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>56,404</b>	<b>-</b>	<b>1,358,266</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>80,725</b>	<b>80,725</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). 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 and/or wastewater. 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 (Water)

Modified Cash Basis	Budget 2021	Adjustments		Full Accrual Budget 2021	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	503,567			503,567	Cash
Accounts Receivable	14,231			14,231	Accounts Receivable
<b>Total Financial Assets</b>	<b>517,798</b>			<b>517,798</b>	<b>Total Financial Assets</b>
<b>LIABILITIES</b>					<b>Liabilities</b>
Accounts Payable & Accrued Liabilities	24,287			24,287	Accounts Payable & Accrued Liabilities
<b>Total Liabilities</b>	<b>24,287</b>			<b>24,287</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>493,511</b>			<b>493,511</b>	<b>Net Financial Assets/(Debt)</b>
		864,755	-	864,755	<b>Non-Financial Assets</b>
				<b>864,755</b>	Tangible Capital Assets
					<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Water Reserves	493,511	493,511	-		
<b>Total Municipal Position</b>	<b>493,511</b>		1,358,266	<b>1,358,266</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>1,358,266</b>	<b>1,358,266</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 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 be possible, however, 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:

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

- 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 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 Township'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 Township's water system. It is not an audited document<sup>1</sup> and it contains various estimates as detailed in the "Notes to the Financial Plan" section below.

### 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 Township'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 at the end of 2021, the Township's water system will be in a net financial asset position of \$493,500. The financial plan forecasts an increasing net financial asset position, reaching a net asset position of \$1.55 million by 2030. The overall increase in net financial asset position over the forecast period is due to the proposed contributions to the reserve fund to pay for future capital projects.

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.

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

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- 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 net book value is expected to decrease over the forecast period by approximately \$186,900. This indicates that the Township does not plan 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 as 83% in 2021, improving to 70% by 2030. As a result, annual surpluses are anticipated in every year of the forecast. 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 and reserve/reserve fund transfers.

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 \$934,00 over the forecast period to a 2020 accumulated surplus position of \$1.30 million. The accumulated surplus, as indicated in Table 4-2, is predominantly made up of historical investments in tangible capital assets and reserve fund balances.



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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year) over the entire forecast period. This is a result of minimal capital asset acquisitions forecasted over the period from 2021-2030, indicating that in the short-term funds are being contributed into reserves to save for future capital needs beyond the forecast period. This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions increasing from 4.75 in 2021 to 14.84 by 2030.<sup>1</sup>

### **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-based 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) over the forecast period. The financial plan projects the cash and equivalents position of the Township's water system to increase from a balance of \$440,100 at the beginning of 2021 to a balance of approximately \$1.56 million by the end of 2030. For further discussions on projected cash balances please refer to the Notes to the Financial Plan.

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<sup>1</sup> A desirable ratio is 1:1 or better.



Table 4-1  
Statement of Financial Position: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Financial Assets</b>											
Cash	1	503,567	573,804	641,766	730,144	844,591	967,576	1,100,491	1,242,797	1,396,177	1,559,831
Accounts Receivable	1	14,231	14,772	15,383	15,969	16,594	17,197	17,875	18,520	19,253	19,949
<b>Total Financial Assets</b>		<b>517,798</b>	<b>588,576</b>	<b>657,149</b>	<b>746,113</b>	<b>861,185</b>	<b>984,773</b>	<b>1,118,366</b>	<b>1,261,317</b>	<b>1,415,430</b>	<b>1,579,780</b>
<b>Liabilities</b>											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	24,287	24,764	25,281	25,778	26,294	26,821	27,367	27,904	28,461	29,026
Debt (Principal only)	2	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>		<b>24,287</b>	<b>24,764</b>	<b>25,281</b>	<b>25,778</b>	<b>26,294</b>	<b>26,821</b>	<b>27,367</b>	<b>27,904</b>	<b>28,461</b>	<b>29,026</b>
<b>Net Financial Assets/(Debt)</b>		<b>493,511</b>	<b>563,812</b>	<b>631,868</b>	<b>720,335</b>	<b>834,891</b>	<b>957,952</b>	<b>1,090,999</b>	<b>1,233,413</b>	<b>1,386,969</b>	<b>1,550,754</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	864,755	857,584	860,513	850,322	822,791	795,260	767,729	740,198	712,667	685,136
<b>Total Non-Financial Assets</b>		<b>864,755</b>	<b>857,584</b>	<b>860,513</b>	<b>850,322</b>	<b>822,791</b>	<b>795,260</b>	<b>767,729</b>	<b>740,198</b>	<b>712,667</b>	<b>685,136</b>
<b>Accumulated Surplus/(Deficit)</b>	5	<b>1,358,266</b>	<b>1,421,396</b>	<b>1,492,381</b>	<b>1,570,657</b>	<b>1,657,682</b>	<b>1,753,212</b>	<b>1,858,728</b>	<b>1,973,611</b>	<b>2,099,636</b>	<b>2,235,890</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
1) Increase/(Decrease) in Net Financial Assets	1,120,968	63,725	70,301	68,056	88,467	114,556	123,061	133,047	142,414	153,556	163,785
2) Increase/(Decrease) in Tangible Capital Assets	(186,940)	(7,321)	(7,171)	2,929	(10,191)	(27,531)	(27,531)	(27,531)	(27,531)	(27,531)	(27,531)
3) Increase/(Decrease) in Accumulated Surplus	934,028	56,404	63,130	70,985	78,276	87,025	95,530	105,516	114,883	126,025	136,254



Table 4-2  
Statement of Operations: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Water Revenue</b>											
Base Charge Revenue		288,491	299,553	312,034	323,989	337,468	350,386	364,941	378,900	394,617	409,698
Rate Based Revenue		20,094	21,118	22,212	23,278	23,798	24,295	24,836	25,354	25,899	26,447
Other Revenue	6	17,100	17,400	17,800	18,200	18,500	18,900	19,300	19,600	20,100	20,400
<b>Total Revenues</b>		<b>325,685</b>	<b>338,071</b>	<b>352,046</b>	<b>365,467</b>	<b>379,766</b>	<b>393,581</b>	<b>409,077</b>	<b>423,854</b>	<b>440,616</b>	<b>456,545</b>
<b>Water Expenses</b>											
Operating Expenses	Sch. 4-1	244,960	249,770	254,990	260,000	265,210	270,520	276,030	281,440	287,060	292,760
Interest on Debt	2	-	-	-	-	-	-	-	-	-	-
Amortization	4	24,321	25,171	26,071	27,191	27,531	27,531	27,531	27,531	27,531	27,531
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>		<b>269,281</b>	<b>274,941</b>	<b>281,061</b>	<b>287,191</b>	<b>292,741</b>	<b>298,051</b>	<b>303,561</b>	<b>308,971</b>	<b>314,591</b>	<b>320,291</b>
<b>Annual Surplus/(Deficit)</b>		<b>56,404</b>	<b>63,130</b>	<b>70,985</b>	<b>78,276</b>	<b>87,025</b>	<b>95,530</b>	<b>105,516</b>	<b>114,883</b>	<b>126,025</b>	<b>136,254</b>
Accumulated Surplus/(Deficit), beginning of year	5	1,301,862	1,358,266	1,421,396	1,492,381	1,570,657	1,657,682	1,753,212	1,858,728	1,973,611	2,099,636
Accumulated Surplus/(Deficit), end of year		1,358,266	1,421,396	1,492,381	1,570,657	1,657,682	1,753,212	1,858,728	1,973,611	2,099,636	2,235,890
<b>Note 5:</b>											
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
<b>Reserve Balances</b>											
Reserves: Development Charges		-	-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		493,511	563,812	631,868	720,335	834,891	957,952	1,090,999	1,233,413	1,386,969	1,550,754
<b>Total Reserves Balance</b>		<b>493,511</b>	<b>563,812</b>	<b>631,868</b>	<b>720,335</b>	<b>834,891</b>	<b>957,952</b>	<b>1,090,999</b>	<b>1,233,413</b>	<b>1,386,969</b>	<b>1,550,754</b>
Less: Debt Obligations and Deferred Revenue		-	-	-	-	-	-	-	-	-	-
Add: Tangible Capital Assets	4	864,755	857,584	860,513	850,322	822,791	795,260	767,729	740,198	712,667	685,136
<b>Total Ending Balance</b>		<b>1,358,266</b>	<b>1,421,396</b>	<b>1,492,381</b>	<b>1,570,657</b>	<b>1,657,682</b>	<b>1,753,212</b>	<b>1,858,728</b>	<b>1,973,611</b>	<b>2,099,636</b>	<b>2,235,890</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
1) Expense to Revenue Ratio		83%	81%	80%	79%	77%	76%	74%	73%	71%	70%
2) Increase/(Decrease) in Accumulated Surplus	934,028	56,404	63,130	70,985	78,276	87,025	95,530	105,516	114,883	126,025	136,254



Schedule 4-1  
Statement of Operating Expenses: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Operating Expenses</b>											
Office Supplies		260	260	270	270	280	280	290	290	300	300
Postage / Courier		1,700	1,800	1,800	1,800	1,900	1,900	2,000	2,000	2,000	2,100
Insurance		5,900	6,000	6,200	6,300	6,400	6,500	6,700	6,800	6,900	7,100
Leases		100	100	110	110	110	110	110	120	120	120
Consultants		2,600	2,600	2,700	2,700	2,800	2,800	2,900	2,900	3,000	3,000
Auditors		1,200	1,200	1,300	1,300	1,300	1,400	1,400	1,400	1,400	1,500
Miscellaneous		200	210	210	220	220	230	230	230	240	240
Supplies		1,500	1,600	1,600	1,600	1,700	1,700	1,700	1,800	1,800	1,800
Contracted Jobs		61,200	62,400	63,700	64,900	66,200	67,600	68,900	70,300	71,700	73,100
Maintenance		5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,900	6,000	6,100
O.C.W.A.		152,000	155,000	158,100	161,300	164,500	167,800	171,200	174,600	178,100	181,600
Water & Sewer - Grant in Lieu		3,300	3,300	3,400	3,500	3,500	3,600	3,700	3,700	3,800	3,900
Program Support Costs - Internal		9,900	10,100	10,300	10,600	10,800	11,000	11,200	11,400	11,700	11,900
Non TCA - Expenses from Capital Budget	7	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>		<b>244,960</b>	<b>249,770</b>	<b>254,990</b>	<b>260,000</b>	<b>265,210</b>	<b>270,520</b>	<b>276,030</b>	<b>281,440</b>	<b>287,060</b>	<b>292,760</b>



Table 4-3  
Statement of Changes in Net Financial Assets/Debt: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual Surplus/(Deficit)		56,404	63,130	70,985	78,276	87,025	95,530	105,516	114,883	126,025	136,254
Less: Acquisition of Tangible Capital Assets	4	(17,000)	(18,000)	(29,000)	(17,000)	-	-	-	-	-	-
Add: Amortization of Tangible Capital Assets	4	24,321	25,171	26,071	27,191	27,531	27,531	27,531	27,531	27,531	27,531
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		7,321	7,171	(2,929)	10,191	27,531	27,531	27,531	27,531	27,531	27,531
<b>Increase/(Decrease) in Net Financial Assets/(Net Debt)</b>		<b>63,725</b>	<b>70,301</b>	<b>68,056</b>	<b>88,467</b>	<b>114,556</b>	<b>123,061</b>	<b>133,047</b>	<b>142,414</b>	<b>153,556</b>	<b>163,785</b>
Net Financial Assets/(Net Debt), beginning of year		429,786	493,511	563,812	631,868	720,335	834,891	957,952	1,090,999	1,233,413	1,386,969
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>493,511</b>	<b>563,812</b>	<b>631,868</b>	<b>720,335</b>	<b>834,891</b>	<b>957,952</b>	<b>1,090,999</b>	<b>1,233,413</b>	<b>1,386,969</b>	<b>1,550,754</b>

  

Financial Indicators	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1) Acquisition of Tangible Capital Assets (Cumulative)	17,000	35,000	64,000	81,000	81,000	81,000	81,000	81,000	81,000	81,000
2) Annual Surplus/Deficit before Amortization (Cumulative)	80,725	169,026	266,082	371,549	486,105	609,166	742,213	884,627	1,038,183	1,201,968
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)	4.75	4.83	4.16	4.59	6.00	7.52	9.16	10.92	12.82	14.84



Table 4-4  
Statement of Cash Flow – Indirect Method: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Operating Transactions</b>											
Annual Surplus/Deficit		56,404	63,130	70,985	78,276	87,025	95,530	105,516	114,883	126,025	136,254
Add: Amortization of TCA's	4	24,321	25,171	26,071	27,191	27,531	27,531	27,531	27,531	27,531	27,531
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(694)	(541)	(611)	(586)	(625)	(603)	(678)	(645)	(733)	(696)
Change in A/P Increase/(Decrease)		471	477	517	497	516	527	546	537	557	565
<b>Cash Provided by Operating Transactions</b>		<b>80,502</b>	<b>88,237</b>	<b>96,962</b>	<b>105,378</b>	<b>114,447</b>	<b>122,985</b>	<b>132,915</b>	<b>142,306</b>	<b>153,380</b>	<b>163,654</b>
<b>Capital Transactions</b>											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(17,000)	(18,000)	(29,000)	(17,000)	-	-	-	-	-	-
<b>Cash Applied to Capital Transactions</b>		<b>(17,000)</b>	<b>(18,000)</b>	<b>(29,000)</b>	<b>(17,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investing Transactions</b>											
Proceeds from Investments		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
<b>Cash Provided by (applied to) Investing Transactions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financing Transactions</b>											
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	-	-	-	-	-	-	-	-	-
<b>Cash Applied to Financing Transactions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase in Cash and Cash Equivalents		63,502	70,237	67,962	88,378	114,447	122,985	132,915	142,306	153,380	163,654
Cash and Cash Equivalents, beginning of year	1	440,065	503,567	573,804	641,766	730,144	844,591	967,576	1,100,491	1,242,797	1,396,177
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>503,567</b>	<b>573,804</b>	<b>641,766</b>	<b>730,144</b>	<b>844,591</b>	<b>967,576</b>	<b>1,100,491</b>	<b>1,242,797</b>	<b>1,396,177</b>	<b>1,559,831</b>



## Water

### 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. However, the financial plan is not an audited document and contains various estimates. In this regard, section 3 (2) of O. Reg. 453/07 states the following:

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

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

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

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

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

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- 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 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 receivables as a percentage of annual revenue earned (source: ratio utilized in the 2015 Water and Wastewater Financial Plans); and
- b) Payables: Based on historical levels of payables as a percentage of annual expenses (source: ratio utilized in the 2015 Water and Wastewater Financial Plans).

## 2. Debt

The Township has no outstanding water related debt at the end of 2020, and no debt has been forecasted to be issued over the 2021-2030 period.

## 3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected.

The Township does not collect water development charges, therefore deferred revenue is assumed to be zero over the forecast period.



#### 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - i. Infrastructure; and
  - ii. Facilities.
- Amortization is calculated based on using the straight-line approach.
- Given the planned asset replacement forecast in the Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, 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. However, when older portions of the watermain system is replaced as part of the ongoing replacement program, any lead service pipes will be replaced if and when found.



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

Asset Historical Cost	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Opening Tangible Capital Asset Balance	1,660,368	1,668,390	1,676,752	1,694,308	1,708,564	1,708,564	1,708,564	1,708,564	1,708,564	1,708,564
Acquisitions	17,000	18,000	29,000	17,000	-	-	-	-	-	-
Disposals	8,978	9,638	11,444	2,744	-	-	-	-	-	-
<b>Closing Tangible Capital Asset Balance</b>	<b>1,668,390</b>	<b>1,676,752</b>	<b>1,694,308</b>	<b>1,708,564</b>						
Opening Accumulated Amortization	788,292	803,635	819,168	833,795	858,242	885,773	913,304	940,835	968,366	995,897
Amortization Expense	24,321	25,171	26,071	27,191	27,531	27,531	27,531	27,531	27,531	27,531
Amortization on Disposal	8,978	9,638	11,444	2,744	-	-	-	-	-	-
<b>Ending Accumulated Amortization</b>	<b>803,635</b>	<b>819,168</b>	<b>833,795</b>	<b>858,242</b>	<b>885,773</b>	<b>913,304</b>	<b>940,835</b>	<b>968,366</b>	<b>995,897</b>	<b>1,023,428</b>
<b>Net Book Value</b>	<b>864,755</b>	<b>857,584</b>	<b>860,513</b>	<b>850,322</b>	<b>822,791</b>	<b>795,260</b>	<b>767,729</b>	<b>740,198</b>	<b>712,667</b>	<b>685,136</b>



## 5. Accumulated Surplus

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

Water	2021 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Capital/Other	429,786
<b>Total Reserves Balance</b>	<b>429,786</b>
Add: Tangible Capital Assets	872,076
<b>Total Opening Balance</b>	<b>1,301,862</b>

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

## 6. Other Revenue

Other revenues include interest earned, penalties, and rentals. These revenues have been inflated annually by 2% over the forecast period.

## 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.)
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 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 information contained within the Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Township of Leeds and the Thousand Islands' Ontario Regulation 453/07 Water and Wastewater Financial Plans prepared by Watson & Associates Economists Ltd. dated January 20, 2021 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated January 20, 2021 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3(1)(6).
4. 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.).



# Appendix A – Rate Study – Water and Wastewater Summary Tables



**Table A-1**  
**Township of Leeds and the Thousand Islands**  
**Water Service**  
**Capital Budget Forecast**  
 Inflated \$

Description	Total	Budget 2020	Forecast										
			2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
<b>Capital Expenditures</b>													
Replace Flow Meters	11,000	-	-	-	11,000	-	-	-	-	-	-	-	-
Replace Well Pump # 1 & Camera Inspection of Well	15,000	15,000	-	-	-	-	-	-	-	-	-	-	-
Replace Well Pump # 2 & Camera Inspection of Well	17,000	-	-	-	-	17,000	-	-	-	-	-	-	-
Water Meter Replacement Program	53,000	-	17,000	18,000	18,000	-	-	-	-	-	-	-	-
<b>Total Capital Expenditures</b>	<b>96,000</b>	<b>15,000</b>	<b>17,000</b>	<b>18,000</b>	<b>29,000</b>	<b>17,000</b>	-	-	-	-	-	-	-
<b>Capital Financing</b>													
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Debenture Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reserve	96,000	15,000	17,000	18,000	29,000	17,000	-	-	-	-	-	-	-
<b>Total Capital Financing</b>	<b>96,000</b>	<b>15,000</b>	<b>17,000</b>	<b>18,000</b>	<b>29,000</b>	<b>17,000</b>	-	-	-	-	-	-	-

**Table A-2**  
**Township of Leeds and the Thousand Islands**  
**Water Service**  
**Schedule of Debenture Repayments**  
 Inflated \$

Debenture Year	Principal (Inflated)	2020	Forecast										
			2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
2021	-			-	-	-	-	-	-	-	-	-	-
2022	-				-	-	-	-	-	-	-	-	-
2023	-					-	-	-	-	-	-	-	-
2024	-						-	-	-	-	-	-	-
2025	-							-	-	-	-	-	-
2026	-								-	-	-	-	-
2027	-									-	-	-	-
2028	-										-	-	-
2029	-											-	-
2030	-												-
<b>Total Annual Debt Charges</b>	-	-	-	-	-	-	-	-	-	-	-	-	-



**Table A-3**  
**Township of Leeds and the Thousand Islands**  
**Water Service**  
**Scenario 3**  
**Water Reserve Continuity**  
Inflated \$

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Opening Balance	375,192	429,786	493,512	563,812	631,868	720,335	834,891	957,952	1,090,999	1,233,414	1,386,969
Transfer from Operating	69,594	80,725	88,301	97,056	105,467	114,555	123,061	133,047	142,414	153,555	163,785
Transfer to Capital	15,000	17,000	18,000	29,000	17,000	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>429,786</b>	<b>493,512</b>	<b>563,812</b>	<b>631,868</b>	<b>720,335</b>	<b>834,891</b>	<b>957,952</b>	<b>1,090,999</b>	<b>1,233,414</b>	<b>1,386,969</b>	<b>1,550,754</b>
Interest	-	-	-	-	-	-	-	-	-	-	-



**Table A-4**  
**Township of Leeds and the Thousand Islands**  
**Water Services**  
**Scenario 3**  
**Operating Budget Forecast**  
 Inflated \$

Description	Budget	Forecast									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Expenditures</b>											
<u>Operating Costs</u>											
Office Supplies	250	260	260	270	270	280	280	290	290	300	300
Postage / Courier	1,700	1,700	1,800	1,800	1,800	1,900	1,900	2,000	2,000	2,000	2,100
Insurance	5,800	5,900	6,000	6,200	6,300	6,400	6,500	6,700	6,800	6,900	7,100
Leases	100	100	100	110	110	110	110	110	120	120	120
Consultants	2,500	2,600	2,600	2,700	2,700	2,800	2,800	2,900	2,900	3,000	3,000
Auditors	1,200	1,200	1,200	1,300	1,300	1,300	1,400	1,400	1,400	1,400	1,500
Miscellaneous	200	200	210	210	220	220	230	230	230	240	240
Supplies	1,500	1,500	1,600	1,600	1,600	1,700	1,700	1,700	1,800	1,800	1,800
Contracted Jobs											
OCWA - Maintenance Forecast	42,700	50,800	48,700	47,400	42,500	43,400	44,200	45,100	46,000	46,900	47,900
Other	17,300	10,400	13,700	16,300	22,400	22,800	23,400	23,800	24,300	24,800	25,200
Maintenance	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,900	6,000	6,100
O.C.W.A.	149,008	152,000	155,000	158,100	161,300	164,500	167,800	171,200	174,600	178,100	181,600
Water & Sewer - Grant in Lieu	3,200	3,300	3,300	3,400	3,500	3,500	3,600	3,700	3,700	3,800	3,900
Program Support Costs - Internal	9,750	9,900	10,100	10,300	10,600	10,800	11,000	11,200	11,400	11,700	11,900
<b>Sub-Total Operating Costs</b>	<b>240,208</b>	<b>244,960</b>	<b>249,770</b>	<b>254,990</b>	<b>260,000</b>	<b>265,210</b>	<b>270,520</b>	<b>276,030</b>	<b>281,440</b>	<b>287,060</b>	<b>292,760</b>
<u>Capital-Related</u>											
Transfer to Capital Reserve	69,594	80,725	88,301	97,056	105,467	114,555	123,061	133,047	142,414	153,555	163,785
<b>Sub-Total Capital-Related</b>	<b>69,594</b>	<b>80,725</b>	<b>88,301</b>	<b>97,056</b>	<b>105,467</b>	<b>114,555</b>	<b>123,061</b>	<b>133,047</b>	<b>142,414</b>	<b>153,555</b>	<b>163,785</b>
<b>Total Expenditures</b>	<b>309,802</b>	<b>325,685</b>	<b>338,071</b>	<b>352,046</b>	<b>365,467</b>	<b>379,765</b>	<b>393,581</b>	<b>409,077</b>	<b>423,854</b>	<b>440,615</b>	<b>456,545</b>
<b>Revenues</b>											
<u>Operating Revenues</u>											
Interest Earned	8,000	8,200	8,300	8,500	8,700	8,800	9,000	9,200	9,400	9,600	9,800
Penalty & Interest	2,000	2,000	2,100	2,100	2,200	2,200	2,300	2,300	2,300	2,400	2,400
Rentals	6,750	6,900	7,000	7,200	7,300	7,500	7,600	7,800	7,900	8,100	8,200
Contributions from Reserve	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-Total Operating Revenues</b>	<b>16,750</b>	<b>17,100</b>	<b>17,400</b>	<b>17,800</b>	<b>18,200</b>	<b>18,500</b>	<b>18,900</b>	<b>19,300</b>	<b>19,600</b>	<b>20,100</b>	<b>20,400</b>
<u>Billing Revenues</u>											
Base Charge Revenue	277,835	288,491	299,553	312,034	323,989	337,468	350,386	364,941	378,900	394,617	409,698
Consumptive Revenue	15,218	20,094	21,118	22,212	23,278	23,798	24,295	24,836	25,354	25,899	26,447
<b>Sub-Total Billing Revenues</b>	<b>293,052</b>	<b>308,585</b>	<b>320,671</b>	<b>334,246</b>	<b>347,267</b>	<b>361,265</b>	<b>374,681</b>	<b>389,777</b>	<b>404,254</b>	<b>420,515</b>	<b>436,145</b>
<b>Total Revenues</b>	<b>309,802</b>	<b>325,685</b>	<b>338,071</b>	<b>352,046</b>	<b>365,467</b>	<b>379,765</b>	<b>393,581</b>	<b>409,077</b>	<b>423,854</b>	<b>440,615</b>	<b>456,545</b>



**Table A-5**  
**Township of Leeds and the Thousand Islands**  
**Wastewater Service**  
**Capital Budget Forecast**  
 Inflated \$

Description	Total	Budget 2020	Forecast										
			2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
<b>Capital Expenditures</b>													
Build Shed at SPS	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-
Submersible Pump #1 Rebuild / Replace	15,000	15,000	-	-	-	-	-	-	-	-	-	-	-
Submersible Pump #2 Rebuild / Replace	21,000	-	-	21,000	-	-	-	-	-	-	-	-	-
Water Meter Replacement Program	53,000	-	17,000	18,000	18,000	-	-	-	-	-	-	-	-
<b>Total Capital Expenditures</b>	<b>99,000</b>	<b>15,000</b>	<b>27,000</b>	<b>39,000</b>	<b>18,000</b>	-	-	-	-	-	-	-	-
<b>Capital Financing</b>													
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Debenture Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Wastewater Reserve	99,000	15,000	27,000	39,000	18,000	-	-	-	-	-	-	-	-
<b>Total Capital Financing</b>	<b>99,000</b>	<b>15,000</b>	<b>27,000</b>	<b>39,000</b>	<b>18,000</b>	-	-	-	-	-	-	-	-

**Table A-6**  
**Township of Leeds and the Thousand Islands**  
**Wastewater Service**  
**Schedule of Debenture Repayments**  
 Inflated \$

Debenture Year	Principal (Inflated)	Budget 2020	Forecast										
			2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
2021	-			-	-	-	-	-	-	-	-	-	-
2022	-				-	-	-	-	-	-	-	-	-
2023	-					-	-	-	-	-	-	-	-
2024	-						-	-	-	-	-	-	-
2025	-							-	-	-	-	-	-
2026	-								-	-	-	-	-
2027	-									-	-	-	-
2028	-										-	-	-
2029	-											-	-
2030	-												-
<b>Total Annual Debt Charges</b>	-	-	-	-	-	-	-	-	-	-	-	-	-



**Table A-7**  
**Township of Leeds and the Thousand Islands**  
**Wastewater Service**  
**Scenario 3**  
**Wastewater Reserves Continuity**  
Inflated \$

Description	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Opening Balance	375,192	449,455	519,750	585,545	678,577	800,335	931,056	1,070,283	1,219,490	1,377,917	1,547,413
Transfer from Operating	89,263	97,295	104,794	111,033	121,758	130,721	139,227	149,207	158,426	169,496	179,515
Transfer to Capital	15,000	27,000	39,000	18,000	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>449,455</b>	<b>519,750</b>	<b>585,545</b>	<b>678,577</b>	<b>800,335</b>	<b>931,056</b>	<b>1,070,283</b>	<b>1,219,490</b>	<b>1,377,917</b>	<b>1,547,413</b>	<b>1,726,928</b>
Interest	-	-	-	-	-	-	-	-	-	-	-



**Table A-8**  
**Township of Leeds and the Thousand Islands**  
**Wastewater Services**  
**Scenario 3**  
**Operating Budget Forecast**  
 Inflated \$

Description	Budget	Forecast									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Expenditures</b>											
<u>Operating Costs</u>											
Office Supplies	250	260	260	270	270	280	280	290	290	300	300
Postage / Courier	1,700	1,700	1,800	1,800	1,800	1,900	1,900	2,000	2,000	2,000	2,100
Insurance	5,800	5,900	6,000	6,200	6,300	6,400	6,500	6,700	6,800	6,900	7,100
Leases	100	100	100	110	110	110	110	110	120	120	120
Consultants	2,500	2,600	2,600	2,700	2,700	2,800	2,800	2,900	2,900	3,000	3,000
Auditors	1,200	1,200	1,200	1,300	1,300	1,300	1,400	1,400	1,400	1,400	1,500
Miscellaneous	200	200	210	210	220	220	230	230	230	240	240
Supplies	1,500	1,500	1,600	1,600	1,600	1,700	1,700	1,700	1,800	1,800	1,800
Contracted Jobs											
OCWA - Maintenance Forecast	40,000	39,800	49,900	66,300	34,600	35,300	36,000	36,700	37,500	38,200	39,000
Other	20,000	21,400	12,500	-	30,300	30,900	31,600	32,200	32,800	33,500	34,100
Maintenance	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,900	6,000	6,100
O.C.W.A.	113,992	116,300	118,600	121,000	123,400	125,900	128,400	130,900	133,600	136,200	139,000
Water & Sewer - Grant in Lieu	3,200	3,300	3,300	3,400	3,500	3,500	3,600	3,700	3,700	3,800	3,900
Program Support Costs - Internal	9,750	9,900	10,100	10,300	10,600	10,800	11,000	11,200	11,400	11,700	11,900
<b>Sub-Total Operating Costs</b>	<b>205,192</b>	<b>209,260</b>	<b>213,370</b>	<b>220,490</b>	<b>222,100</b>	<b>226,610</b>	<b>231,120</b>	<b>235,730</b>	<b>240,440</b>	<b>245,160</b>	<b>250,160</b>
<u>Capital-Related</u>											
Transfer to Capital Reserve	89,263	97,295	104,794	111,033	121,758	130,721	139,227	149,207	158,426	169,496	179,515
<b>Sub-Total Capital-Related</b>	<b>89,263</b>	<b>97,295</b>	<b>104,794</b>	<b>111,033</b>	<b>121,758</b>	<b>130,721</b>	<b>139,227</b>	<b>149,207</b>	<b>158,426</b>	<b>169,496</b>	<b>179,515</b>
<b>Total Expenditures</b>	<b>294,455</b>	<b>306,555</b>	<b>318,164</b>	<b>331,523</b>	<b>343,858</b>	<b>357,331</b>	<b>370,347</b>	<b>384,937</b>	<b>398,866</b>	<b>414,656</b>	<b>429,675</b>
<b>Revenues</b>											
<u>Operating Revenues</u>											
Interest Earned	8,000	8,200	8,300	8,500	8,700	8,800	9,000	9,200	9,400	9,600	9,800
Penalty & Interest	2,000	2,000	2,100	2,100	2,200	2,200	2,300	2,300	2,300	2,400	2,400
Rentals	6,750	6,900	7,000	7,200	7,300	7,500	7,600	7,800	7,900	8,100	8,200
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-Total Operating Revenues</b>	<b>16,750</b>	<b>17,100</b>	<b>17,400</b>	<b>17,800</b>	<b>18,200</b>	<b>18,500</b>	<b>18,900</b>	<b>19,300</b>	<b>19,600</b>	<b>20,100</b>	<b>20,400</b>
<u>Billing Revenues</u>											
Base Charge Revenue	262,323	272,384	282,828	294,613	305,900	318,626	330,824	344,566	357,746	372,585	386,824
Consumptive Revenue	15,382	17,071	17,936	19,110	19,758	20,205	20,623	21,071	21,520	21,972	22,451
<b>Sub-Total Billing Revenues</b>	<b>277,705</b>	<b>289,455</b>	<b>300,764</b>	<b>313,723</b>	<b>325,658</b>	<b>338,831</b>	<b>351,447</b>	<b>365,637</b>	<b>379,266</b>	<b>394,556</b>	<b>409,275</b>
<b>Wastewater Billing Recovery - Total</b>	<b>294,455</b>	<b>306,555</b>	<b>318,164</b>	<b>331,523</b>	<b>343,858</b>	<b>357,331</b>	<b>370,347</b>	<b>384,937</b>	<b>398,866</b>	<b>414,656</b>	<b>429,675</b>



# Appendix B – Wastewater Financial Plan



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

Modified Cash Basis	Budget 2021	Adjustments		Full Accrual Budget 2021	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	272,384			272,384	Base Charge Revenue
Rate Based Revenue	17,071			17,071	Rate Based Revenue
Other Revenue	17,100		-	17,100	Other Revenue
<b>Total Revenues</b>	<b>306,555</b>			<b>306,555</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	209,260	-		209,260	Operating Expenses
Capital					
Transfers to Reserves	97,295		97,295		
		9,901		9,901	Amortization
<b>Total Expenditures</b>	<b>306,555</b>			<b>219,161</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>87,394</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			675,514	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>87,394</b>	<b>-</b>	<b>762,908</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>97,295</b>	<b>97,295</b>		

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



Table B-2  
Conversion Adjustments  
Statement of Financial Position (Wastewater)

Modified Cash Basis	Budget 2021	Adjustments		Full Accrual Budget 2021	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	527,102			527,102	Cash
Accounts Receivable	13,395			13,395	Accounts Receivable
<b>Total Financial Assets</b>	<b>540,497</b>			<b>540,497</b>	<b>Total Financial Assets</b>
<b>LIABILITIES</b>					<b>Liabilities</b>
Accounts Payable & Accrued Liabilities	20,747			20,747	Accounts Payable & Accrued Liabilities
<b>Total Liabilities</b>	<b>20,747</b>			<b>20,747</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>519,750</b>			<b>519,750</b>	<b>Net Financial Assets/(Debt)</b>
		243,158	-	243,158	<b>Non-Financial Assets</b>
					Tangible Capital Assets
				<b>243,158</b>	<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Wastewater Reserves	519,750	519,750	-		
<b>Total Municipal Position</b>	<b>519,750</b>		762,908	<b>762,908</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>762,908</b>	<b>762,908</b>		

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



Table B-3  
Statement of Financial Position: Wastewater Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Financial Assets</b>											
Cash	1	527,102	592,797	685,952	807,330	937,909	1,077,016	1,226,042	1,384,327	1,553,602	1,732,955
Accounts Receivable	1	13,395	13,902	14,486	15,025	15,614	16,182	16,820	17,428	18,118	18,775
<b>Total Financial Assets</b>		<b>540,497</b>	<b>606,699</b>	<b>700,438</b>	<b>822,355</b>	<b>953,523</b>	<b>1,093,198</b>	<b>1,242,862</b>	<b>1,401,755</b>	<b>1,571,720</b>	<b>1,751,730</b>
<b>Liabilities</b>											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	20,747	21,155	21,861	22,020	22,467	22,915	23,372	23,839	24,307	24,802
Debt (Principal only)	2	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>		<b>20,747</b>	<b>21,155</b>	<b>21,861</b>	<b>22,020</b>	<b>22,467</b>	<b>22,915</b>	<b>23,372</b>	<b>23,839</b>	<b>24,307</b>	<b>24,802</b>
<b>Net Financial Assets/(Debt)</b>		<b>519,750</b>	<b>585,544</b>	<b>678,577</b>	<b>800,335</b>	<b>931,056</b>	<b>1,070,283</b>	<b>1,219,490</b>	<b>1,377,916</b>	<b>1,547,413</b>	<b>1,726,928</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	243,158	271,332	277,006	264,230	251,454	238,678	225,902	213,126	200,350	187,574
<b>Total Non-Financial Assets</b>		<b>243,158</b>	<b>271,332</b>	<b>277,006</b>	<b>264,230</b>	<b>251,454</b>	<b>238,678</b>	<b>225,902</b>	<b>213,126</b>	<b>200,350</b>	<b>187,574</b>
<b>Accumulated Surplus/(Deficit)</b>	<b>5</b>	<b>762,908</b>	<b>856,876</b>	<b>955,583</b>	<b>1,064,565</b>	<b>1,182,510</b>	<b>1,308,961</b>	<b>1,445,392</b>	<b>1,591,042</b>	<b>1,747,763</b>	<b>1,914,502</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
1) Increase/(Decrease) in Net Financial Assets	1,277,473	70,295	65,794	93,033	121,758	130,721	139,227	149,207	158,426	169,497	179,515
2) Increase/(Decrease) in Tangible Capital Assets	(38,485)	17,099	28,174	5,674	(12,776)	(12,776)	(12,776)	(12,776)	(12,776)	(12,776)	(12,776)
3) Increase/(Decrease) in Accumulated Surplus	1,238,988	87,394	93,968	98,707	108,982	117,945	126,451	136,431	145,650	156,721	166,739



**Table B-4**  
**Statement of Operations: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2021-2030**

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Wastewater Revenue</b>											
Base Charge Revenue		272,384	282,828	294,613	305,900	318,626	330,824	344,566	357,746	372,585	386,824
Rate Based Revenue		17,071	17,936	19,110	19,758	20,205	20,623	21,071	21,520	21,972	22,451
Other Revenue	6	17,100	17,400	17,800	18,200	18,500	18,900	19,300	19,600	20,100	20,400
<b>Total Revenues</b>		<b>306,555</b>	<b>318,164</b>	<b>331,523</b>	<b>343,858</b>	<b>357,331</b>	<b>370,347</b>	<b>384,937</b>	<b>398,866</b>	<b>414,657</b>	<b>429,675</b>
<b>Wastewater Expenses</b>											
Operating Expenses	Sch. 4-1	209,260	213,370	220,490	222,100	226,610	231,120	235,730	240,440	245,160	250,160
Interest on Debt	2	-	-	-	-	-	-	-	-	-	-
Amortization	4	9,901	10,826	12,326	12,776	12,776	12,776	12,776	12,776	12,776	12,776
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>		<b>219,161</b>	<b>224,196</b>	<b>232,816</b>	<b>234,876</b>	<b>239,386</b>	<b>243,896</b>	<b>248,506</b>	<b>253,216</b>	<b>257,936</b>	<b>262,936</b>
<b>Annual Surplus/(Deficit)</b>		<b>87,394</b>	<b>93,968</b>	<b>98,707</b>	<b>108,982</b>	<b>117,945</b>	<b>126,451</b>	<b>136,431</b>	<b>145,650</b>	<b>156,721</b>	<b>166,739</b>
Accumulated Surplus/(Deficit), beginning of year	5	675,514	762,908	856,876	955,583	1,064,565	1,182,510	1,308,961	1,445,392	1,591,042	1,747,763
Accumulated Surplus/(Deficit), end of year		762,908	856,876	955,583	1,064,565	1,182,510	1,308,961	1,445,392	1,591,042	1,747,763	1,914,502
<b>Note 5:</b>											
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
<b>Reserve Balances</b>											
Reserves: Development Charges		-	-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		519,750	585,544	678,577	800,335	931,056	1,070,283	1,219,490	1,377,916	1,547,413	1,726,928
<b>Total Reserves Balance</b>		<b>519,750</b>	<b>585,544</b>	<b>678,577</b>	<b>800,335</b>	<b>931,056</b>	<b>1,070,283</b>	<b>1,219,490</b>	<b>1,377,916</b>	<b>1,547,413</b>	<b>1,726,928</b>
Less: Debt Obligations and Deferred Revenue		-	-	-	-	-	-	-	-	-	-
Add: Tangible Capital Assets	4	243,158	271,332	277,006	264,230	251,454	238,678	225,902	213,126	200,350	187,574
<b>Total Ending Balance</b>		<b>762,908</b>	<b>856,876</b>	<b>955,583</b>	<b>1,064,565</b>	<b>1,182,510</b>	<b>1,308,961</b>	<b>1,445,392</b>	<b>1,591,042</b>	<b>1,747,763</b>	<b>1,914,502</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
1) Expense to Revenue Ratio		71%	70%	70%	68%	67%	66%	65%	63%	62%	61%
2) Increase/(Decrease) in Accumulated Surplus	1,238,988	87,394	93,968	98,707	108,982	117,945	126,451	136,431	145,650	156,721	166,739



Table B-5  
Statement of Operating Expenses: Wastewater Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Operating Expenses</b>											
Office Supplies		260	260	270	270	280	280	290	290	300	300
Postage / Courier		1,700	1,800	1,800	1,800	1,900	1,900	2,000	2,000	2,000	2,100
Insurance		5,900	6,000	6,200	6,300	6,400	6,500	6,700	6,800	6,900	7,100
Leases		100	100	110	110	110	110	110	120	120	120
Consultants		2,600	2,600	2,700	2,700	2,800	2,800	2,900	2,900	3,000	3,000
Auditors		1,200	1,200	1,300	1,300	1,300	1,400	1,400	1,400	1,400	1,500
Miscellaneous		200	210	210	220	220	230	230	230	240	240
Supplies		1,500	1,600	1,600	1,600	1,700	1,700	1,700	1,800	1,800	1,800
Contracted Jobs		61,200	62,400	66,300	64,900	66,200	67,600	68,900	70,300	71,700	73,100
Maintenance		5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,900	6,000	6,100
O.C.W.A.		116,300	118,600	121,000	123,400	125,900	128,400	130,900	133,600	136,200	139,000
Water & Sewer - Grant in Lieu		3,300	3,300	3,400	3,500	3,500	3,600	3,700	3,700	3,800	3,900
Program Support Costs - Internal		9,900	10,100	10,300	10,600	10,800	11,000	11,200	11,400	11,700	11,900
Non TCA - Expenses from Capital Budget	7	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>		<b>209,260</b>	<b>213,370</b>	<b>220,490</b>	<b>222,100</b>	<b>226,610</b>	<b>231,120</b>	<b>235,730</b>	<b>240,440</b>	<b>245,160</b>	<b>250,160</b>



**Table B-6**  
**Statement of Changes in Net Financial Assets/Debt: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2021-2030**

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual Surplus/(Deficit)		87,394	93,968	98,707	108,982	117,945	126,451	136,431	145,650	156,721	166,739
Less: Acquisition of Tangible Capital Assets	4	(27,000)	(39,000)	(18,000)	-	-	-	-	-	-	-
Add: Amortization of Tangible Capital Assets	4	9,901	10,826	12,326	12,776	12,776	12,776	12,776	12,776	12,776	12,776
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(17,099)	(28,174)	(5,674)	12,776	12,776	12,776	12,776	12,776	12,776	12,776
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>70,295</b>	<b>65,794</b>	<b>93,033</b>	<b>121,758</b>	<b>130,721</b>	<b>139,227</b>	<b>149,207</b>	<b>158,426</b>	<b>169,497</b>	<b>179,515</b>
Net Financial Assets/(Net Debt), beginning of year		449,455	519,750	585,544	678,577	800,335	931,056	1,070,283	1,219,490	1,377,916	1,547,413
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>519,750</b>	<b>585,544</b>	<b>678,577</b>	<b>800,335</b>	<b>931,056</b>	<b>1,070,283</b>	<b>1,219,490</b>	<b>1,377,916</b>	<b>1,547,413</b>	<b>1,726,928</b>
<b>Financial Indicators</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		27,000	66,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		97,295	202,089	313,122	434,880	565,601	704,828	854,035	1,012,461	1,181,958	1,361,473
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		3.60	3.06	3.73	5.18	6.73	8.39	10.17	12.05	14.07	16.21



Table B-7  
Statement of Cash Flow – Indirect Method: Wastewater Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2030

	Notes	Forecast									
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Operating Transactions</b>											
Annual Surplus/Deficit		87,394	93,968	98,707	108,982	117,945	126,451	136,431	145,650	156,721	166,739
Add: Amortization of TCA's	4	9,901	10,826	12,326	12,776	12,776	12,776	12,776	12,776	12,776	12,776
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(529)	(507)	(584)	(539)	(589)	(568)	(638)	(608)	(690)	(657)
Change in A/P Increase/(Decrease)		403	408	706	159	447	448	457	467	468	495
<b>Cash Provided by Operating Transactions</b>		<b>97,169</b>	<b>104,695</b>	<b>111,155</b>	<b>121,378</b>	<b>130,579</b>	<b>139,107</b>	<b>149,026</b>	<b>158,285</b>	<b>169,275</b>	<b>179,353</b>
<b>Capital Transactions</b>											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(27,000)	(39,000)	(18,000)	-	-	-	-	-	-	-
<b>Cash Applied to Capital Transactions</b>		<b>(27,000)</b>	<b>(39,000)</b>	<b>(18,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investing Transactions</b>											
Proceeds from Investments		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
<b>Cash Provided by (applied to) Investing Transactions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financing Transactions</b>											
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	-	-	-	-	-	-	-	-	-
<b>Cash Applied to Financing Transactions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase in Cash and Cash Equivalents		70,169	65,695	93,155	121,378	130,579	139,107	149,026	158,285	169,275	179,353
Cash and Cash Equivalents, beginning of year	1	456,933	527,102	592,797	685,952	807,330	937,909	1,077,016	1,226,042	1,384,327	1,553,602
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>527,102</b>	<b>592,797</b>	<b>685,952</b>	<b>807,330</b>	<b>937,909</b>	<b>1,077,016</b>	<b>1,226,042</b>	<b>1,384,327</b>	<b>1,553,602</b>	<b>1,732,955</b>



## Wastewater

### 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. However, the financial plan is not an audited document and contains various estimates. In this regard, section 3 (2) of O. Reg. 453/07 states the following:

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

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

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

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

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

- A. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- 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 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 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*

For the Township, receivable and payable balances were estimated for each year of the forecast based on the following factors:

- c) Receivables: Based on the historical levels of receivables as a percentage of annual revenue earned (source: ratio utilized in the 2015 Water and Wastewater Financial Plans); and
- d) Payables: Based on historical levels of payables as a percentage of annual expenses (source: ratio utilized in the 2015 Water and Wastewater Financial Plans).

## 2. Debt

The Township has no outstanding wastewater related debt at the end of 2020, and no debt has been forecasted to be issued over the 2021-2030 period.

## 3. Deferred Revenue

Deferred revenue is typically made up of wastewater development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected.

The Township does not collect wastewater development charges, therefore deferred revenue is assumed to be zero over the forecast period.



#### 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - iii. Infrastructure; and
  - iv. Facilities.
- Amortization is calculated based on using the straight-line approach.
- Given the planned asset replacement forecast in the Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, 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 balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Opening Tangible Capital Asset Balance	1,083,575	1,101,015	1,123,834	1,136,756	1,136,756	1,136,756	1,136,756	1,136,756	1,136,756	1,136,756
Acquisitions	27,000	39,000	18,000	-	-	-	-	-	-	-
Disposals	9,560	16,181	5,078	-	-	-	-	-	-	-
<b>Closing Tangible Capital Asset Balance</b>	<b>1,101,015</b>	<b>1,123,834</b>	<b>1,136,756</b>							
Opening Accumulated Amortization	857,516	857,857	852,502	859,750	872,526	885,302	898,078	910,854	923,630	936,406
Amortization Expense	9,901	10,826	12,326	12,776	12,776	12,776	12,776	12,776	12,776	12,776
Amortization on Disposal	9,560	16,181	5,078	-	-	-	-	-	-	-
<b>Ending Accumulated Amortization</b>	<b>857,857</b>	<b>852,502</b>	<b>859,750</b>	<b>872,526</b>	<b>885,302</b>	<b>898,078</b>	<b>910,854</b>	<b>923,630</b>	<b>936,406</b>	<b>949,182</b>
<b>Net Book Value</b>	<b>243,158</b>	<b>271,332</b>	<b>277,006</b>	<b>264,230</b>	<b>251,454</b>	<b>238,678</b>	<b>225,902</b>	<b>213,126</b>	<b>200,350</b>	<b>187,574</b>



## 8. Accumulated Surplus

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

Wastewater	2021 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Capital/Other	449,455
<b>Total Reserves Balance</b>	<b>449,455</b>
Add: Tangible Capital Assets	226,059
<b>Total Opening Balance</b>	<b>675,514</b>

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

## 9. Other Revenue

Other revenues include interest earned, penalties, and rentals. These revenues have been inflated annually by 2% over the forecast period.

## 10. 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.