



 **Watson
& Associates**
ECONOMISTS LTD.

Water Ontario Regulation 453/07 Financial Plan

Municipality of North Middlesex

Financial Plan #002-101

May 8, 2024

Watson & Associates Economists Ltd.
905-272-3600
info@watsonecon.ca

Table of Contents

	Page
1. Introduction.....	1-1
1.1 Study Purpose	1-1
1.2 Background.....	1-1
1.2.1 Financial Plan Defined	1-2
1.2.2 Financial Plan Requirements – Existing System.....	1-2
1.2.3 Financial Plan Requirements – General	1-3
1.2.4 Public Sector Accounting Board (P.S.A.B.) Requirements	1-4
2. Sustainable Financial Planning.....	2-1
2.1 Introduction	2-1
2.2 Sustainable Water and Sewage Systems Act.....	2-2
2.3 Water Opportunities Act, 2010.....	2-2
2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015	2-3
2.5 Water Forecast	2-4
3. Approach.....	3-1
3.1 Overview.....	3-1
3.2 Conversion Process.....	3-1
3.2.1 Calculate Tangible Capital Asset Balances	3-1
3.2.2 Convert Statement of Operations.....	3-2
3.2.3 Convert Statement of Financial Position	3-4
3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt.....	3-4
3.2.5 Verification and Note Preparation	3-6
4. Financial Plan	4-1
4.1 Introduction	4-1
4.2 Water Financial Plan.....	4-1
4.2.1 Statement of Financial Position (Table 4-1)	4-1
4.2.2 Statement of Operations (Table 4-2).....	4-2



Table of Contents (Cont'd)

	Page
4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)	4-3
4.2.4 Statement of Cash Flow (Table 4-4)	4-3
5. Process for Financial Plan Approval and Submission to the Province	5-1
6. Recommendations	6-1



List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
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

Watson & Associates Economists Ltd. (Watson) was retained by the Municipality of North Middlesex (Municipality) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regard to the Municipality's water system has already been completed and documented by Watson within the "Municipality of North Middlesex Water and Wastewater Rate Study, dated May 8, 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

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):



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

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

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

2.3 Water Opportunities Act, 2010

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

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 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 Forecast

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 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

The 2024 Rate Study has been used as a starting point to prepare the water financial plan. The water forecast is prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecasts. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

3.2 Conversion Process

The conversion from the existing modified cash basis 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. The existing water assets are based on the Municipality's historical inventory information. 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		
Revenues					Revenues
Base Charge Revenue	2,797,872			2,797,872	Base Charge Revenue
Rate Based Revenue	746,324			746,324	Rate Based Revenue
Transfers from Reserves	629,481	629,481			
			629,481	629,481	Earned Development Charges and Gas Tax Revenue
Other Revenue	96,594		62,888	159,482	Other Revenue
Total Revenues	4,270,271			4,333,159	Total Revenues
Expenditures					Expenses
Operating	2,121,331	204,000		2,325,331	Operating Expenses
Capital					
Transfers to Reserves	1,519,459		1,519,459		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	629,481		247,881	381,600	Interest on Debt
		1,160,606		1,160,606	Amortization
Total Expenditures	4,270,271			3,867,537	Total Expenses
Net Expenditures	-			465,622	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			40,432,548	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	465,622	-	40,898,170	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		2,459,709	2,459,709		

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		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	2,654,612			2,654,612	Cash
Accounts Receivable	852,864			852,864	Accounts Receivable
Accounts Receivable - Other	232,887			232,887	Accounts Receivable - Other
Total Financial Assets	3,740,363			3,740,363	Total Financial Assets
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	533,068			533,068	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	12,036,119			12,036,119	Debt (Principal only)
Total Liabilities	12,569,187			12,569,187	Total Liabilities
Net Assets/(Debt)	(8,828,824)			(8,828,824)	Net Financial Assets/(Debt)
		49,930,993	204,000	49,726,993	Non-Financial Assets
					Tangible Capital Assets
				49,726,993	Total Non-Financial Assets
Municipal Position					
Water Reserves	3,207,295	3,207,295	-		
Development Charge Reserve Fund	(232,888)	-	232,888		
Amounts to be Recovered	(11,803,232)	-	11,803,232		
Total Municipal Position	(8,828,824)		40,898,168	40,898,170	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		53,138,288	53,138,288		

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

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 document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the 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 \$8.83 million. The Municipality's net financial deficit position is projected to increase to a positive position over forecast period, reaching approximately \$12.09 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 municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

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



- 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 \$7.51 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 62% over the forecast period. As a result, an annual surplus position is forecasted for each year, ultimately reaching an annual surplus of \$4.72 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 \$28.89 million to an opening 2024 accumulated surplus of \$40.43 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 0.40 in 2024 to 1.81 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 balance of approximately \$1.72 million at the beginning of 2024 to a balance of approximately \$11.43 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
Financial Assets											
Cash	1	2,654,612	2,454,418	4,134,835	6,414,537	5,309,413	6,850,734	5,446,609	9,000,065	11,028,756	11,429,964
Accounts Receivable	1	852,864	1,000,505	1,140,948	1,261,903	1,376,634	1,444,025	1,515,165	1,590,262	1,669,520	1,807,143
Accounts Receivable - Other	3	232,887	849,925	1,563,034	2,280,604	3,402,729	4,354,431	5,744,083	6,529,112	7,325,598	8,133,691
Total Financial Assets		3,740,363	4,304,848	6,838,817	9,957,044	10,088,776	12,649,190	12,705,857	17,119,439	20,023,874	21,370,798
Liabilities											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	533,068	552,179	572,113	592,975	614,672	637,376	658,399	680,296	702,985	726,700
Debt (Principal only)	2	12,036,119	12,850,770	12,393,730	11,915,757	11,415,892	10,893,129	10,346,416	9,774,654	9,176,692	8,551,326
Total Liabilities		12,569,187	13,402,949	12,965,843	12,508,732	12,030,564	11,530,505	11,004,815	10,454,950	9,879,677	9,278,026
Net Financial Assets/(Debt)		(8,828,824)	(9,098,101)	(6,127,026)	(2,551,688)	(1,941,788)	1,118,685	1,701,042	6,664,489	10,144,197	12,092,772
Non-Financial Assets											
Tangible Capital Assets	4	49,726,993	51,123,228	49,885,999	48,648,770	51,275,618	51,509,186	54,901,794	53,602,642	54,463,319	57,235,037
Total Non-Financial Assets		49,726,993	51,123,228	49,885,999	48,648,770	51,275,618	51,509,186	54,901,794	53,602,642	54,463,319	57,235,037
Accumulated Surplus/(Deficit)	5	40,898,169	42,025,127	43,758,973	46,097,082	49,333,830	52,627,871	56,602,836	60,267,131	64,607,516	69,327,809
Financial Indicators											
	Total Change	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Increase/(Decrease) in Net Financial Assets	18,467,823	(2,453,773)	(269,277)	2,971,075	3,575,338	609,900	3,060,473	582,357	4,963,447	3,479,708	1,948,575
2) Increase/(Decrease) in Tangible Capital Assets	10,427,438	2,919,394	1,396,235	(1,237,229)	(1,237,229)	2,626,848	233,568	3,392,608	(1,299,152)	860,677	2,771,718
3) Increase/(Decrease) in Accumulated Surplus	28,895,261	465,621	1,126,958	1,733,846	2,338,109	3,236,748	3,294,041	3,974,965	3,664,295	4,340,385	4,720,293



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
Water Revenue											
Base Charge Revenue		2,797,872	3,267,962	3,751,047	4,229,811	4,684,295	4,951,587	5,233,898	5,532,061	5,846,956	6,181,125
Rate Based Revenue		746,324	869,820	996,327	1,121,180	1,239,152	1,307,185	1,378,972	1,454,717	1,534,467	1,618,889
Earned Development Charges Revenue	3	629,481	773,328	865,030	865,030	1,251,430	1,066,270	1,480,970	865,030	865,030	865,030
Other Revenue	6	159,481	171,983	223,175	285,910	290,067	341,926	344,726	432,936	491,641	519,885
Total Revenues		4,333,158	5,083,093	5,835,579	6,501,931	7,464,944	7,666,968	8,438,566	8,284,744	8,738,094	9,184,929
Water Expenses											
Operating Expenses	Sch. 4-1	2,325,331	2,197,382	2,276,707	2,359,727	2,446,071	2,536,420	2,620,083	2,707,221	2,797,510	2,891,882
Interest on Debt	2	381,600	553,988	587,797	566,866	544,973	522,075	498,126	473,076	446,876	419,472
Amortization	4	1,160,606	1,204,765	1,237,229	1,237,229	1,237,152	1,314,432	1,345,392	1,440,152	1,153,323	1,153,282
Total Expenses		3,867,537	3,956,135	4,101,733	4,163,822	4,228,196	4,372,927	4,463,601	4,620,449	4,397,709	4,464,636
Annual Surplus/(Deficit)		465,621	1,126,958	1,733,846	2,338,109	3,236,748	3,294,041	3,974,965	3,664,295	4,340,385	4,720,293
Accumulated Surplus/(Deficit), beginning of year	5	40,432,548	40,898,169	42,025,127	43,758,973	46,097,082	49,333,830	52,627,871	56,602,836	60,267,131	64,607,516
Accumulated Surplus/(Deficit), end of year		40,898,169	42,025,127	43,758,973	46,097,082	49,333,830	52,627,871	56,602,836	60,267,131	64,607,516	69,327,809
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Reserve Balances											
Reserves: Development Charges		(232,888)	(849,925)	(1,563,034)	(2,280,604)	(3,402,729)	(4,354,431)	(5,744,083)	(6,529,112)	(7,325,598)	(8,133,691)
Reserves: Capital/Other		3,207,295	3,752,669	6,266,704	9,364,069	9,474,104	12,011,814	12,047,458	16,439,143	19,320,889	20,644,098
Total Reserves Balance		2,974,407	2,902,744	4,703,670	7,083,465	6,071,375	7,657,383	6,303,375	9,910,031	11,995,291	12,510,407
Less: Debt Obligations and Deferred Revenue		(11,803,231)	(12,000,845)	(10,830,696)	(9,635,153)	(8,013,163)	(6,538,698)	(4,602,333)	(3,245,542)	(1,851,094)	(417,635)
Add: Tangible Capital Assets	4	49,726,993	51,123,228	49,885,999	48,648,770	51,275,618	51,509,186	54,901,794	53,602,642	54,463,319	57,235,037
Total Ending Balance		40,898,169	42,025,127	43,758,973	46,097,082	49,333,830	52,627,871	56,602,836	60,267,131	64,607,516	69,327,809
Financial Indicators											
	Total Change	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Expense to Revenue Ratio		89%	78%	70%	64%	57%	57%	53%	56%	50%	49%
2) Increase/(Decrease) in Accumulated Surplus	28,895,261	465,621	1,126,958	1,733,846	2,338,109	3,236,748	3,294,041	3,974,965	3,664,295	4,340,385	4,720,293



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	
Operating Expenses												
Salaries & Wages		99,400	101,400	103,400	105,500	107,600	109,800	112,000	114,200	116,500	118,800	
Employee Benefits - CPP		4,600	4,700	4,800	4,900	5,000	5,100	5,200	5,300	5,400	5,500	
Employee Benefits - EI		1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	
Employee Benefits - WSIB		3,500	3,600	3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	
Employee Benefits - EHT		1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	
Employee Benefits		8,900	9,100	9,300	9,500	9,700	9,900	10,100	10,300	10,500	10,700	
Employee Benefits - OMERS		10,000	10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	
Mileage		500	500	500	500	500	500	500	500	500	500	
Conferences		900	900	900	900	900	900	900	900	900	900	
Meals		300	300	300	300	300	300	300	300	300	300	
Office Supplies-office/shop		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Education & Training-all		2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	
Professional - Audit-QMS/MECP		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	
Postage & Courier-ALL		7,700	7,900	8,100	8,300	8,500	8,700	8,900	9,100	9,300	9,500	
Memberships-ALL		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
Advertising		800	800	800	800	800	800	800	800	800	800	
Telephone-office/shop		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Clothing Allowances & Safetywear-all		500	500	500	500	500	500	500	500	500	500	
Materials Purchased misc shop supplies		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Small Tool Purchases		500	500	500	500	500	500	500	500	500	500	
Municipal Drain Maintenance		2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	
Photocopier		200	200	200	200	200	200	200	200	200	200	
Prog Maint & Enhance(Keystone)		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Professional - Consulting		2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	
Professional - Engineering		15,300	15,600	15,900	16,200	16,500	16,800	17,100	17,400	17,700	18,100	
Legal		15,300	15,600	15,900	16,200	16,500	16,800	17,100	17,400	17,700	18,100	
Valve Maint.-Materials		18,900	19,800	20,800	21,800	22,900	24,000	25,200	26,500	27,800	29,200	
Valve Maint.-Subcontractor		6,900	7,000	7,100	7,200	7,300	7,400	7,500	7,700	7,900	8,100	
Hydro		36,800	38,600	40,500	42,500	44,600	46,800	49,100	51,600	54,200	56,900	
Insurance Premiums		22,800	23,300	23,800	24,300	24,800	25,300	25,800	26,300	26,800	27,300	
Building Repairs & Maintenance		10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000	
Telephone		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Materials		12,600	13,200	13,900	14,600	15,300	16,100	16,900	17,700	18,600	19,500	
Water Meter Maint.-Materials		63,000	66,200	69,500	73,000	76,700	80,500	84,500	88,700	93,100	97,800	
Water Purchased		789,731	833,182	878,907	927,227	978,171	1,031,920	1,078,083	1,126,421	1,176,810	1,229,682	
Materials Purchased (INVENTORY)		26,300	27,600	29,000	30,500	32,000	33,600	35,300	37,100	39,000	41,000	
Repairs & Maintenance (System)		25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	30,500	
Equipment Repairs & Maintenance		5,600	5,700	5,800	5,900	6,000	6,100	6,200	6,300	6,400	6,500	
Contracted Services		672,300	685,700	699,400	713,400	727,700	742,300	757,100	772,200	787,600	803,400	
Subcontractor - Locates		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Customer Acct Write Offs		200	200	200	200	200	200	200	200	200	200	
Property Taxes		3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900	4,000	
Loan Interest		85,700	87,400	89,100	90,900	92,700	94,600	96,500	98,400	100,400	102,400	
Service/Curb Stop - Materials		26,300	27,600	29,000	30,500	32,000	33,600	35,300	37,100	39,000	41,000	
Service/Curb Stop - Subcontractor		20,400	20,800	21,200	21,600	22,000	22,400	22,800	23,300	23,800	24,300	
Watermain Breaks-Subcontractor		10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000	
Watermain Breaks-Rentals		100	100	100	100	100	100	100	100	100	100	
Waterline Maint. - Materials		15,800	16,600	17,400	18,300	19,200	20,200	21,200	22,300	23,400	24,600	
Scada Program Support		5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000	
Water Loss Materials		10,500	11,000	11,600	12,200	12,800	13,400	14,100	14,800	15,500	16,300	
Water Loss OCWA		15,300	15,600	15,900	16,200	16,500	16,800	17,100	17,400	17,700	18,100	
Water Loss Subcontractor		27,500	28,100	28,700	29,300	29,900	30,500	31,100	31,700	32,300	32,900	
Water Loss Rentals		100	100	100	100	100	100	100	100	100	100	
Meter Pit Subcontractor		100	100	100	100	100	100	100	100	100	100	
Disruptions - OCWA OT		6,600	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500	
Disruptions - Trucking		10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000	
Non TCA - Expenses from Capital Budget	7	204,000										
TOTAL OPERATING EXPENSES		2,325,331	2,197,382	2,276,707	2,359,727	2,446,071	2,536,420	2,620,083	2,707,221	2,797,510	2,891,882	



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)		465,621	1,126,958	1,733,846	2,338,109	3,236,748	3,294,041	3,974,965	3,664,295	4,340,385	4,720,293
Less: Acquisition of Tangible Capital Assets	4	(4,080,000)	(2,601,000)	-	-	(3,864,000)	(1,548,000)	(4,738,000)	(141,000)	(2,014,000)	(3,925,000)
Add: Amortization of Tangible Capital Assets	4	1,160,606	1,204,765	1,237,229	1,237,229	1,237,152	1,314,432	1,345,392	1,440,152	1,153,323	1,153,282
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(2,919,394)	(1,396,235)	1,237,229	1,237,229	(2,626,848)	(233,568)	(3,392,608)	1,299,152	(860,677)	(2,771,718)
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(2,453,773)	(269,277)	2,971,075	3,575,338	609,900	3,060,473	582,357	4,963,447	3,479,708	1,948,575
Net Financial Assets/(Net Debt), beginning of year		(6,375,051)	(8,828,824)	(9,098,101)	(6,127,026)	(2,551,688)	(1,941,788)	1,118,685	1,701,042	6,664,489	10,144,197
Net Financial Assets/(Net Debt), end of year		(8,828,824)	(9,098,101)	(6,127,026)	(2,551,688)	(1,941,788)	1,118,685	1,701,042	6,664,489	10,144,197	12,092,772
Financial Indicators		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Acquisition of Tangible Capital Assets (Cumulative)		4,080,000	6,681,000	6,681,000	6,681,000	10,545,000	12,093,000	16,831,000	16,972,000	18,986,000	22,911,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		1,626,227	3,957,950	6,929,025	10,504,363	14,978,263	19,586,736	24,907,093	30,011,540	35,505,248	41,378,823
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.40	0.59	1.04	1.57	1.42	1.62	1.48	1.77	1.87	1.81



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
Operating Transactions											
Annual Surplus/Deficit		465,621	1,126,958	1,733,846	2,338,109	3,236,748	3,294,041	3,974,965	3,664,295	4,340,385	4,720,293
Add: Amortization of TCA's	4	1,160,606	1,204,765	1,237,229	1,237,229	1,237,152	1,314,432	1,345,392	1,440,152	1,153,323	1,153,282
Less: Earned Deferred Revenue	3	(629,481)	(773,328)	(865,030)	(865,030)	(1,251,430)	(1,066,270)	(1,480,970)	(865,030)	(865,030)	(865,030)
Add: Deferred Revenue Proceeds		155,581	156,290	151,921	147,460	129,305	114,568	91,319	80,000	68,544	56,937
Change in A/R (Increase)/Decrease		(194,610)	(147,642)	(140,442)	(120,956)	(114,731)	(67,391)	(71,141)	(75,096)	(79,258)	(137,623)
Change in A/P Increase/(Decrease)		23,038	19,111	19,934	20,862	21,697	22,704	21,023	21,897	22,689	23,715
Less: Interest Proceeds		(62,888)	(73,582)	(122,877)	(183,609)	(185,767)	(235,526)	(236,225)	(322,336)	(378,841)	(404,786)
Cash Provided by Operating Transactions		917,867	1,512,572	2,014,581	2,574,065	3,072,974	3,376,558	3,644,363	3,943,882	4,261,812	4,546,788
Capital Transactions											
Less: Cash Used to acquire Tangible Capital Assets	4	(4,080,000)	(2,601,000)	-	-	(3,864,000)	(1,548,000)	(4,738,000)	(141,000)	(2,014,000)	(3,925,000)
Cash Applied to Capital Transactions		(4,080,000)	(2,601,000)	-	-	(3,864,000)	(1,548,000)	(4,738,000)	(141,000)	(2,014,000)	(3,925,000)
Investing Transactions											
Proceeds from Investments		62,888	73,582	122,877	183,609	185,767	235,526	236,225	322,336	378,841	404,786
Cash Provided by (applied to) Investing Transactions		62,888	73,582	122,877	183,609	185,767	235,526	236,225	322,336	378,841	404,786
Financing Transactions											
Proceeds from Debt Issue	2	4,284,000	1,213,800	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(247,881)	(399,148)	(457,041)	(477,972)	(499,865)	(522,763)	(546,713)	(571,762)	(597,962)	(625,366)
Cash Applied to Financing Transactions		4,036,119	814,652	(457,041)	(477,972)	(499,865)	(522,763)	(546,713)	(571,762)	(597,962)	(625,366)
Increase in Cash and Cash Equivalents		936,874	(200,194)	1,680,417	2,279,702	(1,105,124)	1,541,321	(1,404,125)	3,553,456	2,028,691	401,208
Cash and Cash Equivalents, beginning of year	1	1,717,738	2,654,612	2,454,418	4,134,835	6,414,537	5,309,413	6,850,734	5,446,609	9,000,065	11,028,756
Cash and Cash Equivalents, end of year	1	2,654,612	2,454,418	4,134,835	6,414,537	5,309,413	6,850,734	5,446,609	9,000,065	11,028,756	11,429,964



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 2020 to 2022 F.I.R.s and financial statements;
and
- b) Payables: Based on 2020 to 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	247,881
2025	399,148
2026	457,041
2027	477,972
2028	499,865
2029	522,763
2030	546,713
2031	571,762
2032	597,962
2033	625,366
Total	4,946,473

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. Hydrants; and
 - iv. 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 Tangible Capital Asset forecast is summarized in Table 4-5.



Table 4-5
Tangible Capital Asset Summary: Water Services
UNAUDITED: For Financial Planning Purposes Only
2024-2033

Asset Historical Cost	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Opening Tangible Capital Asset Balance	85,375,058	89,455,058	92,056,058	92,056,058	92,056,058	95,920,058	97,468,058	102,206,058	102,339,403	104,137,657
Acquisitions	4,080,000	2,601,000	-	-	3,864,000	1,548,000	4,738,000	141,000	2,014,000	3,925,000
Disposals	-	-	-	-	-	-	-	7,655	215,746	798,173
Closing Tangible Capital Asset Balance	89,455,058	92,056,058	92,056,058	92,056,058	95,920,058	97,468,058	102,206,058	102,339,403	104,137,657	107,264,484
Opening Accumulated Amortization	38,567,459	39,728,065	40,932,830	42,170,059	43,407,288	44,644,440	45,958,872	47,304,264	48,736,761	49,674,338
Amortization Expense	1,160,606	1,204,765	1,237,229	1,237,229	1,237,152	1,314,432	1,345,392	1,440,152	1,153,323	1,153,282
Amortization on Disposal	-	-	-	-	-	-	-	7,655	215,746	798,173
Ending Accumulated Amortization	39,728,065	40,932,830	42,170,059	43,407,288	44,644,440	45,958,872	47,304,264	48,736,761	49,674,338	50,029,447
Net Book Value	49,726,993	51,123,228	49,885,999	48,648,770	51,275,618	51,509,186	54,901,794	53,602,642	54,463,319	57,235,037



5. Accumulated Surplus

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

Water	2024 Opening Accumulated Surplus
Reserve Balances	
Reserves: Development Charges	241,014
Reserves: Capital/Other	1,624,949
Total Reserves Balance	1,865,963
Less: Debt Obligations and Deferred Revenue	(8,241,014)
Add: Tangible Capital Assets	46,807,599
Total Opening Balance	40,432,548

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

6. Other Revenue

Other revenue consists of meter sales, connection fees, inspection fees, 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 financial plan for the Municipality of North Middlesex 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 North Middlesex Water Financial Plan prepared by Watson & Associates Economists Ltd. dated May 8, 2024 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated May 8, 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).