



 **Watson
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ECONOMISTS LTD.

Water Ontario Regulation 453/07 Financial Plan

Town of Shelburne

Financial Plan #109-301

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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
Appendix A Water Budget and Forecast Summary Tables	A-1



List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
D.C.	Development Charges
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 Town of Shelburne (Town) 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 Town's water system has already been completed and documented by Watson within the "Town of Shelburne Water and Wastewater Rate Study, September 25, 2023" (2023 Rate Study). The objective of the report provided herein is to convert the findings of the 2023 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 nine-year forecast included in this financial plan 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 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 Town'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 Town'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 Town will need to consider the impacts during the annual budget and forecast process.

2.5 Water Forecast

The Town has already completed financial planning through the 2023 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 2023 Rate Study provides the basis for a financial plan for the Town'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 Town'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.

The details of the financial plan arising from the 2023 Rate Study are contained in Appendix A.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2023 Rate Study has been used as a starting point to prepare the water financial plan. The Water forecast is prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

3.2 Conversion Process

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

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

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the 2023 Rate Study as well as part of the Town's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2023 Rate Study, replacement cost is provided for each asset. However, historical cost (which is the original cost to purchase, develop, or construct



each asset) is 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 2023 Rate Study. However, these estimates only represent future assets that the Town anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the Town). 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 2023	Adjustments		Full Accrual Budget 2023	Accrual Basis
		DR	CR		
Revenues					Revenues
Billing Revenue	1,822,176			1,822,176	Billing Revenue
Transfers from Reserves	480,690	480,690			
			2,289,546	2,289,546	Earned Development Charges Revenue
Other Revenue	65,000		3,606,791	3,671,791	Other Revenue
Total Revenues	2,367,866			7,783,513	Total Revenues
Expenditures					Expenses
Operating	1,299,774	-		1,299,774	Operating Expenses
Capital					
Transfers to Reserves	412,672		412,672		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	655,420		369,552	285,868	Interest on Debt
		582,358		582,358	Amortization
Total Expenditures	2,367,866			2,168,000	Total Expenses
Net Expenditures	-			5,615,513	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			11,014,276	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	5,615,513	-	16,629,789	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		6,678,561	6,678,561		

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 Town 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. 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 Town 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 2023	Adjustments		Full Accrual Budget 2023	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	2,167,698			2,167,698	Cash
Accounts Receivable	378,350			378,350	Accounts Receivable
Total Financial Assets	2,546,048			2,546,048	Total Financial Assets
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	178,932			178,932	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	10,520,424			10,520,424	Debt (Principal only)
Deferred Revenue	317,488			317,488	Deferred Revenue
Total Liabilities	11,016,844			11,016,844	Total Liabilities
Net Assets/(Debt)	(8,470,796)			(8,470,796)	Net Financial Assets/(Debt)
		25,100,585	-	25,100,585	Non-Financial Assets
					Tangible Capital Assets
				25,100,585	Total Non-Financial Assets
Municipal Position					
Water Reserves	2,049,628	2,049,628	-		
Development Charge Reserve Fund	317,488	317,488	-		
Amounts to be Recovered	(10,837,912)	-	10,837,912		
Total Municipal Position	(8,470,796)		16,629,789	16,629,789	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		27,467,701	27,467,701		

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 Town 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 Town’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:

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



- b) Amortization Expense – The method and timing of amortization should be based on the Town’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 2023 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Town’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 Town'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 Town'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 Town'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 2023, the Town's water system will be in a net financial debt position of approximately \$8.47 million. The Town's net financial debt position is projected to decrease to approximately \$5.06 million by the end of the forecast.

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 Town 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 \$11.48 million over the 10-year forecast period. This indicates that the Town 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 increasing from 28% in 2023 to 90% in 2024, then decreasing steadily to 63% by 2033. As a result, an annual surplus position is forecasted for each year, ultimately reaching an annual surplus of \$1.76 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 \$15.23 million to an opening 2023 accumulated surplus of \$11.01 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of 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 the all the years except 2024, 2025, 2026, and 2029, forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in a decrease to the net debt balance. In 2024, 2025, 2026, and 2029 the forecasted tangible capital asset acquisitions (net of amortization for the year) exceed forecasted annual surplus, resulting in an increase to the net debt balance. The overall decrease to net debt balance following the peak in 2025 is the result of 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 fluctuate over the forecast period, decreasing from 1.06 in 2023 to a low of 0.83 in 2025, then fluctuating to 0.98 by 2029, and increasing thereafter to 1.19 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 Town'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 Town's water



system to decrease from a positive balance of approximately \$4.27 million at the beginning of 2023 to a negative balance of approximately \$906,700 in 2030, and ultimately reaching a negative balance of approximately \$650,200 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
2023-2033

	Notes	Budget	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Assets												
Cash	1	2,167,698	2,113,665	795,333	876,039	805,620	741,502	-	-	-	-	-
Accounts Receivable	1	378,350	465,553	475,177	500,640	541,732	592,905	634,492	677,958	718,977	761,818	813,375
Accounts Receivable - Other	3	-	-	497,496	1,150,053	1,213,701	1,263,748	1,460,223	1,637,102	2,021,129	2,423,568	2,795,866
Total Financial Assets		2,546,048	2,579,218	1,768,006	2,526,732	2,561,053	2,598,155	2,094,715	2,315,060	2,740,106	3,185,386	3,609,241
Liabilities												
Bank Indebtedness		-	-	-	-	-	-	808,143	906,653	890,239	763,918	650,216
Accounts Payable & Accrued Liabilities	1	178,932	215,238	207,605	211,211	218,184	240,148	244,801	250,136	254,576	260,275	269,299
Debt (Principal only)	2	10,520,424	12,411,406	12,085,633	11,663,102	11,168,351	10,651,873	10,112,691	9,549,783	8,962,081	8,348,468	7,745,029
Deferred Revenue	3	317,488	24,933	-	-	-	-	-	-	-	-	-
Total Liabilities		11,016,844	12,651,577	12,293,238	11,874,313	11,386,535	10,892,021	11,165,635	10,706,572	10,106,896	9,372,661	8,664,544
Net Financial Assets/(Debt)		(8,470,796)	(10,072,359)	(10,525,232)	(9,347,581)	(8,825,482)	(8,293,866)	(9,070,920)	(8,391,512)	(7,366,790)	(6,187,275)	(5,055,303)
Non-Financial Assets												
Tangible Capital Assets	4	25,100,585	26,987,549	27,862,385	27,230,122	27,434,707	27,743,587	29,503,462	29,974,593	30,297,667	30,670,386	31,299,487
Total Non-Financial Assets		25,100,585	26,987,549	27,862,385	27,230,122	27,434,707	27,743,587	29,503,462	29,974,593	30,297,667	30,670,386	31,299,487
Accumulated Surplus/(Deficit)	5	16,629,789	16,915,190	17,337,153	17,882,541	18,609,225	19,449,721	20,432,542	21,583,081	22,930,877	24,483,111	26,244,184
Financial Indicators												
	Total Change	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Increase/(Decrease) in Net Financial Assets	3,745,394	329,901	(1,601,563)	(452,873)	1,177,651	522,099	531,616	(777,054)	679,408	1,024,722	1,179,515	1,131,972
2) Increase/(Decrease) in Tangible Capital Assets	11,484,514	5,285,612	1,886,964	874,836	(632,263)	204,585	308,880	1,759,875	471,131	323,074	372,719	629,101
3) Increase/(Decrease) in Accumulated Surplus	15,229,908	5,615,513	285,401	421,963	545,388	726,684	840,496	982,821	1,150,539	1,347,796	1,552,234	1,761,073



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2033

	Notes	Budget	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Water Revenue												
Billing Revenue		1,822,176	-	-	-	-	-	-	-	-	-	-
Base Charge Revenue		-	1,352,899	1,414,291	1,471,871	1,546,872	1,643,988	1,738,826	1,832,916	1,921,269	2,006,968	2,100,797
Rate Based Revenue		-	803,235	881,948	963,176	1,060,334	1,178,264	1,301,960	1,432,473	1,566,018	1,704,606	1,857,041
Earned Development Charges Revenue	3	2,289,546	480,690	652,660	663,993	669,919	669,919	669,919	669,919	669,919	669,919	669,919
Other Revenue	6	3,671,791	211,864	104,495	107,501	140,841	181,335	144,427	138,910	130,182	130,677	151,940
Total Revenues		7,783,513	2,848,688	3,053,394	3,206,541	3,417,966	3,673,506	3,855,132	4,074,218	4,287,388	4,512,170	4,779,697
Water Expenses												
Operating Expenses	Sch. 4-1	1,299,774	1,563,500	1,508,050	1,534,250	1,584,900	1,744,450	1,778,250	1,817,000	1,849,250	1,890,650	1,956,200
Interest on Debt	2	285,868	270,151	351,617	337,740	319,867	298,140	275,436	251,710	226,916	201,005	173,925
Amortization	4	582,358	729,636	771,764	789,163	786,515	790,420	818,625	854,969	863,426	868,281	888,499
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Total Expenses		2,168,000	2,563,287	2,631,431	2,661,153	2,691,282	2,833,010	2,872,311	2,923,679	2,939,592	2,959,936	3,018,624
Annual Surplus/(Deficit)		5,615,513	285,401	421,963	545,388	726,684	840,496	982,821	1,150,539	1,347,796	1,552,234	1,761,073
Accumulated Surplus/(Deficit), beginning of year	5	11,014,276	16,629,789	16,915,190	17,337,153	17,882,541	18,609,225	19,449,721	20,432,542	21,583,081	22,930,877	24,483,111
Accumulated Surplus/(Deficit), end of year		16,629,789	16,915,190	17,337,153	17,882,541	18,609,225	19,449,721	20,432,542	21,583,081	22,930,877	24,483,111	26,244,184
Note 5:												
Accumulated Surplus/(Deficit) Reconciliation:		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Reserve Balances												
Reserves: Development Charges		317,488	24,933	(497,496)	(1,150,053)	(1,213,701)	(1,263,748)	(1,460,223)	(1,637,102)	(2,021,129)	(2,423,568)	(2,795,866)
Reserves: Capital/Other		2,049,628	2,339,047	1,560,401	2,315,521	2,342,869	2,358,007	1,041,771	1,158,271	1,595,291	2,161,193	2,689,726
Total Reserves Balance		2,367,116	2,363,980	1,062,905	1,165,468	1,129,168	1,094,259	(418,452)	(478,831)	(425,838)	(262,375)	(106,140)
Less: Debt Obligations and Deferred Revenue		(10,837,912)	(12,436,339)	(11,588,137)	(10,513,049)	(9,954,650)	(9,388,125)	(8,652,468)	(7,912,681)	(6,940,952)	(5,924,900)	(4,949,163)
Add: Tangible Capital Assets	4	25,100,585	26,987,549	27,862,385	27,230,122	27,434,707	27,743,587	29,503,462	29,974,593	30,297,667	30,670,386	31,299,487
Total Ending Balance		16,629,789	16,915,190	17,337,153	17,882,541	18,609,225	19,449,721	20,432,542	21,583,081	22,930,877	24,483,111	26,244,184
Financial Indicators												
	Total Change	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Expense to Revenue Ratio		28%	90%	86%	83%	79%	77%	75%	72%	69%	66%	63%
2) Increase/(Decrease) in Accumulated Surplus	15,229,908	5,615,513	285,401	421,963	545,388	726,684	840,496	982,821	1,150,539	1,347,796	1,552,234	1,761,073



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2033

	Notes	Budget	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Expenses												
Labour & Benefits, Memberships		296,991	375,600	384,300	393,100	402,100	490,000	501,300	512,800	524,600	536,700	549,000
Utilities & Telephones		80,000	81,800	83,700	85,600	87,600	89,600	91,700	93,800	96,000	98,200	100,400
Billing & Software Costs		25,000	25,600	26,200	26,800	27,400	28,000	28,700	29,300	30,000	30,700	31,400
OCWA Operational Contract		310,961	318,100	325,400	332,900	340,600	348,400	356,400	364,600	373,000	381,600	390,400
Water Materials and Supplies		35,000	35,800	36,600	37,500	38,300	39,200	40,100	41,000	42,000	42,900	43,900
Laboratory Costs		115,000	117,600	120,400	123,100	126,000	128,800	131,800	134,800	137,900	141,100	144,400
Licensing and Operation Plan		-	20,500	20,900	21,400	-	-	-	-	-	-	-
Water County Share PIL		4,347	4,400	4,500	4,700	4,800	4,900	5,000	5,100	5,200	5,300	5,500
Water Main Maintenance		25,000	25,600	26,200	26,800	27,400	28,000	28,700	29,300	30,000	30,700	31,400
Water Equipment Maintenance		50,000	51,200	52,300	53,500	54,800	56,000	57,300	58,600	60,000	61,400	62,800
Water Well Building Maintenance		15,000	15,300	15,700	16,100	16,400	16,800	17,200	17,600	18,000	18,400	18,800
Water Vehicles Maintenance & Fuel		18,000	18,400	18,800	19,300	19,700	20,200	20,600	21,100	21,600	22,100	22,600
Insurance		30,000	34,500	39,700	45,600	52,500	60,300	69,400	79,800	91,800	105,500	121,400
Professional Fees		150,000	153,500	157,000	160,600	164,300	168,100	171,900	175,900	179,900	184,100	188,300
Education & Training		10,000	10,200	10,500	10,700	11,000	11,200	11,500	11,700	12,000	12,300	12,600
Conference Expenses		2,000	2,000	2,100	2,100	2,200	2,200	2,300	2,300	2,400	2,500	2,500
Meter Installation Expense		99,975	125,100	32,000	19,300	51,000	90,300	78,100	69,300	50,900	39,200	48,900
Source Water Protection Expense		6,000	6,100	6,300	6,400	6,600	6,700	6,900	7,000	7,200	7,400	7,500
Water Share of Locates		4,500	4,600	4,700	4,800	4,900	5,000	5,200	5,300	5,400	5,500	5,600
Fire Hydrant Maintenance		13,000	13,300	13,600	13,900	14,200	14,600	14,900	15,200	15,600	16,000	16,300
Transfer to Planning		9,000	9,200	9,400	9,600	9,900	10,100	10,300	10,600	10,800	11,000	11,300
Incremental Operating & Maintenance		-	115,100	117,750	120,450	123,200	126,050	128,950	131,900	134,950	138,050	141,200
Non TCA - Expenses from Capital Budget	7	-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		1,299,774	1,563,500	1,508,050	1,534,250	1,584,900	1,744,450	1,778,250	1,817,000	1,849,250	1,890,650	1,956,200



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2033

	Notes	Budget	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Annual Surplus/(Deficit)		5,615,513	285,401	421,963	545,388	726,684	840,496	982,821	1,150,539	1,347,796	1,552,234	1,761,073
Less: Acquisition of Tangible Capital Assets	4	(5,867,970)	(2,616,600)	(1,646,600)	(156,900)	(991,100)	(1,099,300)	(2,578,500)	(1,326,100)	(1,186,500)	(1,241,000)	(1,517,600)
Add: Amortization of Tangible Capital Assets	4	582,358	729,636	771,764	789,163	786,515	790,420	818,625	854,969	863,426	868,281	888,499
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
		(5,285,612)	(1,886,964)	(874,836)	632,263	(204,585)	(308,880)	(1,759,875)	(471,131)	(323,074)	(372,719)	(629,101)
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)		329,901	(1,601,563)	(452,873)	1,177,651	522,099	531,616	(777,054)	679,408	1,024,722	1,179,515	1,131,972
Net Financial Assets/(Net Debt), beginning of year		(8,800,697)	(8,470,796)	(10,072,359)	(10,525,232)	(9,347,581)	(8,825,482)	(8,293,866)	(9,070,920)	(8,391,512)	(7,366,790)	(6,187,275)
Net Financial Assets/(Net Debt), end of year		(8,470,796)	(10,072,359)	(10,525,232)	(9,347,581)	(8,825,482)	(8,293,866)	(9,070,920)	(8,391,512)	(7,366,790)	(6,187,275)	(5,055,303)
Financial Indicators		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Acquisition of Tangible Capital Assets (Cumulative)		5,867,970	8,484,570	10,131,170	10,288,070	11,279,170	12,378,470	14,956,970	16,283,070	17,469,570	18,710,570	20,228,170
2) Annual Surplus/Deficit before Amortization (Cumulative)		6,197,871	7,212,908	8,406,635	9,741,186	11,254,385	12,885,301	14,686,747	16,692,255	18,903,477	21,323,992	23,973,564
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.06	0.85	0.83	0.95	1.00	1.04	0.98	1.03	1.08	1.14	1.19



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2033

	Notes	Budget	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Transactions												
Annual Surplus/Deficit		5,615,513	285,401	421,963	545,388	726,684	840,496	982,821	1,150,539	1,347,796	1,552,234	1,761,073
Add: Amortization of TCA's	4	582,358	729,636	771,764	789,163	786,515	790,420	818,625	854,969	863,426	868,281	888,499
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(2,289,546)	(480,690)	(652,660)	(663,993)	(669,919)	(669,919)	(669,919)	(669,919)	(669,919)	(669,919)	(669,919)
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		173,693	188,135	130,231	11,436	606,271	619,872	473,444	493,040	285,892	267,480	297,621
Change in A/R (Increase)/Decrease		9,143	(87,203)	(9,625)	(25,462)	(41,092)	(51,173)	(41,587)	(43,466)	(41,019)	(42,841)	(51,557)
Change in A/P Increase/(Decrease)		46,737	36,306	(7,633)	3,606	6,973	21,964	4,653	5,335	4,440	5,699	9,024
Less: Interest Proceeds		(40,189)	(45,864)	(30,596)	(45,402)	(45,939)	(46,235)	(20,427)	(22,711)	(31,280)	(42,376)	(52,740)
Cash Provided by Operating Transactions		4,097,709	625,721	623,444	614,736	1,369,493	1,505,425	1,547,610	1,767,787	1,759,336	1,938,558	2,182,001
Capital Transactions												
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(5,867,970)	(2,616,600)	(1,646,600)	(156,900)	(991,100)	(1,099,300)	(2,578,500)	(1,326,100)	(1,186,500)	(1,241,000)	(1,517,600)
Cash Applied to Capital Transactions		(5,867,970)	(2,616,600)	(1,646,600)	(156,900)	(991,100)	(1,099,300)	(2,578,500)	(1,326,100)	(1,186,500)	(1,241,000)	(1,517,600)
Investing Transactions												
Proceeds from Investments		40,189	45,864	30,596	45,402	45,939	46,235	20,427	22,711	31,280	42,376	52,740
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		40,189	45,864	30,596	45,402	45,939	46,235	20,427	22,711	31,280	42,376	52,740
Financing Transactions												
Proceeds from Debt Issue	2	-	2,276,250	150,000	78,450	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(369,552)	(385,268)	(475,772)	(500,982)	(494,751)	(516,478)	(539,182)	(562,908)	(587,702)	(613,613)	(603,439)
Cash Applied to Financing Transactions		(369,552)	1,890,982	(325,772)	(422,532)	(494,751)	(516,478)	(539,182)	(562,908)	(587,702)	(613,613)	(603,439)
Increase in Cash and Cash Equivalents		(2,099,624)	(54,033)	(1,318,332)	80,706	(70,419)	(64,118)	(1,549,645)	(98,510)	16,414	126,321	113,702
Cash and Cash Equivalents, beginning of year	1	4,267,322	2,167,698	2,113,665	795,333	876,039	805,620	741,502	(808,143)	(906,653)	(890,239)	(763,918)
Cash and Cash Equivalents, end of year	1	2,167,698	2,113,665	795,333	876,039	805,620	741,502	(808,143)	(906,653)	(890,239)	(763,918)	(650,216)



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 Town, some of the items listed above have been estimated given that the Town does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).



The assumptions used have been documented below:

1. Cash, Receivables and Payables

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

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

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

- a) Receivables: Based on 2021 and 2022 actual ratios of Town-wide receivables as a percentage of annual Town-wide revenues (as per the Town's audited financial statements); and
- b) Payables: Based on 2021 and 2022 actual ratios of Town-wide payables as a percentage of annual Town-wide expenses (as per the Town's audited financial statements).

2. Debt

Outstanding water related debt at the end of 2022 was approximately \$10.89 million. It is anticipated that additional debentures will be required over the forecast period. Principal repayments over the forecast period are scheduled as follows:



Year	Principal Payments
2023	369,552
2024	385,268
2025	475,772
2026	500,982
2027	494,751
2028	516,478
2029	539,182
2030	562,908
2031	587,702
2032	613,613
2033	603,439
Total	5,649,647

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 all 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. Vehicles and Equipment;
 - iii. Water Meters; and
 - iv. Water Mains.



- 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.
- For the purposes of calculating amortization, 2022 Construction in Progress is assumed to be brought into service in 2023.
- Given the planned asset replacement forecast in the 2023 Rate Study, useful life on acquisitions is assumed to be equal to typical values assigned by the Town 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 Town is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:



Asset Historical Cost	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Opening Tangible Capital Asset Balance	26,349,053	31,833,335	34,416,979	35,842,279	35,997,271	36,928,309	37,951,543	40,244,952	41,350,405	42,438,331	43,567,188
Acquisitions	5,867,970	2,616,600	1,646,600	156,900	991,100	1,099,300	2,578,500	1,326,100	1,186,500	1,241,000	1,517,600
Disposals	383,688	32,956	221,300	1,908	60,062	76,066	285,091	220,647	98,574	112,143	273,392
Closing Tangible Capital Asset Balance	31,833,335	34,416,979	35,842,279	35,997,271	36,928,309	37,951,543	40,244,952	41,350,405	42,438,331	43,567,188	44,811,396
Opening Accumulated Amortization	6,534,080	6,732,750	7,429,430	7,979,894	8,767,149	9,493,602	10,207,956	10,741,490	11,375,812	12,140,664	12,896,802
Amortization Expense	582,358	729,636	771,764	789,163	786,515	790,420	818,625	854,969	863,426	868,281	888,499
Amortization on Disposal	383,688	32,956	221,300	1,908	60,062	76,066	285,091	220,647	98,574	112,143	273,392
Ending Accumulated Amortization	6,732,750	7,429,430	7,979,894	8,767,149	9,493,602	10,207,956	10,741,490	11,375,812	12,140,664	12,896,802	13,511,909
Net Book Value	25,100,585	26,987,549	27,862,385	27,230,122	27,434,707	27,743,587	29,503,462	29,974,593	30,297,667	30,670,386	31,299,487



5. Accumulated Surplus

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

Water	2023 Opening Accumulated Surplus
Reserve Balances	
Reserves: Development Charges	2,433,341
Reserves: Capital/Other	2,089,279
Total Reserves Balance	4,522,620
Less: Debt Obligations and Deferred Revenue	(13,323,317)
Add: Tangible Capital Assets	19,814,973
Total Opening Balance	11,014,276

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

6. Other Revenue

Other revenue includes grants, penalties and interest, as well as other non-operating general revenues (including fees related to customer services, hydrant rentals, and water meter installations).

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 Town of Shelburne 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 2023 Rate Study.

Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Town of Shelburne Water Financial Plan prepared by Watson & Associates Economists Ltd. dated January 17, 2024 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated January 17, 2024, and the Water and Wastewater Rate Study dated September 25, 2023 underpinning the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation, and Parks satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii)).



Appendices



Appendix A

Water Budget and Forecast Summary Tables



Appendix A-1 Water Service Capital Forecast 2023-2033

Description	Total	Budget 2023	Forecast										
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
CAPITAL EXPENDITURES													
Rehabilitation/Replacement													
Replace Water Truck (Unit 103)	230,371	89,271	-	-	-	-	-	-	-	-	-	-	141,100
New Water Truck	98,500	-	-	98,500	-	-	-	-	-	-	-	-	-
Replace Water Truck (Unit 120)	191,800	-	-	-	-	-	-	-	-	191,800	-	-	-
Existing Water Tower Painting/Relining	2,742,200	-	-	1,248,100	-	-	-	-	1,494,100	-	-	-	-
Well #1 Chlorine Contact Loop	261,500	-	261,500	-	-	-	-	-	-	-	-	-	-
Well #3 Filter Media Replacement	141,000	-	-	-	-	-	-	62,600	-	-	-	-	78,400
Infrastructure Lifecycle Replacement	7,972,100	-	-	-	-	991,100	1,036,700	1,084,400	1,134,300	1,186,500	1,241,000	1,298,100	
Growth-related													
Well 1 Process Upgrade	492,500	83,000	409,500	-	-	-	-	-	-	-	-	-	-
Well 1 Electrical Upgrade	1,141,349	656,849	484,500	-	-	-	-	-	-	-	-	-	-
Well 3 Upgrade (Arsenic Treatment System)	3,968,026	3,968,026	-	-	-	-	-	-	-	-	-	-	-
Water Storage Construction	923,824	923,824	-	-	-	-	-	-	-	-	-	-	-
Well 9	607,100	105,000	502,100	-	-	-	-	-	-	-	-	-	-
SCADA Upgrades	305,600	42,000	263,600	-	-	-	-	-	-	-	-	-	-
New Watermain (Second Line - BMP to South School Rd)	537,700	-	537,700	-	-	-	-	-	-	-	-	-	-
Watermain Oversizing (Industrial to County Rd 124)	157,700	-	157,700	-	-	-	-	-	-	-	-	-	-
Watermain Oversizing (Victoria St - North of 30th Sideroad to Franklin)	300,000	-	-	300,000	-	-	-	-	-	-	-	-	-
Watermain Oversizing (Adeline St - Main to Wellington)	156,900	-	-	-	156,900	-	-	-	-	-	-	-	-
Total Capital Expenditures	20,228,170	5,867,970	2,616,600	1,646,600	156,900	991,100	1,099,300	2,578,500	1,326,100	1,186,500	1,241,000	1,517,600	
CAPITAL FINANCING													
Provincial/Federal Grants	3,566,602	3,566,602	-	-	-	-	-	-	-	-	-	-	-
Development Charges Reserve Fund	1,808,856	1,808,856	-	-	-	-	-	-	-	-	-	-	-
Non-Growth Related Debenture Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-
Growth Related Debenture Requirements	2,504,700	-	2,276,250	150,000	78,450	-	-	-	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Water Reserves	12,348,012	492,512	340,350	1,496,600	78,450	991,100	1,099,300	2,578,500	1,326,100	1,186,500	1,241,000	1,517,600	
Total Capital Financing	20,228,170	5,867,970	2,616,600	1,646,600	156,900	991,100	1,099,300	2,578,500	1,326,100	1,186,500	1,241,000	1,517,600	



Appendix A-2
Schedule of Non-Growth-Related Debenture Repayments
2023-2033

Debenture Year	Principal (Inflated)	Budget 2023	Forecast									
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
2023	-		-	-	-	-	-	-	-	-	-	-
2024	-			-	-	-	-	-	-	-	-	-
2025	-				-	-	-	-	-	-	-	-
2026	-					-	-	-	-	-	-	-
2027	-						-	-	-	-	-	-
2028	-							-	-	-	-	-
2029	-								-	-	-	-
2030	-									-	-	-
2031	-										-	-
2032	-											-
2033	-											-
Total Annual Debt Charges	-	-	-	-	-	-	-	-	-	-	-	-

Appendix A-3
Schedule of Growth-Related Debenture Repayments
2023-2033

Debenture Year	Principal (Inflated)	Budget 2023	Forecast									
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
2023	-		-	-	-	-	-	-	-	-	-	-
2024	2,276,250			171,970	171,970	171,970	171,970	171,970	171,970	171,970	171,970	171,970
2025	150,000				11,332	11,332	11,332	11,332	11,332	11,332	11,332	11,332
2026	78,450					5,927	5,927	5,927	5,927	5,927	5,927	5,927
2027	-						-	-	-	-	-	-
2028	-							-	-	-	-	-
2029	-								-	-	-	-
2030	-									-	-	-
2031	-										-	-
2032	-											-
2033	-											-
Total Annual Debt Charges	2,504,700	-	-	171,970	183,302	189,229	189,229	189,229	189,229	189,229	189,229	189,229



Appendix A-4
Water Capital Reserve Fund Continuity
2023-2033

Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Opening Balance	2,089,279	2,049,628	2,339,046	1,560,402	2,315,522	2,342,868	2,358,007	1,041,771	1,158,272	1,595,291	2,161,193
Transfer from Operating	412,672	583,905	687,359	788,167	972,508	1,068,204	1,241,837	1,419,889	1,592,239	1,764,526	1,993,393
Transfer to Capital	492,512	340,350	1,496,600	78,450	991,100	1,099,300	2,578,500	1,326,100	1,186,500	1,241,000	1,517,600
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	2,009,439	2,293,182	1,529,806	2,270,119	2,296,929	2,311,771	1,021,344	1,135,561	1,564,010	2,118,816	2,636,986
Interest	40,189	45,864	30,596	45,402	45,939	46,235	20,427	22,711	31,280	42,376	52,740

Appendix A-5
Water Development Charges Reserve Fund Continuity
2023-2033

Description	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Opening Balance	2,433,341	317,488	24,933	(497,496)	(1,150,052)	(1,213,701)	(1,263,749)	(1,460,224)	(1,637,103)	(2,021,130)	(2,423,570)
Development Charge Proceeds	167,468	187,646	139,986	33,986	630,069	644,651	502,076	525,140	325,522	315,001	352,442
Transfer to Capital	1,808,856	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	480,690	480,690	652,660	663,993	669,919	669,919	669,919	669,919	669,919	669,919	669,919
Closing Balance	311,263	24,444	(487,741)	(1,127,502)	(1,189,903)	(1,238,969)	(1,431,592)	(1,605,003)	(1,981,500)	(2,376,049)	(2,741,048)
Interest	6,225	489	(9,755)	(22,550)	(23,798)	(24,779)	(28,632)	(32,100)	(39,630)	(47,521)	(54,821)
Required from Development Charges	1,808,856	2,276,250	150,000	78,450	-	-	-	-	-	-	-



Appendix A-6 Water Operating Forecast 2023-2033

Description	Budget 2023	Forecast										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
EXPENDITURES												
Operating Costs												
Labour & Benefits, Memberships	296,991	375,600	384,300	393,100	402,100	490,000	501,300	512,800	524,600	536,700	549,000	
Utilities & Telephones	80,000	81,800	83,700	85,600	87,600	89,600	91,700	93,800	96,000	98,200	100,400	
Billing & Software Costs	25,000	25,600	26,200	26,800	27,400	28,000	28,700	29,300	30,000	30,700	31,400	
OCWA Operational Contract	310,961	318,100	325,400	332,900	340,600	348,400	356,400	364,600	373,000	381,600	390,400	
Water Materials and Supplies	35,000	35,800	36,600	37,500	38,300	39,200	40,100	41,000	42,000	42,900	43,900	
Laboratory Costs	115,000	117,600	120,400	123,100	126,000	128,800	131,800	134,800	137,900	141,100	144,400	
Licensing and Operation Plan	-	20,500	20,900	21,400	-	-	-	-	-	-	-	
Water County Share PIL	4,347	4,400	4,500	4,700	4,800	4,900	5,000	5,100	5,200	5,300	5,500	
Water Main Maintenance	25,000	25,600	26,200	26,800	27,400	28,000	28,700	29,300	30,000	30,700	31,400	
Water Equipment Maintenance	50,000	51,200	52,300	53,500	54,800	56,000	57,300	58,600	60,000	61,400	62,800	
Water Well Building Maintenance	15,000	15,300	15,700	16,100	16,400	16,800	17,200	17,600	18,000	18,400	18,800	
Water Vehicles Maintenance & Fuel	18,000	18,400	18,800	19,300	19,700	20,200	20,600	21,100	21,600	22,100	22,600	
Insurance	30,000	34,500	39,700	45,600	52,500	60,300	69,400	79,800	91,800	105,500	121,400	
Professional Fees	150,000	153,500	157,000	160,600	164,300	168,100	171,900	175,900	179,900	184,100	188,300	
Education & Training	10,000	10,200	10,500	10,700	11,000	11,200	11,500	11,700	12,000	12,300	12,600	
Conference Expenses	2,000	2,000	2,100	2,100	2,200	2,200	2,300	2,300	2,400	2,500	2,500	
Meter Installation Expense	99,975	125,100	32,000	19,300	51,000	90,300	78,100	69,300	50,900	39,200	48,900	
Source Water Protection Expense	6,000	6,100	6,300	6,400	6,600	6,700	6,900	7,000	7,200	7,400	7,500	
Water Share of Locates	4,500	4,600	4,700	4,800	4,900	5,000	5,200	5,300	5,400	5,500	5,600	
Fire Hydrant Maintenance	13,000	13,300	13,600	13,900	14,200	14,600	14,900	15,200	15,600	16,000	16,300	
Transfer to Planning	9,000	9,200	9,400	9,600	9,900	10,100	10,300	10,600	10,800	11,000	11,300	
Incremental Operating & Maintenance	-	115,100	117,750	120,450	123,200	126,050	128,950	131,900	134,950	138,050	141,200	
Sub-total Operating Costs	1,299,774	1,563,500	1,508,050	1,534,250	1,584,900	1,744,450	1,778,250	1,817,000	1,849,250	1,890,650	1,956,200	
Capital-related Costs												
Existing Debt (Principal) - Growth-related	254,464	265,946	277,959	290,530	303,683	317,447	331,850	346,923	362,698	379,206	396,485	
Existing Debt (Interest) - Growth-related	226,226	214,744	202,731	190,160	177,007	163,243	148,840	133,767	117,992	101,484	84,206	
New Debt (Principal) - Growth-related	-	-	74,091	82,159	88,246	92,040	95,998	100,126	104,432	108,922	113,606	
New Debt (Interest) - Growth-related	-	-	97,879	101,143	100,983	97,189	93,231	89,103	84,798	80,307	75,623	
Existing Debt (Principal) - Non-growth-related	115,088	119,323	123,722	128,292	102,821	106,990	111,334	115,858	120,573	125,485	93,349	
Existing Debt (Interest) - Non-growth-related	59,641	55,407	51,008	46,437	41,877	37,708	33,365	28,840	24,126	19,214	14,096	
New Debt (Principal) - Non-growth-related	-	-	-	-	-	-	-	-	-	-	-	
New Debt (Interest) - Non-growth-related	-	-	-	-	-	-	-	-	-	-	-	
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-	
Transfer to Water Reserve	412,672	583,905	687,359	788,167	972,508	1,068,204	1,241,837	1,419,889	1,592,239	1,764,526	1,993,393	
Sub-total Capital-related Costs	1,068,092	1,239,324	1,514,749	1,626,890	1,787,126	1,882,822	2,056,455	2,234,507	2,406,857	2,579,144	2,770,757	
Total Expenditures	2,367,866	2,802,824	3,022,799	3,161,140	3,372,026	3,627,272	3,834,705	4,051,507	4,256,107	4,469,794	4,726,957	



Appendix A-6 (continued)
Water Operating Forecast
2023-2033

Description	Budget 2023	Forecast										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
REVENUES												
Operating Revenues												
Customer Services	30,000	30,700	31,400	32,100	32,900	33,600	34,400	35,200	36,000	36,800	37,700	
Hydrant Rental	10,000	10,200	10,500	10,700	11,000	11,200	11,500	11,700	12,000	12,300	12,600	
Water Meters Installation	25,000	125,100	32,000	19,300	51,000	90,300	78,100	69,300	50,900	39,200	48,900	
Transfer from Development Charges Reserve Fund	480,690	480,690	652,660	663,993	669,919	669,919	669,919	669,919	669,919	669,919	669,919	
Transfer from Water Reserves	-	-	-	-	-	-	-	-	-	-	-	
Sub-total Operating Revenues	545,690	646,690	726,560	726,093	764,819	805,019	793,919	786,119	768,819	758,219	769,119	
Billing Revenues												
Base Charge		1,352,899	1,414,291	1,471,871	1,546,872	1,643,988	1,738,826	1,832,916	1,921,269	2,006,968	2,100,797	
Consumptive Charge		803,235	881,948	963,176	1,060,334	1,178,264	1,301,960	1,432,473	1,566,018	1,704,606	1,857,041	
Sub-total Billing Revenues	1,822,176	2,156,134	2,296,239	2,435,047	2,607,206	2,822,252	3,040,786	3,265,388	3,487,287	3,711,574	3,957,837	
Total Revenues	2,367,866	2,802,824	3,022,799	3,161,140	3,372,026	3,627,272	3,834,705	4,051,507	4,256,107	4,469,794	4,726,957	