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Water Ontario Regulation 453/07 Financial Plan

Union Water Supply System

Financial Plan # 041-301

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List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
A.M.P.	Asset Management Plan
D.C.	Development Charges
I.J.P.A.	Infrastructure for Jobs and Prosperity Act
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
OCIF	Ontario Community Infrastructure Fund
O. Reg.	Ontario Regulation
P.S.A.B.	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
T.C.A.	Tangible Capital Assets
U.W.S.S.	Union Water Supply System
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 Union Water Supply System (U.W.S.S.) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. The detailed financial planning and forecasting for the U.W.S.S.'s water system are based on the 10-Year Business Plan prepared by U.W.S.S. staff. The objective of the report provided herein is to summarize the findings of the 10-Year Business Plan 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 regards 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 ten-year forecast provided herein goes beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1) 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e. six months prior to license expiry).

A copy of the financial plan will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the 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 are recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.

1.2.5 U.W.S.S.'s Financial Plan

The U.W.S.S. is currently in the process of renewing the drinking water license and the previous version of the financial plan no longer meets the requirements as it must apply to a period of a least six years beginning in the year that the licenses would otherwise expire. This financial plan provides for a 2023 start year and forecast period to 2032.



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") 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.

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 (A.M.P.) 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 had to prepare a strategic asset management policy by July 1, 2019. Municipalities are 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 were to have an asset management plan that addresses the related infrastructure by July 1, 2022 (Phase 1). O.Reg. 588/17 specifies that a 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.

As the U.W.S.S. is a Joint Board representing the Towns of Kingsville and Essex and the Municipalities of Lakeshore and Leamington, the asset management requirements do not directly apply to the U.W.S.S. The U.W.S.S. is transitioning to a Municipal Services Corporation on January 1, 2024 and is undertaking an Asset Management Strategy and Asset Management Plan to inform their lifecycle requirements and assist in future budgeting processes.

2.5 Water Forecast

As described earlier, the findings of this financial plan are based on the U.W.S.S.'s 10-Year Business Plan. It is assumed that their budget process is designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning, which provided the following:



- 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 the required revenues that are sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the U.W.S.S.'s staff, the Board, participating Municipal Councils, 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 10-Year Business Plan (along with additional information provided by U.W.S.S. Staff) has been used as a starting point to prepare the water financial plan. The 10-Year Business Plan is prepared using 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 by the U.W.S.S. The asset inventory listing provided historical cost (which is the original cost to purchase, develop, or construct each asset) and an estimated useful life for each asset, which is required



for financial reporting purposes. 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 10-Year Business Plan. However, these estimates only represent future assets that the U.W.S.S. anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the U.W.S.S.). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and 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 modified cash to full accrual basis. For example, debt repayment costs relating to the principal payment portion only needs to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in



order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.



Table 3-1
Conversion Adjustments
Statement of Operations (Water)

Modified Cash Basis	Budget 2023	Adjustments		Full Accrual Budget 2023	Accrual Basis
		DR	CR		
Revenues					Revenues
Rate Based Revenue	14,987,211			14,987,211	Rate Based Revenue
Other Revenue	1,151,179		444,248	1,595,427	Other Revenue*
Total Revenues	16,138,390			16,582,638	Total Revenues
Expenditures					Expenses
Operating	7,572,950	905,000		8,477,950	Operating Expenses
Capital					
Transfers to Reserves	6,156,517		6,156,517		
Debt Repayment (Principal & Interest)	2,408,923		1,649,492	759,431	Interest on Debt
		1,449,121		1,449,121	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	16,138,390			10,686,502	Total Expenses
Net Expenditures	-			5,896,136	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			54,626,442	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	5,896,136	-	60,522,578	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		8,250,257	8,250,257		

*Other Revenue includes Sundry Revenue, Interest Income, Property Rental Revenue, etc.



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.

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

The Statement of Cash Flow summarizes how the U.W.S.S. 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	21,676,563			21,676,563	Cash
Accounts Receivable	3,314,634			3,314,634	Accounts Receivable
Total Financial Assets	24,991,197			24,991,197	Total Financial Assets
Non-Financial Assets					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
Total Non-Financial Assets	-				
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	2,334,544			2,334,544	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	6,259,452			6,259,452	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Bank Indebtedness	-			-	Bank Indebtedness
Total Liabilities	8,593,996			8,593,996	Total Liabilities
Net Assets/(Debt)	16,397,201			16,397,201	Net Financial Assets/(Debt)
					Non-Financial Assets
		45,030,377	905,000	44,125,377	Tangible Capital Assets
		-		-	Inventory of Supplies
		-		-	Prepaid Expenses
				44,125,377	Total Non-Financial Assets
Municipal Position					
Water Reserves	22,656,653	22,656,653	-		
Amounts to be Recovered	(6,259,452)	-	6,259,452		
Total U.W.S.S. Position	16,397,201		60,522,578	60,522,578	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		67,687,030	67,687,030		



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 U.W.S.S. 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 U.W.S.S.'s ledgers.
- b) Amortization Expense – The method and timing of amortization should be based on the U.W.S.S.'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 U.W.S.S. asset listing.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the U.W.S.S.'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, accrued, 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 U.W.S.S.'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 U.W.S.S.'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 U.W.S.S.'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 U.W.S.S.'s water system will be in a net financial asset position of approximately \$16.4 million. For the balance of the forecast, 2024-2032, the financial plan forecasts a net debt asset position. This is primarily due to the increasing debt obligations over the forecast period.

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 water system or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to increase by approximately \$179.3 million over the 10-year forecast period. This indicates that the U.W.S.S. 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 systems 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, although fluctuating to some extent, generally increasing from 64% to 81% over the forecast period to 2032. As a result, annual surplus decreases from \$5.9 million to \$5.6 million. This is primarily due to a general increasing trend in expenses relative to the revenues from volume rates and transfers to reserve funds and should be revisited through future budgets. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future 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 \$39.8 million to a 2023 accumulated surplus of \$54.6 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of 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 in most years, forecasted annual surplus is less than the forecasted tangible capital asset acquisitions (net of amortization for the year). Therefore, an overall decrease to the net financial asset balance is anticipated over the forecast period to 2032. The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is 2.05 in 2023 and decreasing to 0.35 at the end of the forecast period (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 water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e., tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the U.W.S.S.'s water system to decrease from a balance of approximately \$22.7 million at the beginning of 2023, to approximately \$14.5 million by the end of 2032. 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
2023-2032

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Financial Assets											
Cash	1	21,676,563	17,377,897	11,917,968	11,121,408	11,818,363	11,487,170	10,573,129	10,644,716	11,798,666	14,516,915
Accounts Receivable	1	3,314,634	3,488,167	3,670,784	3,862,962	4,065,201	4,278,028	4,501,998	4,737,692	4,985,727	5,246,747
Total Financial Assets		24,991,197	20,866,064	15,588,752	14,984,370	15,883,564	15,765,198	15,075,127	15,382,408	16,784,393	19,763,662
Liabilities											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	2,334,544	2,456,766	2,585,386	2,720,739	2,863,179	3,013,076	3,170,821	3,336,824	3,511,519	3,695,359
Debt (Principal only)	2	6,259,452	15,736,949	42,065,442	66,205,186	102,444,912	134,895,433	138,886,896	144,014,629	145,246,919	145,027,236
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
Total Liabilities		8,593,996	18,193,715	44,650,828	68,925,925	105,308,091	137,908,509	142,057,717	147,351,453	148,758,438	148,722,595
Net Financial Assets/(Debt)		16,397,201	2,672,349	(29,062,076)	(53,941,555)	(89,424,527)	(122,143,311)	(126,982,590)	(131,969,045)	(131,974,045)	(128,958,933)
Non-Financial Assets											
Tangible Capital Assets	4	44,125,377	62,986,344	100,500,520	129,604,273	168,716,265	203,628,614	209,656,291	217,040,276	220,787,799	223,382,857
Total Non-Financial Assets		44,125,377	62,986,344	100,500,520	129,604,273	168,716,265	203,628,614	209,656,291	217,040,276	220,787,799	223,382,857
Accumulated Surplus/(Deficit)	5	60,522,578	65,658,693	71,438,444	75,662,718	79,291,738	81,485,303	82,673,701	85,071,231	88,813,754	94,423,924
Financial Indicators	Total Change	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1) Increase/(Decrease) in Net Financial Assets	(141,601,277)	3,754,857	(13,724,852)	(31,734,425)	(24,879,479)	(35,482,972)	(32,718,784)	(4,839,279)	(4,986,455)	(5,000)	3,015,112
2) Increase/(Decrease) in Tangible Capital Assets	181,398,759	2,141,279	18,860,967	37,514,176	29,103,753	39,111,992	34,912,349	6,027,677	7,383,985	3,747,523	2,595,058
3) Increase/(Decrease) in Accumulated Surplus	39,797,482	5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2032

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Water Revenue											
Rate Based Revenue		14,987,211	14,344,389	14,996,004	15,909,730	17,207,274	18,610,568	20,127,732	21,767,471	23,541,729	25,460,900
Other Revenue	6	1,595,427	1,374,737	1,992,366	1,951,833	2,064,380	2,152,900	2,323,412	2,596,119	2,948,568	3,402,241
Total Revenues		16,582,638	15,719,126	16,988,370	17,861,563	19,271,654	20,763,468	22,451,144	24,363,590	26,490,297	28,863,141
Water Expenses											
Operating Expenses	Sch. 4-1	8,477,950	8,491,090	8,328,442	8,778,354	9,050,367	9,333,006	9,625,651	9,927,700	10,242,566	10,567,683
Interest on Debt	2	759,431	575,888	936,353	2,125,688	3,310,259	5,122,246	6,744,772	6,944,345	7,200,731	7,262,346
Amortization	4	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Total Expenses		10,686,502	10,583,011	11,208,619	13,637,289	15,642,634	18,569,903	21,262,746	21,966,060	22,747,774	23,252,971
Annual Surplus/(Deficit)		5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170
Accumulated Surplus/(Deficit), beginning of year	5	54,626,442	60,522,578	65,658,693	71,438,444	75,662,718	79,291,738	81,485,303	82,673,701	85,071,231	88,813,754
Accumulated Surplus/(Deficit), end of year		60,522,578	65,658,693	71,438,444	75,662,718	79,291,738	81,485,303	82,673,701	85,071,231	88,813,754	94,423,924
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Reserve Balances											
Reserves: Development Charges		-	-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		22,656,653	18,409,298	13,003,366	12,263,631	13,020,385	12,752,122	11,904,306	12,045,584	13,272,874	16,068,303
Total Reserves Balance		22,656,653	18,409,298	13,003,366	12,263,631	13,020,385	12,752,122	11,904,306	12,045,584	13,272,874	16,068,303
Less: Debt Obligations and Deferred Revenue		(6,259,452)	(15,736,949)	(42,065,442)	(66,205,186)	(102,444,912)	(134,895,433)	(138,886,896)	(144,014,629)	(145,246,919)	(145,027,236)
Add: Tangible Capital Assets	4	44,125,377	62,986,344	100,500,520	129,604,273	168,716,265	203,628,614	209,656,291	217,040,276	220,787,799	223,382,857
Total Ending Balance		60,522,578	65,658,693	71,438,444	75,662,718	79,291,738	81,485,303	82,673,701	85,071,231	88,813,754	94,423,924
Financial Indicators	Total Change	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1) Expense to Revenue Ratio		64%	67%	66%	76%	81%	89%	95%	90%	86%	81%
2) Increase/(Decrease) in Accumulated Surplus	39,797,482	5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2032

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Operating Expenses											
WAGES AND BENEFITS		-	-	-	-	-	-	-	-	-	-
Salaried		205,000	360,000	575,000	750,000	765,000	780,300	795,906	811,824	828,061	844,622
Director compensation		-	65,000	68,250	71,663	75,246	79,008	82,958	87,106	91,462	96,035
Benefits - Full time		72,000	95,000	130,000	160,000	163,200	166,464	169,793	173,189	176,653	180,186
OFFICE OVERHEAD, RENTS AND SERVICES		-	-	-	-	-	-	-	-	-	-
Office supplies		750	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534
Board expenses		-	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Dues, Memberships, Subsc		6,000	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501
Travel & Mileage		1,200	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Professional Development		5,000	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
Conferences		17,000	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003
Meeting Expenses		1,200	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Uniforms/Clothing		200	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534
Legal/Professional fees		185,000	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354
Audit Fees		7,500	12,500	12,875	13,261	13,659	14,069	14,491	14,926	15,373	15,835
Operational Purchases/Maint.		25,000	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
Communications		2,500	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167
Postage & Courier		500	500	515	530	546	563	580	597	615	633
Advertising & Promotion		5,000	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867
Insurance		30,000	50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339
Donations & Grants		4,000	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
Tech Hardware Maintenance (SCADA, etc)		40,000	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006
Tech Hardware Purchases (non-TCA)		10,000	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Software Licensing and Support		40,000	40,000	41,200	42,436	43,709	45,020	46,371	47,762	49,195	50,671
Software Purchases		6,000	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Telecom Maintenance		7,500	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Vehicle Expenses		10,000	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668
Other Expenses		5,000	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
OCWA Operating Union		3,831,155	3,946,090	4,064,472	4,186,407	4,311,999	4,441,359	4,574,599	4,711,837	4,853,193	4,998,788
Property Taxes		162,690	175,000	178,500	182,070	185,711	189,426	193,214	197,078	201,020	205,040
Land Transfer Tax-Transfer of Assets to UWSS, Inc.		147,255	-	-	-	-	-	-	-	-	-
Municipal Service Fees (Agency Agreement)		50,000	60,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Electricity and Natural Gas		1,625,000	1,700,000	1,785,000	1,874,250	1,967,963	2,066,361	2,169,679	2,278,163	2,392,071	2,511,674
CO2 Gas Bulk Purchase		65,000	110,000	112,200	114,444	116,733	119,068	121,449	123,878	126,355	128,883
Operational Programs & Studies		730,500	490,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Residuals Ponds Maintenance		30,000	200,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Water Quality/Corrosion Program		45,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Watermain Repairs		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Un-Budgeted Repairs		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Non TCA - Expenses from Capital Budget	7	905,000	506,000	265,000	273,000	281,000	290,000	299,000	307,000	317,000	326,000
TOTAL OPERATING EXPENSES		8,477,950	8,491,090	8,328,442	8,778,354	9,050,367	9,333,006	9,625,651	9,927,700	10,242,566	10,567,683



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2032

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Annual Surplus/(Deficit)		5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170
Less: Acquisition of Tangible Capital Assets	4	(3,590,400)	(20,377,000)	(39,458,000)	(31,837,000)	(42,394,000)	(39,027,000)	(10,920,000)	(12,478,000)	(9,052,000)	(8,018,000)
Add: Amortization of Tangible Capital Assets	4	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(2,141,279)	(18,860,967)	(37,514,176)	(29,103,753)	(39,111,992)	(34,912,349)	(6,027,677)	(7,383,985)	(3,747,523)	(2,595,058)
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)		3,754,857	(13,724,852)	(31,734,425)	(24,879,479)	(35,482,972)	(32,718,784)	(4,839,279)	(4,986,455)	(5,000)	3,015,112
Net Financial Assets/(Net Debt), beginning of year		12,642,344	16,397,201	2,672,349	(29,062,076)	(53,941,555)	(89,424,527)	(122,143,311)	(126,982,590)	(131,969,045)	(131,974,045)
Net Financial Assets/(Net Debt), end of year		16,397,201	2,672,349	(29,062,076)	(53,941,555)	(89,424,527)	(122,143,311)	(126,982,590)	(131,969,045)	(131,974,045)	(128,958,933)

Financial Indicators	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1) Acquisition of Tangible Capital Assets (Cumulative)	3,590,400	23,967,400	63,425,400	95,262,400	137,656,400	176,683,400	187,603,400	200,081,400	209,133,400	217,151,400
2) Annual Surplus/Deficit before Amortization (Cumulative)	7,345,257	13,997,405	21,720,980	28,678,501	35,589,529	41,897,745	47,978,466	55,470,011	64,517,011	75,550,123
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)	2.05	0.58	0.34	0.30	0.26	0.24	0.26	0.28	0.31	0.35



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2032

	Notes	Forecast									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Operating Transactions											
Annual Surplus/Deficit		5,896,136	5,136,115	5,779,751	4,224,274	3,629,020	2,193,565	1,188,398	2,397,530	3,742,523	5,610,170
Add: Amortization of TCA's	4	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(2,061,086)	(173,532)	(182,617)	(192,179)	(202,241)	(212,827)	(223,970)	(235,695)	(248,034)	(261,020)
Change in A/P Increase/(Decrease)		(1,059,716)	122,221	128,620	135,354	142,441	149,897	157,745	166,004	174,694	183,840
Less: Interest Proceeds		(444,248)	(360,967)	(254,968)	(240,463)	(255,302)	(250,042)	(233,418)	(236,188)	(260,252)	(315,065)
Cash Provided by Operating Transactions		3,780,207	6,239,870	7,414,610	6,660,233	6,595,926	5,995,244	5,781,078	7,185,666	8,713,408	10,640,867
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(3,590,400)	(20,377,000)	(39,458,000)	(31,837,000)	(42,394,000)	(39,027,000)	(10,920,000)	(12,478,000)	(9,052,000)	(8,018,000)
Cash Applied to Capital Transactions		(3,590,400)	(20,377,000)	(39,458,000)	(31,837,000)	(42,394,000)	(39,027,000)	(10,920,000)	(12,478,000)	(9,052,000)	(8,018,000)
Investing Transactions											
Proceeds from Investments		444,248	360,967	254,968	240,463	255,302	250,042	233,418	236,188	260,252	315,065
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		444,248	360,967	254,968	240,463	255,302	250,042	233,418	236,188	260,252	315,065
Financing Transactions											
Proceeds from Debt Issue	2	-	11,330,000	28,644,000	27,318,000	37,704,000	34,778,000	7,164,000	8,609,000	5,068,000	3,914,000
Less: Debt Repayment (Principal only)	2	(1,649,492)	(1,852,503)	(2,315,507)	(3,178,256)	(1,464,273)	(2,327,479)	(3,172,537)	(3,481,267)	(3,835,710)	(4,133,683)
Cash Applied to Financing Transactions		(1,649,492)	9,477,497	26,328,493	24,139,744	36,239,727	32,450,521	3,991,463	5,127,733	1,232,290	(219,683)
Increase in Cash and Cash Equivalents		(1,015,437)	(4,298,666)	(5,459,929)	(796,560)	696,955	(331,193)	(914,041)	71,587	1,153,950	2,718,249
Cash and Cash Equivalents, beginning of year	1	22,692,000	21,676,563	17,377,897	11,917,968	11,121,408	11,818,363	11,487,170	10,573,129	10,644,716	11,798,666
Cash and Cash Equivalents, end of year	1	21,676,563	17,377,897	11,917,968	11,121,408	11,818,363	11,487,170	10,573,129	10,644,716	11,798,666	14,516,915



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

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

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

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

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

The assumptions used have been documented below:

1. Cash, Receivables and Payables

The cash, receivables, and payables were based on the data contained within the 10-Year Business Plan, which provided a forecast of these items to 2032.



2. Debt

Outstanding water-related debt (growth and non-growth related) at the end of 2022 was approximately \$7.9 million. Principal repayments (including refinanced amounts) over the forecast period are scheduled as follows:

Year	Principal Payments
2023	1,649,492
2024	1,852,503
2025	2,315,507
2026	3,178,256
2027	1,464,273
2028	2,327,479
2029	3,172,537
2030	3,481,267
2031	3,835,710
2032	4,133,683
Total	27,410,707

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 reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. The U.W.S.S. does not collect water development charges, therefore deferred revenue is assumed to be zero over the forecast period.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Facilities;
 - ii. Water Mains;
 - iii. Water Meters;
 - iv. Machinery and Equipment; and



v. Land.

- Amortization is calculated based on the straight-line approach with no amortization in the year of acquisition or construction.
- Given the planned asset replacement forecast provided by the U.W.S.S., useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is based on the 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 U.W.S.S. is unaware of any specific lead piping in the water system.
- The T.C.A. inventory balance provided by the U.W.S.S. is summarized in Table 4-5, as follows:



Table 4-5
Tangible Capital Asset Summary: Water Services
UNAUDITED: For Financial Planning Purposes Only
2023-2032

Asset Historical Cost	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Opening Tangible Capital Asset Balance	72,915,788	75,811,734	92,464,298	124,879,037	151,991,437	186,876,934	218,552,605	227,238,195	237,481,055	244,676,662
Acquisitions	3,590,400	20,377,000	39,458,000	31,837,000	42,394,000	39,027,000	10,920,000	12,478,000	9,052,000	8,018,000
Disposals	694,454	3,724,436	7,043,261	4,724,600	7,508,503	7,351,329	2,234,410	2,235,140	1,856,393	2,277,598
Closing Tangible Capital Asset Balance	75,811,734	92,464,298	124,879,037	151,991,437	186,876,934	218,552,605	227,238,195	237,481,055	244,676,662	250,417,064
Opening Accumulated Amortization	30,931,690	31,686,357	29,477,954	24,378,517	22,387,164	18,160,669	14,923,991	17,581,904	20,440,779	23,888,863
Amortization Expense	1,449,121	1,516,033	1,943,824	2,733,247	3,282,008	4,114,651	4,892,323	5,094,015	5,304,477	5,422,942
Amortization on Disposal	694,454	3,724,436	7,043,261	4,724,600	7,508,503	7,351,329	2,234,410	2,235,140	1,856,393	2,277,598
Ending Accumulated Amortization	31,686,357	29,477,954	24,378,517	22,387,164	18,160,669	14,923,991	17,581,904	20,440,779	23,888,863	27,034,207
Net Book Value	44,125,377	62,986,344	100,500,520	129,604,273	168,716,265	203,628,614	209,656,291	217,040,276	220,787,799	223,382,857



5. Accumulated Surplus

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

Water	2023 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	20,551,288
Total Reserves Balance	20,551,288
Less: Debt Obligations and Deferred Revenue	(7,908,944)
Add: Tangible Capital Assets	41,984,098
Total Opening Balance	54,626,442

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

6. Other Revenue

Other revenue includes interest and other non-operating general revenues (sundry revenues, property rental revenues, etc.).

7. Operating Expenses

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



Chapter 5

Process for Financial Plan Approval and Submission to the Province



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

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

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, section 3 (1) 1).
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O. Reg. 453/07, section 3 (1) 5).
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6).
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. section 32 (5) 2. ii.).



Chapter 6

Recommendations



6. Recommendations

This report presents the water financial plan for the Union Water Supply System 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 Board's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the U.W.S.S. 10-Year Business Plan. Nevertheless, the Board is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Union Water Supply System's Water Financial Plan prepared by Watson & Associates Economists Ltd. dated December 20, 2023 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan and the Board Resolution approving the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The Financial Plan and Board 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)).