



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

Township of Hornepayne

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Financial Plan # 226-301

July 2, 2021

Watson & Associates Economists Ltd.  
905-272-3600  
[info@watsonecon.ca](mailto:info@watsonecon.ca)

# Table of Contents

	Page
<b>1. Introduction.....</b>	<b>1-1</b>
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 (PSAB) Requirements .....	1-4
1.2.5 The Township's Financial Plan .....	1-4
<b>2. Sustainable Financial Planning.....</b>	<b>2-1</b>
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
<b>3. Approach.....</b>	<b>3-1</b>
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
<b>4. Financial Plan .....</b>	<b>4-1</b>
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



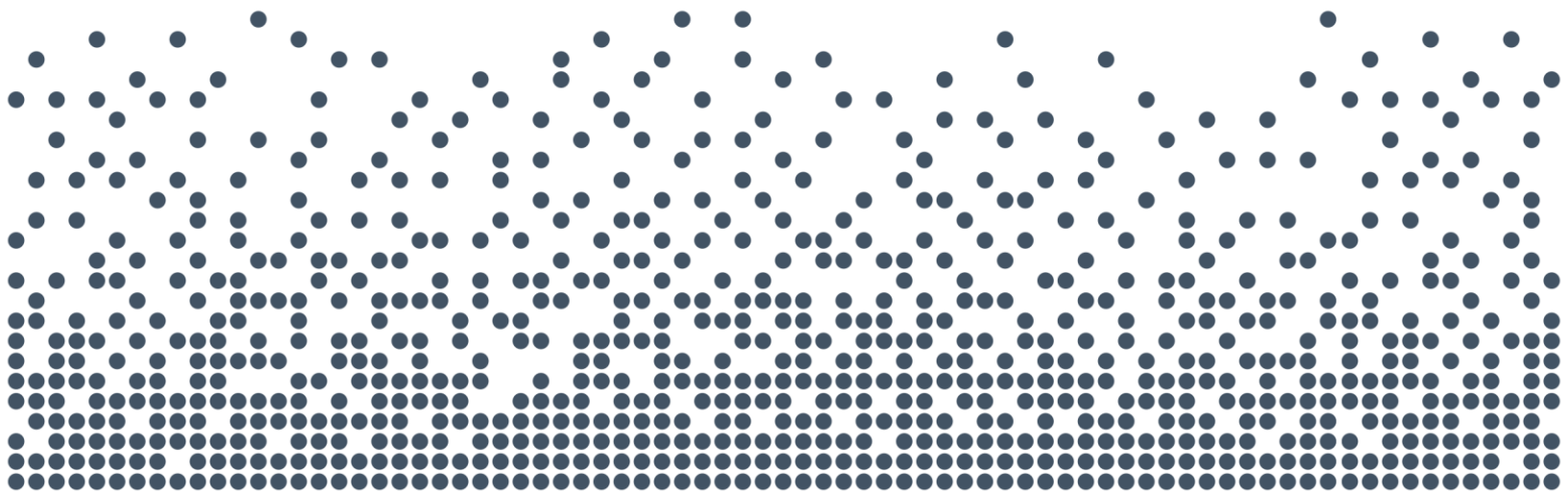
# Table of Contents (Cont'd)

	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
<b>5. Process for Financial Plan Approval and Submission to the Province .....</b>	<b>5-1</b>
<b>6. Recommendations .....</b>	<b>6-1</b>
<b>Appendix A Water Budget and Forecast Summary Tables .....</b>	<b>A-1</b>



## List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
OCWA	Ontario Clean Water Agency
O. Reg.	Ontario Regulation
PSAB	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
T.C.A.	Tangible Capital Assets
W.O.A.	Water Opportunities Act



# Report



# Chapter 1

## Introduction



# 1. Introduction

## 1.1 Study Purpose

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The Township of Hornepayne (the Township) retained Watson & Associates Economists Ltd. (Watson) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water licence 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 regarding the Township's water systems has been completed based on the Township's 2021 Water and Wastewater Rate Study, dated June 21, 2021 (2021 Rate Study). The objective of the report provided herein is to convert the findings of the 2021 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O. Reg. 453/07).

## 1.2 Background

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

"No person shall,

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

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

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

For licence renewals, the application must be accompanied by proof that the financial plan meets the prescribed requirements as per the Act s. 32 (5) 2.ii.

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

### **1.2.1 Financial Plan Defined**

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3).

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 has been repealed (see section 2.2 of this report); however, the standards that it directs underpin the specific requirements of s. 30 as they are outlined in O. Reg. 453/07 and which will be examined in detail below.

### **1.2.2 Financial Plan Requirements – Existing System**

The O. Reg. 453/07 provides details with regards to the financial plans for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by resolution of Council (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and





accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the PSAB) for each year in which the financial plans apply;

- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per PSAB) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per PSAB) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public;
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing; and
- The resolution of Council approving the Financial Plan be submitted to the Ministry of the Environment, Conservation and Parks (MECP).

### **1.2.3 Financial Plan Requirements – General**

Given that the requirements for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The 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 licence renewal (i.e. six months prior to licence expiry).

A copy of the financial plan will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the MECP; however, MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary. The



financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence.

#### **1.2.4 Public Sector Accounting Board (PSAB) Requirements**

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

“Financial statements should include a Statement of Financial Position, a Statement of Operations, a Statement of Change in Net Debt, and a Statement of Cash Flow.”

The format required is to conform to the requirements of PS1200 and PS3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

The accounting treatment of tangible capital assets is prescribed under section PS3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned are recorded and to account for their ability to provide future benefits.

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

#### **1.2.5 The Township's Financial Plan**

The Township is currently in the process of renewing the drinking water licence 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 licence would otherwise expire. As the Township's water license expires in 2021, this financial plan provides for a 2021 start year and forecast period to 2029.



# Chapter 2

## Sustainable Financial Planning



## 2. Sustainable Financial Planning

### 2.1 Introduction

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In general, sustainability refers to the ability to maintain a certain position over time. While the Act requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, MECP released a guideline ("Towards Financially Sustainable Drinking-Water 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(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of water services should ultimately be used to meet the needs of those services.
- Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- Principle #5: An asset management plan is a key input to the development of a financial plan.
- Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
- Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.



Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal Council.

## 2.2 Sustainable Water and Sewage Systems Act

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

## 2.3 Water Opportunities Act, 2010

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

The purposes of the *Water Opportunities Act* are to: foster innovative water, wastewater and storm water technologies, services and practices; create opportunities for economic development and clean-technology jobs; and conserve and sustain water resources. To achieve this W.O.A. provides for the creation of performance targets (financial, operational and maintenance related), which will vary by service type and location and the required submission of conservation and sustainability plans for water, wastewater and stormwater.

The sustainability plan in W.O.A. expands on interim legislation for financial plans included in O. Reg. 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;
- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and



- additional information considered advisable.

Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the Township in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require certification, the public consultation process (if required), limitations updates and refinements.

## **2.4 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015**

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On June 4, 2015, the Province passed the Infrastructure for Jobs and Prosperity Act (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

Note: on March 15, 2021, the Province filed Regulation 193/21 to extend all of the timelines of Regulation 588/17 by one year.

Every municipality in Ontario was to have prepared 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 Township's asset management plan must include the following for each asset category:

- the current levels of service being provided;
  - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the asset management plan.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the municipality's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that would need to be undertaken to maintain the current levels of service.

Upon completion of the asset management plan for water, the Township will need to consider the impacts during the annual budget and forecast process.

## 2.5 Water Forecast

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The Township has already completed their financial planning through it's 2021 water budget and a forecasting exercise through the 2021 Rate Study. The Rate Study process is designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.



As a result of employing this process, the 2021 water budget and eight-year forecast (2022 to 2029), included in the 2021 Rate Study, provides the basis for a sound financial plan for the Township's water system by assessing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs;
- A review and recommendation on rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involved consultation with the main stakeholders including the Township's staff, Council, the general public (specifically the users of the system) and others with the aim of gaining input and collaboration on the sustainability of the water systems.





# Chapter 3

## Approach



## 3. Approach

### 3.1 Overview

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The 2021 Rate Study (along with additional detailed information provided by Municipal Staff) 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 water financial plan.

### 3.2 Conversion Process

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The conversion from the existing modified cash basis found in the 2019 Rate Study to the full accrual reporting format required under O. Reg. 453/07 can be summarized in the following steps:

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

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

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized by the Township for the purposes of their annual PSAB 3150 compliance process. As required, for PSAB 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated



useful life for each asset and any anticipated salvage value is recorded. The following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2021 Rate Study. These estimates, however, only represent future assets that the Township anticipates purchasing or constructing without consideration for future assets that are contributed by developers and other parties (at no or partial cost to the Township). These contributed assets will form part of the infrastructure going forward in terms of the sustainability of the system and despite their non-monetary nature; future financial plans may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

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

A wide range of adjustments will be considered, dependent on the size and complexity of the systems, in order to convert from the cash to full accrual basis (see Figure 3-1). For example, debt repayment costs relating to the principal payment portion only needs to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.



Table 3-1  
Conversion Adjustments  
Statement of Operations

Modified Cash Basis	Budget	Adjustments		Full Accrual Budget	Accrual Basis
	2021	DR	CR	2021	
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	-			-	Base Charge Revenue
Rate Based Revenue	682,767			682,767	Rate Based Revenue
Other Revenue	38,183		-	38,183	Other Revenue
<b>Total Revenues</b>	<b>720,950</b>			<b>720,950</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	444,396	-		444,396	Operating Expenses
Capital					
Transfers to Reserves	211,639		211,639		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	64,915		29,623	35,292	Interest on Debt
		373,009		373,009	Amortization
<b>Total Expenditures</b>	<b>720,950</b>			<b>852,697</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>(131,747)</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			6,370,862	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>131,747</b>	<b>6,239,115</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>373,009</b>	<b>373,009</b>		

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



### **3.2.3 Convert Statement of Financial Position**

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Township and as such, will be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. Ontario Regulation 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

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

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

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



Table 3-2  
Conversion Adjustments  
Statement of Financial Position

Modified Cash Basis	Budget 2021	Adjustments		Full Accrual Budget 2021	Accrual Basis
		DR	CR		
<b><u>ASSETS</u></b>					<b><u>ASSETS</u></b>
<b><u>Financial Assets</u></b>					<b><u>Financial Assets</u></b>
Cash	179,409			179,409	Cash
Accounts Receivable	58,881			58,881	Accounts Receivable
<b>Total Financial Assets</b>	<b>238,290</b>			<b>238,290</b>	<b>Total Financial Assets</b>
<b><u>LIABILITIES</u></b>					<b><u>Liabilities</u></b>
Accounts Payable & Accrued Liabilities	23,583			23,583	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	947,284			947,284	Debt (Principal only)
<b>Total Liabilities</b>	<b>970,867</b>			<b>970,867</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>(732,577)</b>			<b>(732,577)</b>	<b>Net Financial Assets/(Debt)</b>
					<b><u>Non-Financial Assets</u></b>
		6,971,692	-	6,971,692	Tangible Capital Assets
				<b>6,971,692</b>	<b>Total Non-Financial Assets</b>
<b><u>Municipal Position</u></b>					
Water Reserves	214,707	214,707	-		
Amounts to be Recovered	(947,284)	-	947,284		
<b>Total Municipal Position</b>	<b>(732,577)</b>		6,239,115	<b>6,239,115</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>7,186,399</b>	<b>7,186,399</b>		



### **3.2.5 Verification and Note Preparation**

The final step in the conversion process is to ensure that all the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Township at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

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

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

- a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the Township's ledgers. It may not be possible, however, to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

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



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





# Chapter 4

## Financial Plan



## 4. Financial Plan

### 4.1 Introduction

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

### 4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Township's water systems. 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 in 2021, the Township's water system was in a net financial debt position of \$732,577. The financial plan forecasts a net financial debt position for each year of the forecast period, increasing to a net financial debt position of \$247,755 by 2029.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance under section PS3150. As noted earlier, providing this information is a requirement for municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

- Tangible capital assets such as watermain and treatment facilities are imperative to water service delivery.

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

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

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets net book value is expected to decrease over the forecast period by approximately \$2.08 million. This indicates that the Township continues to write down and continue to use the 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, although fluctuating to some extent, the ratio increases from 118% in 2021 to 122% by 2029. As a result, annual surplus decreases from a deficit of \$131,747 to a deficit of \$182,767 by 2029. This is due to a general increasing trend in operating expenses. 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 capital water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing, or rate increases are required to finance annual deficits. From Table 4-2, the financial plan illustrates a reduction in accumulated surplus of approximately \$1.52 million over the forecast period. The



existing accumulated surplus, as indicated in Table 4-2, is predominately made up of reserve balances as well as historical investments in tangible capital assets.

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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that in all years, forecasted annual surplus exceeds the forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in increases in the net financial asset balance. Therefore, a decrease to net financial assets is anticipated over the forecast period to 2029. This trend of improving the net financial asset position will eventually allow for a long-term plan of funding capital through accumulated surplus (i.e. reserve balances). The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is 1.42 in 2021 and although fluctuating over the forecast, by 2029, remains at 1.42.<sup>1</sup>

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

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash-based and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Township's water systems to improve from a balance of \$140,316 at the beginning of 2021, to just over \$384,240 by the end of 2029. For further discussions, on projected cash balances please refer to the Notes to the Financial Plan.

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



Table 4-1  
Statement of Financial Position: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2029

	Notes	Forecast								
		2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Financial Assets</b>										
Cash	1	179,409	231,652	259,579	298,173	340,841	375,801	391,545	409,558	384,240
Accounts Receivable	1	58,881	59,401	60,487	61,149	62,489	63,860	65,262	66,695	68,161
<b>Total Financial Assets</b>		<b>238,290</b>	<b>291,053</b>	<b>320,066</b>	<b>359,322</b>	<b>403,330</b>	<b>439,661</b>	<b>456,807</b>	<b>476,253</b>	<b>452,401</b>
<b>Liabilities</b>										
Accounts Payable & Accrued Liabilities	1	23,583	24,549	25,562	26,618	27,717	28,858	30,046	31,283	32,572
Debt (Principal only)	2	947,284	916,573	884,735	851,727	817,506	782,029	745,248	707,117	667,584
<b>Total Liabilities</b>		<b>970,867</b>	<b>941,122</b>	<b>910,297</b>	<b>878,345</b>	<b>845,223</b>	<b>810,887</b>	<b>775,294</b>	<b>738,400</b>	<b>700,156</b>
<b>Net Financial Assets/(Debt)</b>		<b>(732,577)</b>	<b>(650,069)</b>	<b>(590,231)</b>	<b>(519,023)</b>	<b>(441,893)</b>	<b>(371,226)</b>	<b>(318,487)</b>	<b>(262,147)</b>	<b>(247,755)</b>
<b>Non-Financial Assets</b>										
Tangible Capital Assets	3	6,971,692	6,737,930	6,488,068	6,250,984	6,005,028	5,760,384	5,528,076	5,290,817	5,093,658
<b>Total Non-Financial Assets</b>		<b>6,971,692</b>	<b>6,737,930</b>	<b>6,488,068</b>	<b>6,250,984</b>	<b>6,005,028</b>	<b>5,760,384</b>	<b>5,528,076</b>	<b>5,290,817</b>	<b>5,093,658</b>
<b>Accumulated Surplus/(Deficit)</b>	4	<b>6,239,115</b>	<b>6,087,861</b>	<b>5,897,837</b>	<b>5,731,961</b>	<b>5,563,135</b>	<b>5,389,158</b>	<b>5,209,589</b>	<b>5,028,670</b>	<b>4,845,903</b>
<b>Financial Indicators</b>	<b>Total Change</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
1) Increase/(Decrease) in Net Financial Assets	556,084	71,262	82,508	59,838	71,208	77,130	70,667	52,739	56,340	14,392
2) Increase/(Decrease) in Tangible Capital Assets	(2,081,043)	(203,009)	(233,762)	(249,862)	(237,084)	(245,956)	(244,644)	(232,308)	(237,259)	(197,159)
3) Increase/(Decrease) in Accumulated Surplus	(1,524,959)	(131,747)	(151,254)	(190,024)	(165,876)	(168,826)	(173,977)	(179,569)	(180,919)	(182,767)



Table 4-2  
Statement of Operations: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2029

	Notes	Forecast								
		2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Water Revenue</b>										
Rate Based Revenue		682,767	689,112	702,414	710,514	726,924	743,705	760,873	778,424	796,374
Other Revenue	5	38,183	38,200	38,200	38,201	38,200	38,199	38,200	38,199	38,201
<b>Total Revenues</b>		<b>720,950</b>	<b>727,312</b>	<b>740,614</b>	<b>748,715</b>	<b>765,124</b>	<b>781,904</b>	<b>799,073</b>	<b>816,623</b>	<b>834,575</b>
<b>Water Expenses</b>										
Operating Expenses	Sch. 4-1	444,396	467,600	517,700	501,600	522,300	543,800	566,200	589,500	613,800
Interest on Debt	2	35,292	34,204	33,076	31,907	30,694	29,437	28,134	26,783	25,383
Amortization	3	373,009	376,762	379,862	381,084	380,956	382,644	384,308	381,259	378,159
<b>Total Expenses</b>		<b>852,697</b>	<b>878,566</b>	<b>930,638</b>	<b>914,591</b>	<b>933,950</b>	<b>955,881</b>	<b>978,642</b>	<b>997,542</b>	<b>1,017,342</b>
<b>Annual Surplus/(Deficit)</b>		<b>(131,747)</b>	<b>(151,254)</b>	<b>(190,024)</b>	<b>(165,876)</b>	<b>(168,826)</b>	<b>(173,977)</b>	<b>(179,569)</b>	<b>(180,919)</b>	<b>(182,767)</b>
Accumulated Surplus/(Deficit), beginning of year	4	6,370,862	6,239,115	6,087,861	5,897,837	5,731,961	5,563,135	5,389,158	5,209,589	5,028,670
Accumulated Surplus/(Deficit), end of year		6,239,115	6,087,861	5,897,837	5,731,961	5,563,135	5,389,158	5,209,589	5,028,670	4,845,903
<b>Note 5:</b>										
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>Reserve Balances</b>										
Reserves: Capital/Other		214,707	266,504	294,504	332,704	375,613	410,803	426,761	444,970	419,829
<b>Total Reserves Balance</b>		<b>214,707</b>	<b>266,504</b>	<b>294,504</b>	<b>332,704</b>	<b>375,613</b>	<b>410,803</b>	<b>426,761</b>	<b>444,970</b>	<b>419,829</b>
Less: Debt Obligations and Deferred Revenue		(947,284)	(916,573)	(884,735)	(851,727)	(817,506)	(782,029)	(745,248)	(707,117)	(667,584)
Add: Tangible Capital Assets	3	6,971,692	6,737,930	6,488,068	6,250,984	6,005,028	5,760,384	5,528,076	5,290,817	5,093,658
<b>Total Ending Balance</b>		<b>6,239,115</b>	<b>6,087,861</b>	<b>5,897,837</b>	<b>5,731,961</b>	<b>5,563,135</b>	<b>5,389,158</b>	<b>5,209,589</b>	<b>5,028,670</b>	<b>4,845,903</b>
<b>Financial Indicators</b>	<b>Total Change</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
1) Expense to Revenue Ratio		118%	121%	126%	122%	122%	122%	122%	122%	122%
2) Increase/(Decrease) in Accumulated Surplus	(1,524,959)	(131,747)	(151,254)	(190,024)	(165,876)	(168,826)	(173,977)	(179,569)	(180,919)	(182,767)



Schedule 4-1  
Statement of Operating Expenses: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2029

	Notes	Forecast								
		2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Operating Expenses</b>										
Wages interdepartment (10%)		8,726	8,900	9,100	9,300	9,500	9,700	9,900	10,100	10,300
Advertising / Public Relations		610	600	600	600	600	600	600	600	600
Telephone/Alarm System		2,440	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200
OCWA- Water Requisition		432,620	450,600	469,400	489,000	509,400	530,600	552,700	575,700	599,700
Non TCA - Expenses from Capital Budget	6	-	5,000	36,000	-	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>		<b>444,396</b>	<b>467,600</b>	<b>517,700</b>	<b>501,600</b>	<b>522,300</b>	<b>543,800</b>	<b>566,200</b>	<b>589,500</b>	<b>613,800</b>

Table 4-3  
Statement of Changes in Net Financial Assets/Debt: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2029

	Notes	Forecast								
		2021	2022	2023	2024	2025	2026	2027	2028	2029
Annual Surplus/(Deficit)		(131,747)	(151,254)	(190,024)	(165,876)	(168,826)	(173,977)	(179,569)	(180,919)	(182,767)
Less: Acquisition of Tangible Capital Assets	3	(170,000)	(143,000)	(130,000)	(144,000)	(135,000)	(138,000)	(152,000)	(144,000)	(181,000)
Add: Amortization of Tangible Capital Assets	3	373,009	376,762	379,862	381,084	380,956	382,644	384,308	381,259	378,159
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
		203,009	233,762	249,862	237,084	245,956	244,644	232,308	237,259	197,159
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in Net Financial Assets/(Net Debt)</b>		<b>71,262</b>	<b>82,508</b>	<b>59,838</b>	<b>71,208</b>	<b>77,130</b>	<b>70,667</b>	<b>52,739</b>	<b>56,340</b>	<b>14,392</b>
Net Financial Assets/(Net Debt), beginning of year		(803,839)	(732,577)	(650,069)	(590,231)	(519,023)	(441,893)	(371,226)	(318,487)	(262,147)
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>(732,577)</b>	<b>(650,069)</b>	<b>(590,231)</b>	<b>(519,023)</b>	<b>(441,893)</b>	<b>(371,226)</b>	<b>(318,487)</b>	<b>(262,147)</b>	<b>(247,755)</b>
<b>Financial Indicators</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		170,000	313,000	443,000	587,000	722,000	860,000	1,012,000	1,156,000	1,337,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		241,262	466,770	656,608	871,816	1,083,946	1,292,613	1,497,352	1,697,692	1,893,084
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.42	1.49	1.48	1.49	1.50	1.50	1.48	1.47	1.42



Table 4-4  
Statement of Cash Flow – Indirect Method: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2021-2029

	Notes	Forecast								
		2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Operating Transactions</b>										
Annual Surplus/Deficit		(131,747)	(151,254)	(190,024)	(165,876)	(168,826)	(173,977)	(179,569)	(180,919)	(182,767)
Add: Amortization of TCA's	4	373,009	376,762	379,862	381,084	380,956	382,644	384,308	381,259	378,159
Change in A/R (Increase)/Decrease		(4,875)	(520)	(1,086)	(662)	(1,340)	(1,371)	(1,402)	(1,433)	(1,467)
Change in A/P Increase/(Decrease)		2,328	966	1,014	1,056	1,099	1,141	1,188	1,237	1,289
<b>Cash Provided by Operating Transactions</b>		<b>238,716</b>	<b>225,954</b>	<b>189,766</b>	<b>215,602</b>	<b>211,889</b>	<b>208,437</b>	<b>204,525</b>	<b>200,145</b>	<b>195,214</b>
<b>Capital Transactions</b>										
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(170,000)	(143,000)	(130,000)	(144,000)	(135,000)	(138,000)	(152,000)	(144,000)	(181,000)
<b>Cash Applied to Capital Transactions</b>		<b>(170,000)</b>	<b>(143,000)</b>	<b>(130,000)</b>	<b>(144,000)</b>	<b>(135,000)</b>	<b>(138,000)</b>	<b>(152,000)</b>	<b>(144,000)</b>	<b>(181,000)</b>
<b>Investing Transactions</b>										
Proceeds from Investments		-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-
<b>Cash Provided by (applied to) Investing Transactions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financing Transactions</b>										
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(29,623)	(30,711)	(31,839)	(33,008)	(34,221)	(35,477)	(36,781)	(38,132)	(39,532)
<b>Cash Applied to Financing Transactions</b>		<b>(29,623)</b>	<b>(30,711)</b>	<b>(31,839)</b>	<b>(33,008)</b>	<b>(34,221)</b>	<b>(35,477)</b>	<b>(36,781)</b>	<b>(38,132)</b>	<b>(39,532)</b>
Increase in Cash and Cash Equivalents		39,093	52,243	27,927	38,594	42,668	34,960	15,744	18,013	(25,318)
Cash and Cash Equivalents, beginning of year	1	140,316	179,409	231,652	259,579	298,173	340,841	375,801	391,545	409,558
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>179,409</b>	<b>231,652</b>	<b>259,579</b>	<b>298,173</b>	<b>340,841</b>	<b>375,801</b>	<b>391,545</b>	<b>409,558</b>	<b>384,240</b>





## Notes to Financial Plan

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

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

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

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

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

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

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

In order to show a balanced financial plan in a full accrual format for the Township, some of the items listed above have been estimated given that the Township does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and



services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).

The assumptions used have been documented below:

## 1. Cash, Receivables and Payables

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

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

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

- a) Receivables: Based on the historical levels of Township-wide receivables as a percentage of annual Township-wide revenue from user fees earned (as per the 2017, 2018, and 2019 Financial Information Returns); and
- b) Payables: Based on historical levels of Township-wide payables as a percentage of annual Township-wide water expenses (as per the 2017, 2018, and 2019 Financial Information Returns).

## 2. Debt

The Township does not have any new debenture financing projected to take place over the forecast period, however there is existing outstanding water related debt. Principal repayments for new debt over the forecast period are scheduled as follows:



Note 2  
Summary of Outstanding Annual Principal Debt Payments  
2021-2029

Year	Principal Payments
2021	29,623
2022	30,711
2023	31,839
2024	33,008
2025	34,221
2026	35,477
2027	36,781
2028	38,132
2029	39,532
<b>Total</b>	<b>309,324</b>

### 3. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - i. Facilities;
  - ii. Water Equipment;
  - iii. Hydrants and Valves; and
  - iv. Watermains.
- Amortization is calculated based on using the straight-line approach.
- Given the planned asset replacement forecast in the 2021 Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, the replacement value (of each new asset that has been identified as a “replacement”) has been deflated (by weighted average useful life for all assets on hand in the respective asset category) to an estimated



historical cost. This figure was used to calculate disposals only. Future assets are disposed of when fully amortized.

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



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

Note 3  
Summary of the Balance of Tangible Capital Assets  
2021-2029

Asset Historical Cost	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Tangible Capital Asset Balance	13,609,954	13,756,380	13,883,697	14,009,793	14,148,024	14,278,909	14,412,441	14,557,624	14,695,799
Acquisitions	170,000	143,000	130,000	144,000	135,000	138,000	152,000	144,000	181,000
Disposals	23,574	15,683	3,904	5,769	4,115	4,468	6,817	5,825	33,806
<b>Closing Tangible Capital Asset Balance</b>	<b>13,756,380</b>	<b>13,883,697</b>	<b>14,009,793</b>	<b>14,148,024</b>	<b>14,278,909</b>	<b>14,412,441</b>	<b>14,557,624</b>	<b>14,695,799</b>	<b>14,842,993</b>
Opening Accumulated Amortization	6,435,253	6,784,688	7,145,767	7,521,725	7,897,040	8,273,881	8,652,057	9,029,548	9,404,982
Amortization Expense	373,009	376,762	379,862	381,084	380,956	382,644	384,308	381,259	378,159
Amortization on Disposal	23,574	15,683	3,904	5,769	4,115	4,468	6,817	5,825	33,806
<b>Ending Accumulated Amortization</b>	<b>6,784,688</b>	<b>7,145,767</b>	<b>7,521,725</b>	<b>7,897,040</b>	<b>8,273,881</b>	<b>8,652,057</b>	<b>9,029,548</b>	<b>9,404,982</b>	<b>9,749,335</b>
<b>Net Book Value</b>	<b>6,971,692</b>	<b>6,737,930</b>	<b>6,488,068</b>	<b>6,250,984</b>	<b>6,005,028</b>	<b>5,760,384</b>	<b>5,528,076</b>	<b>5,290,817</b>	<b>5,093,658</b>



#### 4. Accumulated Surplus

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

Note 4  
Summary of Opening Accumulated Surplus  
2021

Water	2021 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Capital/Other	173,067
<b>Total Reserves Balance</b>	<b>173,067</b>
Less: Debt Obligations and Deferred Revenue	(976,906)
Add: Tangible Capital Assets	7,174,701
<b>Total Opening Balance</b>	<b>6,370,862</b>

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

#### 5. Other Revenue

Other revenue includes minor sale of water, and OCWA credits.

#### 6. 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 Township in accordance with the mandatory reporting formats for water systems as detailed in O. Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Council's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the 2021 Rate Study, dated June 21, 2021. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Township of Hornepayne's Water Financial Plan prepared by Watson & Associates Economists Ltd. dated July 2, 2021 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated July 2, 2021 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6).
4. The resolution of Council approving the Financial Plan be submitted to the MECP, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. section 32 (5) 2.ii.).



# Appendix A

## Water Budget and Forecast Summary Tables



## Appendix A-1 Water Service Capital Forecast 2021-2029

Description	Budget 2021	Total	Forecast							
			2022	2023	2024	2025	2026	2027	2028	2029
<b>Capital Expenditures</b>										
<b>Water Treatment Plant</b>										
Fuel Tank Replacement for RWP Generator (New)	7,500	-	-	-	-	-	-	-	-	-
Turbidity Meter Upgrades (Current Obsolete)	25,000	35,000	-	-	-	-	-	-	-	35,000
Filter Train Assessment	-	10,000	-	10,000	-	-	-	-	-	-
Remote Access	-	15,000	15,000	-	-	-	-	-	-	-
Electrical Assessment of Entire System	-	26,000	-	26,000	-	-	-	-	-	-
Intake, Clear Wells & Tower Inspection (ROV)	-	5,000	5,000	-	-	-	-	-	-	-
Filter Train Replacement Parts	10,000	22,000	-	-	11,000	-	-	11,000	-	-
Crossarm/Insulator Repairs & Hydro Line Patrol (Approved)	19,000	-	-	-	-	-	-	-	-	-
<b>Water Distribution</b>	-	-	-	-	-	-	-	-	-	-
Valve Replacement/Repairs (Vac Trailer Work)	25,000	220,000	26,000	26,000	27,000	27,000	28,000	28,000	29,000	29,000
Unscheduled Capital Works	83,500	875,000	102,000	104,000	106,000	108,000	110,000	113,000	115,000	117,000
<b>Total Capital Expenditures</b>	<b>170,000</b>	<b>1,208,000</b>	<b>148,000</b>	<b>166,000</b>	<b>144,000</b>	<b>135,000</b>	<b>138,000</b>	<b>152,000</b>	<b>144,000</b>	<b>181,000</b>
<b>Capital Financing</b>										
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-
Debenture Requirements	-	-	-	-	-	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-
Water Reserve	170,000	1,208,000	148,000	166,000	144,000	135,000	138,000	152,000	144,000	181,000
<b>Total Capital Financing</b>	<b>170,000</b>	<b>1,208,000</b>	<b>148,000</b>	<b>166,000</b>	<b>144,000</b>	<b>135,000</b>	<b>138,000</b>	<b>152,000</b>	<b>144,000</b>	<b>181,000</b>

## Appendix A-2 Water Reserve Continuity 2021-2029

Description	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Balance	173,067	214,707	266,503	294,503	332,703	375,612	410,802	426,760	444,969
Transfer from Operating	211,640	199,797	194,000	182,200	177,909	173,190	167,958	162,209	155,859
Transfer to Capital	170,000	148,000	166,000	144,000	135,000	138,000	152,000	144,000	181,000
Transfer to Operating	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>214,707</b>	<b>266,503</b>	<b>294,503</b>	<b>332,703</b>	<b>375,612</b>	<b>410,802</b>	<b>426,760</b>	<b>444,969</b>	<b>419,828</b>



### Appendix A-3 Water Operating Budget and Forecast 2021-2029

Description	Budget 2021	Forecast							
		2022	2023	2024	2025	2026	2027	2028	2029
<b>Expenditures</b>									
<u>Operating Costs</u>									
Wages interdepartment (10%)	8,726	8,900	9,100	9,300	9,500	9,700	9,900	10,100	10,300
Advertising / Public Relations	610	600	600	600	600	600	600	600	600
Telephone/Alarm System	2,440	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200
OCWA- Water Requisition	432,620	450,600	469,400	489,000	509,400	530,600	552,700	575,700	599,700
<b>Sub Total Operating</b>	<b>444,396</b>	<b>462,600</b>	<b>481,700</b>	<b>501,600</b>	<b>522,300</b>	<b>543,800</b>	<b>566,200</b>	<b>589,500</b>	<b>613,800</b>
<u>Capital-Related</u>									
Existing Debt (Principal)	29,623	30,711	31,839	33,008	34,221	35,477	36,781	38,132	39,532
Existing Debt (Interest)	35,292	34,204	33,076	31,907	30,694	29,437	28,134	26,783	25,383
New Debt (Principal)	-	-	-	-	-	-	-	-	-
New Debt (Interest)	-	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-
Transfer to Capital Reserve	178,185	166,342	160,210	148,072	143,100	137,684	131,742	125,269	118,180
Additional Transfers to Reserves - Charging Township Facilities	33,455	33,455	33,790	34,127	34,810	35,506	36,216	36,940	37,679
<b>Sub Total Capital Related</b>	<b>276,555</b>	<b>264,712</b>	<b>258,914</b>	<b>247,114</b>	<b>242,824</b>	<b>238,105</b>	<b>232,873</b>	<b>227,124</b>	<b>220,774</b>
<b>Total Expenditures</b>	<b>720,951</b>	<b>727,312</b>	<b>740,614</b>	<b>748,714</b>	<b>765,124</b>	<b>781,905</b>	<b>799,073</b>	<b>816,624</b>	<b>834,574</b>
<b>Revenues</b>									
Water Sales	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
OCWA Credits	33,183	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>38,183</b>	<b>38,200</b>	<b>38,200</b>	<b>38,200</b>	<b>38,200</b>	<b>38,200</b>	<b>38,200</b>	<b>38,200</b>	<b>38,200</b>
<b>Water Billing Recovery - Total</b>	<b>682,767</b>	<b>689,112</b>	<b>702,414</b>	<b>710,514</b>	<b>726,924</b>	<b>743,705</b>	<b>760,873</b>	<b>778,424</b>	<b>796,374</b>

### Appendix A-4 Water Rate Budget and Forecast 2021-2029

Description	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Water Billing Recovery - Flat Rate	682,767	689,112	702,414	710,514	726,924	743,705	760,873	778,424	796,374
Weighted Customer Count (SDE Equivalent)	645	651	657	658	660	662	664	666	668
<b>Constant Rate</b>	<b>1,057.90</b>	<b>1,057.90</b>	<b>1,068.48</b>	<b>1,079.16</b>	<b>1,100.74</b>	<b>1,122.75</b>	<b>1,145.21</b>	<b>1,168.11</b>	<b>1,191.47</b>
<b>Annual Percentage Change</b>		<b>0%</b>	<b>1%</b>	<b>1%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>