



Water Ontario Regulation 453/07 Financial Plan

Municipality of Trent Hills

Financial Plan # 150-301A

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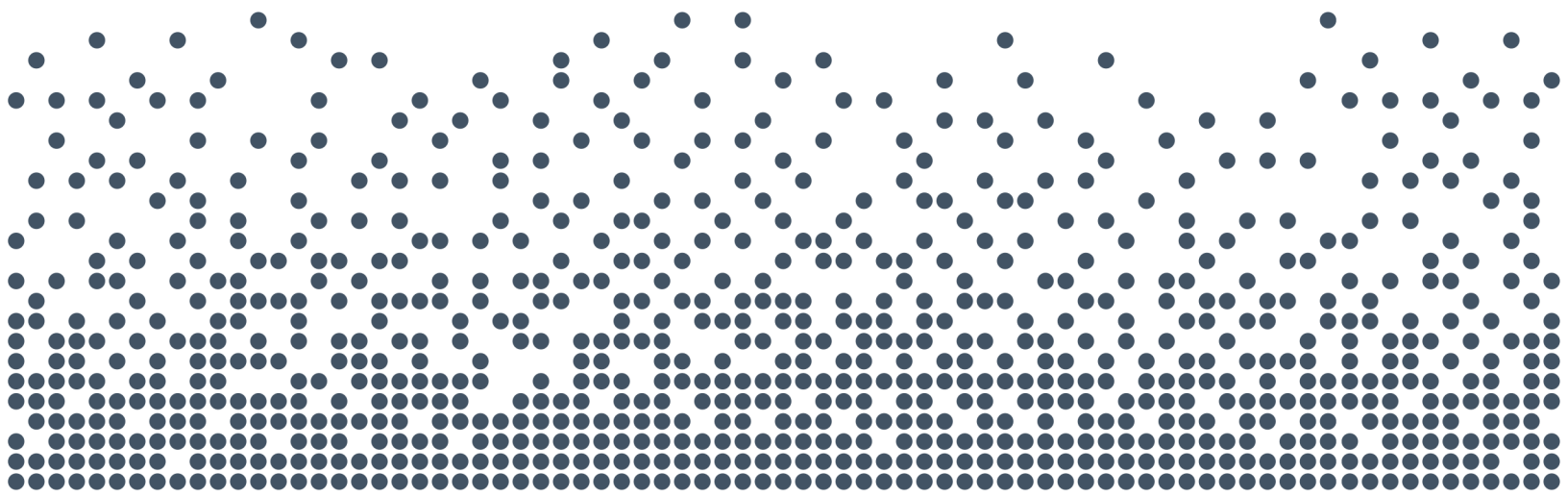
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List of Acronyms and Abbreviations

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



Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Municipality of Trent Hills (the Municipality) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regard to the Municipality's water systems has already been completed and documented by Watson within the "Municipality of Trent Hills Water and Wastewater Rate Study, January 8, 2020" (2020 Rate Study). The objective of the report provided herein is to convert the findings of the 2020 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

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

"No person shall,

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

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



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

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

1.2.1 Financial Plan Defined

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

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

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

1.2.2 Financial Plan Requirements – Existing System

O.Reg. 453/07 also provides details with 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 nine-year forecast goes above and beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1) 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e. six months prior to license expiry).

A copy of the financial plan will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the MECP; however, 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 The Municipality's Financial Plan

The Municipality 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 licence would otherwise expire. As the Municipality's water license expires in 2021, this financial plan provides for a 2021 start year and forecast period to 2029.



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 Ministry of the Environment 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

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, 2010 (W.O.A.). The 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 for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

Every municipality in Ontario will have to prepare a strategic asset management policy by July 1, 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates, as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2021):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2023):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2024):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Lifecycle management and Financial strategy.



In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2021 (Phase 1). O.Reg. 588/17 specifies that the Municipality's asset management plan must include the following for each asset category:

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

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

2.5 Water Forecast

The Municipality has already completed their financial planning through it's 2020 water budget and a forecasting exercise through the 2020 Rate Study. The budget and rate study are designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2020 Rate Study provides the basis for a financial plan for the Municipality'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 and system growth;
- An analysis of required water rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the Municipality staff, Council, the general public (specifically the users of the system) and others with the aim of gaining input and collaboration on the sustainability of the water financial plan.

The details of the financial plan arising from the 2020 Rate Study are contained in Appendix A. The financial Plan from the 2020 Rate Study is presented for the 2021 to 2029 period and has been updated to account for actual 2019 year-end reserve balances.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2020 Rate Study was prepared on a modified cash basis; therefore, a conversion was required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

3.2 Conversion Process

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

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

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the 2020 Rate Study as well as part of the Municipality's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2020 Rate Study, replacement cost is provided for each asset. However, historical cost (which is the original cost to purchase, develop, or



construct each asset) is required for financial reporting purposes. Once historical cost is established, the following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2020 Rate Study. However, these estimates only represent future assets that the Municipality anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the Municipality). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system 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

As per section 1.2.5 above, the new Statement of Operations eliminates and/or adds certain transactions that have been reported differently by municipalities since 2009 (see Figure 3-1). A wide range of adjustments will be considered and will depend on the size and complexity of the system. For example, the revenues and expenses associated with the now obsolete Statement of Capital and Statement of Reserves and Reserve Funds (see section 1.2.5) will need to be adjusted for and included within the Statement of Operations. This includes all non-tangible capital asset costs previously included in the capital statement (i.e. expenses related to various studies) while at the same time eliminating all expenditures incurred to acquire tangible capital assets which



will now form part of the tangible capital asset balance discussed in section 3.2.1. Transfers to and from reserves are no longer explicitly reported on the Statement of Operations. Instead, these transactions are represented by changes in cash and accumulated surplus. Also, debt repayment costs relating to the principal payment portion only need to be removed, as they no longer qualify as an expense for reporting purposes. Principal payments will now be reported as a decrease in debt liability on the Statement of Financial Position. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets will be 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.

For the purposes of this conversion process, the 2021 opening water reserve balances from the 2020 Rate Study have been revised to account for actual 2019-year end balances. Actual 2019 year-end balances are \$30,476 higher than projected in the 2020 Rate Study.



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

Modified Cash Basis	Budget 2021	Adjustments		Full Accrual Budget 2021	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	1,040,700			1,040,700	Base Charge Revenue
Rate Based Revenue	802,180			802,180	Rate Based Revenue
Transfers from Reserves	-	-			
Other Revenue	316,548		342,000	342,000	Developer Contributions
			9,671	326,219	Other Revenue
Total Revenues	2,159,428			2,511,099	Total Revenues
Expenditures					Expenses
Operating	1,390,600	-		1,390,600	Operating Expenses
Capital					
Transfers to Reserves	268,845		268,845		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	499,983		384,784	115,199	Interest on Debt
		768,237		768,237	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	2,159,428			2,274,036	Total Expenses
Net Expenditures	-			237,063	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			23,062,108	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	237,063	-	23,299,171	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		1,005,300	1,005,300		



3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Municipality and as such, 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 Municipality financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

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



Table 3-2
Conversion Adjustments
Statements of Financial Position (Water)

Modified Cash Basis	Budget 2021	Adjustments		Full Accrual Budget 2021	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	928,662			928,662	Cash
Accounts Receivable	48,055			48,055	Accounts Receivable
Total Financial Assets	976,717			976,717	Total Financial Assets
Non-Financial Assets					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
Total Non-Financial Assets	-				
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	-			-	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	4,026,415			4,026,415	Debt (Principal only)
Total Liabilities	4,026,415			4,026,415	Total Liabilities
Net Assets/(Debt)	(3,049,698)			(3,049,698)	Net Financial Assets/(Debt)
		26,348,869	-	26,348,869	Non-Financial Assets
					Tangible Capital Assets
				26,348,869	Total Non-Financial Assets
Municipal Position					
Water Reserves	976,717	976,717	-		
Amounts to be Recovered	(4,026,415)	-	4,026,415		
Total Municipal Position	(3,049,698)		23,299,171	23,299,171	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		27,325,586	27,325,586		



3.2.5 Verification and Note Preparation

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

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

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

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

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



- b) Amortization Expense – The method and timing of amortization should be based on the Municipality’s amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2020 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Municipality’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Municipality's water 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 Municipality's water system. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Municipality's water 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, due to the existing debt principal balance, the Municipality's water system will be in a net debt position of approximately \$3.0 million. After 2021, the financial plan forecasts an improving net debt position in each subsequent year of the forecast period as existing debt principal is repaid and reserves are accumulated. The net debt position is projected to improve by approximately \$2.3 million over the forecast period, reaching a net debt position of \$772,000 by 2029.

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

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



municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

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

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to decrease by approximately \$772,000 over the 9-year forecast period. This indicates that the Municipality's plans to invest in tangible capital assets are less than the anticipated use of existing assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues increasing from 91% to 100% in 2023 before decreasing to 87% by the end of the forecast period, and as a result, annual surplus grows from \$237,000 to over \$395,900. 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 \$1.5 million to a 2021 accumulated surplus of \$23.1 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly 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 forecasted tangible capital asset acquisitions (net of amortization for the year) are less than the forecasted annual surplus for 2021, resulting in an increase in net financial assets. In each of the subsequent year of the forecast (i.e. 2022 – 2029), forecast annual surplus also exceeds forecast tangible capital asset acquisitions (net of amortization for the year). This allows for a long-term plan of funding capital through accumulated surplus (i.e. reserves and reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 1.02 to 1.34 over the forecast period.¹

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), make debt principal payments, and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Municipality's water system to decrease from a balance of approximately \$1.3 million at

¹ A desirable ratio is 1:1 or better.



the beginning of 2021, to approximately \$735,000 by the end of 2029. For further discussions, 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
2021-2029

	Notes	Forecast								
		2021	2022	2023	2024	2025	2026	2027	2028	2029
Financial Assets										
Cash	1	928,662	597,770	311,459	72,193	-	-	149,801	408,414	734,774
Accounts Receivable	1	48,055	52,588	55,943	59,521	63,453	67,515	72,565	77,764	83,372
Total Financial Assets		976,717	650,358	367,402	131,714	63,453	67,515	222,366	486,178	818,146
Liabilities										
Bank Indebtedness		-	-	-	-	2,077	21,822	-	-	-
Accounts Payable & Accrued Liabilities	1	-	-	-	-	-	-	-	-	-
Debt (Principal only)	2	4,026,415	3,630,683	3,223,674	2,805,048	2,489,233	2,164,168	1,962,297	1,778,623	1,590,009
Total Liabilities		4,026,415	3,630,683	3,223,674	2,805,048	2,491,310	2,185,990	1,962,297	1,778,623	1,590,009
Net Financial Assets/(Debt)		(3,049,698)	(2,980,325)	(2,856,272)	(2,673,334)	(2,427,857)	(2,118,475)	(1,739,931)	(1,292,445)	(771,863)
Non-Financial Assets										
Tangible Capital Assets	4	26,348,869	26,221,424	26,099,509	25,977,095	25,853,743	25,730,015	25,605,840	25,481,362	25,356,682
Total Non-Financial Assets		26,348,869	26,221,424	26,099,509	25,977,095	25,853,743	25,730,015	25,605,840	25,481,362	25,356,682
Accumulated Surplus/(Deficit)	5	23,299,171	23,241,099	23,243,237	23,303,761	23,425,886	23,611,540	23,865,909	24,188,917	24,584,819
Financial Indicators										
	Total Change	2021	2022	2023	2024	2025	2026	2027	2028	2029
1) Increase/(Decrease) in Net Financial Assets	2,295,135	17,300	69,373	124,053	182,938	245,477	309,382	378,544	447,486	520,582
2) Increase/(Decrease) in Tangible Capital Assets	(772,424)	219,763	(127,445)	(121,915)	(122,414)	(123,352)	(123,728)	(124,175)	(124,478)	(124,680)
3) Increase/(Decrease) in Accumulated Surplus	1,522,711	237,063	(58,072)	2,138	60,524	122,125	185,654	254,369	323,008	395,902



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
Water Revenue										
Base Charge Revenue		1,040,700	1,088,602	1,138,506	1,190,488	1,244,631	1,301,020	1,359,744	1,420,894	1,484,565
Rate Based Revenue		802,180	835,525	870,019	906,354	943,887	982,637	1,023,314	1,065,258	1,109,190
Other Revenue	6	326,219	329,997	334,401	339,353	346,136	353,652	363,253	373,937	385,390
Total Revenues		2,511,099	2,254,124	2,342,926	2,436,195	2,534,654	2,637,309	2,746,311	2,860,089	2,979,145
Water Expenses										
Operating Expenses	Sch. 4-1	1,390,600	1,418,500	1,446,900	1,475,900	1,505,400	1,535,400	1,566,100	1,597,300	1,629,200
Interest on Debt	2	115,199	104,251	92,973	81,357	70,777	61,527	52,667	47,303	42,363
Amortization	4	768,237	789,445	800,915	818,414	836,352	854,728	873,175	892,478	911,680
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Total Expenses		2,274,036	2,312,196	2,340,788	2,375,671	2,412,529	2,451,655	2,491,942	2,537,081	2,583,243
Annual Surplus/(Deficit)		237,063	(58,072)	2,138	60,524	122,125	185,654	254,369	323,008	395,902
Accumulated Surplus/(Deficit), beginning of year	5	23,062,108	23,299,171	23,241,099	23,243,237	23,303,761	23,425,886	23,611,540	23,865,909	24,188,917
Accumulated Surplus/(Deficit), end of year		23,299,171	23,241,099	23,243,237	23,303,761	23,425,886	23,611,540	23,865,909	24,188,917	24,584,819
Note 5:										
Accumulated Surplus/(Deficit) Reconciliation:		2021	2022	2023	2024	2025	2026	2027	2028	2029
Reserve Balances										
Reserves: Capital/Other		976,717	650,358	367,402	131,714	61,376	45,693	222,366	486,178	818,146
Total Reserves Balance		976,717	650,358	367,402	131,714	61,376	45,693	222,366	486,178	818,146
Less: Debt Obligations and Deferred Revenue		(4,026,415)	(3,630,683)	(3,223,674)	(2,805,048)	(2,489,233)	(2,164,168)	(1,962,297)	(1,778,623)	(1,590,009)
Add: Tangible Capital Assets	4	26,348,869	26,221,424	26,099,509	25,977,095	25,853,743	25,730,015	25,605,840	25,481,362	25,356,682
Total Ending Balance		23,299,171	23,241,099	23,243,237	23,303,761	23,425,886	23,611,540	23,865,909	24,188,917	24,584,819
Financial Indicators	Total Change	2021	2022	2023	2024	2025	2026	2027	2028	2029
1) Expense to Revenue Ratio		91%	103%	100%	98%	95%	93%	91%	89%	87%
2) Increase/(Decrease) in Accumulated Surplus	1,522,711	237,063	(58,072)	2,138	60,524	122,125	185,654	254,369	323,008	395,902



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
Operating Expenses										
Campbellford										
Water- C-ford Admin		481,100	490,700	500,500	510,500	520,700	531,100	541,700	552,500	563,600
Water Campbellford Asset Mgmt - Consultant Fees		3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500
Water - C - Truck Maintenance		7,200	7,300	7,400	7,500	7,700	7,900	8,100	8,300	8,500
Water - C - Filtration Plant		265,100	270,400	275,800	281,300	286,900	292,600	298,500	304,500	310,600
Water - C - Water Tower		19,800	20,200	20,600	21,000	21,400	21,800	22,200	22,600	23,100
Water - C - Watermain Maintenance		13,100	13,400	13,700	14,000	14,300	14,600	14,900	15,200	15,500
Water - C - Water Service Maintenance		14,600	14,900	15,200	15,500	15,800	16,100	16,400	16,700	17,000
Water - C - Locates		700	700	700	700	700	700	700	700	700
Water - C - Hydrant Maintenance		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water - C - Water Meter Maintenance		17,600	18,000	18,400	18,800	19,200	19,600	20,000	20,400	20,800
Hastings										
Water - Hastings Admin		198,500	202,500	206,600	210,700	214,900	219,200	223,600	228,100	232,700
Water - H - Truck Maintenance		3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500
Water - H - Filtration Plant		123,600	126,100	128,600	131,200	133,800	136,500	139,200	142,000	144,800
Water - H - Water Tower		4,400	4,500	4,600	4,700	4,800	4,900	5,000	5,100	5,200
Water - H - Water Maintenance		8,900	9,100	9,300	9,500	9,700	9,900	10,100	10,300	10,500
Water - H - Water Service Maintenance		8,400	8,600	8,800	9,000	9,200	9,400	9,600	9,800	10,000
Water - H - Locates		200	200	200	200	200	200	200	200	200
Water - H - Hydrant Maintenance		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Water - H - Water Meter Maintenance		12,400	12,600	12,900	13,200	13,500	13,800	14,100	14,400	14,700
Warkworth										
Water - W'worth Admin		94,000	95,900	97,800	99,800	101,800	103,800	105,900	108,000	110,200
Water - Warkworht - Asset Manage - Consultatn fees		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water - W - Truck Maintenance - Fuel		2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500
Water - W - Filtration Plant		79,900	81,500	83,100	84,800	86,500	88,200	90,000	91,800	93,600
Water - W - Water Tower		500	500	500	500	500	500	500	500	500
Water - W - Watermain Maintenance		5,500	5,600	5,700	5,800	5,900	6,000	6,100	6,200	6,300
Water - W - Water Service Maintenance		2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	3,600
Water - W - Locates		300	300	300	300	300	300	300	300	300
Water - W - Hydrant Maintenance		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Water - W - Water Meter Maintenance		6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500
Water - W/W Booster Pump		9,200	9,400	9,600	9,800	10,000	10,200	10,400	10,600	10,800
Non TCA - Expenses from Capital Budget	7	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		1,390,600	1,418,500	1,446,900	1,475,900	1,505,400	1,535,400	1,566,100	1,597,300	1,629,200



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)		237,063	(58,072)	2,138	60,524	122,125	185,654	254,369	323,008	395,902
Less: Acquisition of Tangible Capital Assets	4	(988,000)	(662,000)	(679,000)	(696,000)	(713,000)	(731,000)	(749,000)	(768,000)	(787,000)
Add: Amortization of Tangible Capital Assets	4	768,237	789,445	800,915	818,414	836,352	854,728	873,175	892,478	911,680
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
		(219,763)	127,445	121,915	122,414	123,352	123,728	124,175	124,478	124,680
Increase/(Decrease) in Net Financial Assets/(Net Debt)		17,300	69,373	124,053	182,938	245,477	309,382	378,544	447,486	520,582
Net Financial Assets/(Net Debt), beginning of year		(3,066,998)	(3,049,698)	(2,980,325)	(2,856,272)	(2,673,334)	(2,427,857)	(2,118,475)	(1,739,931)	(1,292,445)
Net Financial Assets/(Net Debt), end of year		(3,049,698)	(2,980,325)	(2,856,272)	(2,673,334)	(2,427,857)	(2,118,475)	(1,739,931)	(1,292,445)	(771,863)
Financial Indicators		2021	2022	2023	2024	2025	2026	2027	2028	2029
1) Acquisition of Tangible Capital Assets (Cumulative)		988,000	1,650,000	2,329,000	3,025,000	3,738,000	4,469,000	5,218,000	5,986,000	6,773,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		1,005,300	1,736,673	2,539,726	3,418,664	4,377,141	5,417,523	6,545,067	7,760,553	9,068,135
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.02	1.05	1.09	1.13	1.17	1.21	1.25	1.30	1.34



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
Operating Transactions										
Annual Surplus/Deficit		237,063	(58,072)	2,138	60,524	122,125	185,654	254,369	323,008	395,902
Add: Amortization of TCA's	4	768,237	789,445	800,915	818,414	836,352	854,728	873,175	892,478	911,680
Less: Developer Contributions		(342,000)	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(48,055)	(4,533)	(3,355)	(3,578)	(3,932)	(4,062)	(5,050)	(5,199)	(5,608)
Change in A/P Increase/(Decrease)		-	-	-	-	-	-	-	-	-
Less: Interest Proceeds		(9,670)	(6,439)	(3,638)	(1,304)	(608)	(452)	(2,202)	(4,814)	(8,100)
Cash Provided by Operating Transactions		605,575	720,401	796,060	874,056	953,937	1,035,868	1,120,292	1,205,473	1,293,874
Capital Transactions										
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(646,000)	(662,000)	(679,000)	(696,000)	(713,000)	(731,000)	(749,000)	(768,000)	(787,000)
Cash Applied to Capital Transactions		(646,000)	(662,000)	(679,000)	(696,000)	(713,000)	(731,000)	(749,000)	(768,000)	(787,000)
Investing Transactions										
Proceeds from Investments		9,670	6,439	3,638	1,304	608	452	2,202	4,814	8,100
Cash Provided by (applied to) Investing Transactions		9,670	6,439	3,638	1,304	608	452	2,202	4,814	8,100
Financing Transactions										
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(384,784)	(395,732)	(407,009)	(418,626)	(315,815)	(325,065)	(201,871)	(183,674)	(188,614)
Cash Applied to Financing Transactions		(384,784)	(395,732)	(407,009)	(418,626)	(315,815)	(325,065)	(201,871)	(183,674)	(188,614)
Increase in Cash and Cash Equivalents		(415,539)	(330,892)	(286,311)	(239,266)	(74,270)	(19,745)	171,623	258,613	326,360
Cash and Cash Equivalents, beginning of year	1	1,344,201	928,662	597,770	311,459	72,193	(2,077)	(21,822)	149,801	408,414
Cash and Cash Equivalents, end of year	1	928,662	597,770	311,459	72,193	(2,077)	(21,822)	149,801	408,414	734,774



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

In order to show a balanced financial plan in a full accrual format for the Municipality of Trent Hills, some of the items listed above have been estimated given that the Municipality does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).



The assumptions used have been documented below:

1. Cash, Receivables and Payables

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

Ending Reserve/Reserve Fund Balance

Plus: Ending Accounts Payable Balance

Less: Ending Accounts Receivable Balance

Equals: Approximate Ending Cash Balance

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

- a) Receivables: Based on historical levels of receivables as a percentage of annual revenue earned for water services provided by staff; and
- b) Payables: Based on historical levels of payables as a percentage of annual expenses incurred as provided by staff.

2. Debt

Outstanding water related debt at the end of 2020 was \$4.4 million, with no additional debt proceeds anticipated throughout the forecast period. Principal repayments for existing over the forecast period are scheduled as follows:

Year	Principal Payments
2021	384,784
2022	395,732
2023	407,009
2024	418,626
2025	315,815
2026	325,065
2027	201,871
2028	183,674
2029	188,614
Total	2,821,190



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 and gas tax 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 Municipality of Trent Hills 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. Building Improvements
 - ii. Buildings/Structures
 - iii. Linear
 - iv. Machinery/Equipment
 - v. Technology/Communications
 - vi. Vehicles
- Amortization is calculated based on the straight-line approach with no amortization in the year of acquisition or construction.
- Given the asset replacement provisions forecast in the 2020 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. Furthermore, forecast capital spending provisions have been allocated to the respective tangible capital asset categories based on the distribution of existing assets value by category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is



calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.

- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are projected to total approximately \$342,000 over the forecast.
- The Municipality is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Tangible Capital Asset Balance	39,327,436	40,202,142	40,743,931	41,298,875	41,866,088	42,442,244	43,024,910	43,612,703	44,203,611
Acquisitions	988,000	662,000	679,000	696,000	713,000	731,000	749,000	768,000	787,000
Disposals	113,294	120,211	124,056	128,787	136,844	148,334	161,207	177,092	190,110
Closing Tangible Capital Asset Balance	40,202,142	40,743,931	41,298,875	41,866,088	42,442,244	43,024,910	43,612,703	44,203,611	44,800,501
Opening Accumulated Amortization	13,198,330	13,853,273	14,522,507	15,199,366	15,888,993	16,588,501	17,294,895	18,006,863	18,722,249
Amortization Expense	768,237	789,445	800,915	818,414	836,352	854,728	873,175	892,478	911,680
Amortization on Disposal	113,294	120,211	124,056	128,787	136,844	148,334	161,207	177,092	190,110
Ending Accumulated Amortization	13,853,273	14,522,507	15,199,366	15,888,993	16,588,501	17,294,895	18,006,863	18,722,249	19,443,819
Net Book Value	26,348,869	26,221,424	26,099,509	25,977,095	25,853,743	25,730,015	25,605,840	25,481,362	25,356,682

5. Accumulated Surplus

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

Water	2021 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	1,344,201
Total Reserves Balance	1,344,201
Less: Debt Obligations and Deferred Revenue	(4,411,199)
Add: Tangible Capital Assets	26,129,106
Total Opening Balance	23,062,108

The 2021 opening reserve balance has been based on actual 2019 year-end reserve balances and forecast 2020 reserve fund activity in the 2020 Rate Study.

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



6. Other Revenue

Other revenue includes service charges, connection charges, and other non-operating general revenues.

7. Operating Expenses

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



Chapter 5

Process for Financial Plan Approval and Submission to the Province



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

As mentioned in section 1.2, the requirement to prepare the financial plan is provided in Section 32 (5) 2 ii of the S.D.W.A. Proof of the preparation of a financial plan is one of the submission requirements for municipal drinking water licensing and upon completion, must be submitted to the Ministry of the Environment. As part of O.Reg. 453/07, the process established for plan approval, public circulation and filing is set out as follows:

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



Chapter 6

Recommendations

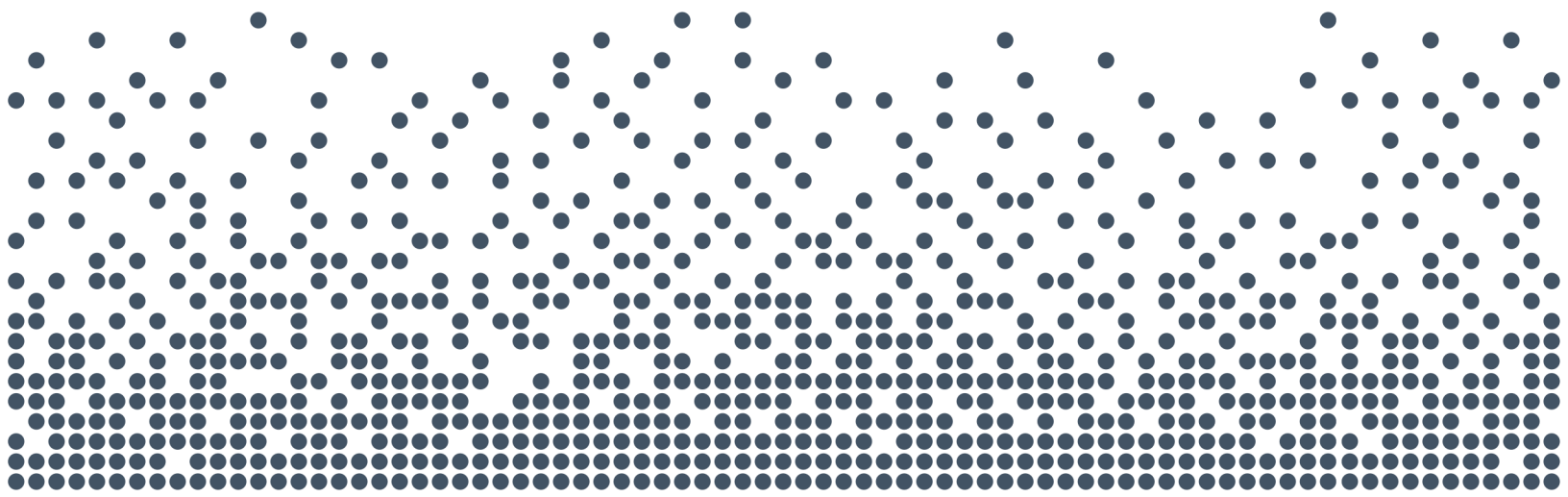


6. Recommendations

This report presents the water financial plan for the Municipality of Trent Hills 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 2020 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Municipality of Trent Hills Water Financial Plan prepared by Watson & Associates Economists Ltd. dated November 30, 2020 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan, the Council Resolution approving the Financial Plan, and the Water Rate Study underpinning the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The Council Resolution approving the Financial Plan be submitted to the MECP, satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. Section 32 (5) 2 ii))¹

¹ Note: The Ministry of the Environment does not require the Council Resolution for the initial financial plan submission. We encourage the municipality to contact the Ministry of the Environment to verify all requirements have been met.



Appendices



Appendix A

2020 Water Rate Study – Water Summary Tables



Table 1
Municipality of Trent Hills
Water Service
Capital Budget Forecast
 Inflated \$

Description	Total	Forecast								
		2021	2022	2023	2024	2025	2026	2027	2028	2029
Capital Expenditures										
<i>Campbellford</i>	-	-	-	-	-	-	-	-	-	-
Doxsee Ave Water	-	-	-	-	-	-	-	-	-	-
Lifecycle:										
Provision	6,431,000	646,000	662,000	679,000	696,000	713,000	731,000	749,000	768,000	787,000
Total Capital Expenditures	6,431,000	646,000	662,000	679,000	696,000	713,000	731,000	749,000	768,000	787,000
Capital Financing										
Provincial/Federal Grants & Other Contributions	-									
Water Reserve	6,431,000	646,000	662,000	679,000	696,000	713,000	731,000	749,000	768,000	787,000
Total Capital Financing	6,431,000	646,000	662,000	679,000	696,000	713,000	731,000	749,000	768,000	787,000

Table 2
Municipality of Trent Hills
Water Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

Debenture Year	Forecast								
	2021	2022	2023	2024	2025	2026	2027	2028	2029
2021		-	-	-	-	-	-	-	-
2022			-	-	-	-	-	-	-
2023				-	-	-	-	-	-
2024					-	-	-	-	-
2025						-	-	-	-
2026							-	-	-
2027								-	-
2028									-
2029									
Total Annual Debt Charges	-	-	-	-	-	-	-	-	-



Table 3
Municipality of Trent Hills
Water Service
Water Reserves/ Reserve Funds Continuity
 Inflated \$

Description	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Balance	1,344,201	976,717	650,358	367,402	131,714	61,376	45,693	222,365	486,176
Transfer from Operating	132,098	189,046	248,743	311,760	491,126	560,165	764,921	864,475	944,278
Connection Charge Proceeds	136,748	140,156	143,664	147,249	150,927	154,699	158,550	162,523	166,591
Transfer to Capital	646,000	662,000	679,000	696,000	713,000	731,000	749,000	768,000	787,000
Transfer to Operating	-	-	-	-	-	-	-	-	-
Closing Balance	967,047	643,919	363,764	130,410	60,768	45,240	220,164	481,363	810,045
Interest	9,670	6,439	3,638	1,304	608	452	2,202	4,814	8,100



Table 4
Municipality of Trent Hills
Water Services
Operating Budget Forecast
 Inflated \$

Description	Forecast								
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Expenditures									
Operating Costs									
<i>Campbellford</i>									
Water - C-ford Admin	481,100	490,700	500,500	510,500	520,700	531,100	541,700	552,500	563,600
Water Campbellford Asset Mgmt - Consultant Fees	3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500
Water - C - Truck Maintenance	7,200	7,300	7,400	7,500	7,700	7,900	8,100	8,300	8,500
Water - C - Filtration Plant	265,100	270,400	275,800	281,300	286,900	292,600	298,500	304,500	310,600
Water - C - Water Tower	19,800	20,200	20,600	21,000	21,400	21,800	22,200	22,600	23,100
Water - C - Watermain Maintenance	13,100	13,400	13,700	14,000	14,300	14,600	14,900	15,200	15,500
Water - C - Water Service Maintenance	14,600	14,900	15,200	15,500	15,800	16,100	16,400	16,700	17,000
Water - C - Locates	700	700	700	700	700	700	700	700	700
Water - C - Hydrant Maintenance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water - C - Water Meter Maintenance	17,600	18,000	18,400	18,800	19,200	19,600	20,000	20,400	20,800
<i>Hastings</i>									
Water - Hastings Admin	198,500	202,500	206,600	210,700	214,900	219,200	223,600	228,100	232,700
Water - H - Truck Maintenance	3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500
Water - H - Filtration Plant	123,600	126,100	128,600	131,200	133,800	136,500	139,200	142,000	144,800
Water - H - Water Tower	4,400	4,500	4,600	4,700	4,800	4,900	5,000	5,100	5,200
Water - H - Water Maintenance	8,900	9,100	9,300	9,500	9,700	9,900	10,100	10,300	10,500
Water - H - Water Service Maintenance	8,400	8,600	8,800	9,000	9,200	9,400	9,600	9,800	10,000
Water - H - Locates	200	200	200	200	200	200	200	200	200
Water - H - Hydrant Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Water - H - Water Meter Maintenance	12,400	12,600	12,900	13,200	13,500	13,800	14,100	14,400	14,700
<i>Warkworth</i>									
Water - W'worth Admin	94,000	95,900	97,800	99,800	101,800	103,800	105,900	108,000	110,200
Water - Warkworht - Asset Manage - Consultatn fees	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water - W - Truck Maintenance - Fuel	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500
Water - W - Filtration Plant	79,900	81,500	83,100	84,800	86,500	88,200	90,000	91,800	93,600
Water - W - Water Tower	500	500	500	500	500	500	500	500	500
Water - W - Watermain Maintenance	5,500	5,600	5,700	5,800	5,900	6,000	6,100	6,200	6,300
Water - W - Water Service Maintenance	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	3,600
Water - W - Locates	300	300	300	300	300	300	300	300	300
Water - W - Hydrant Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Water - W - Water Meter Maintenance	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500
Water - W/W Booster Pump	9,200	9,400	9,600	9,800	10,000	10,200	10,400	10,600	10,800
Sub Total Operating	1,390,600	1,418,500	1,446,900	1,475,900	1,505,400	1,535,400	1,566,100	1,597,300	1,629,200
Capital-Related									
Existing Debt (Principal) - Non-Growth Related	384,784	395,732	407,009	418,626	315,815	325,065	201,871	183,674	188,614
Existing Debt (Interest) - Non-Growth Related	115,199	104,251	92,973	81,357	70,777	61,527	52,667	47,303	42,363
New Non-Growth Related Debt (Principal)	-	-	-	-	-	-	-	-	-
New Non-Growth Related Debt (Interest)	-	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-
Transfer to Capital (Connection Charges)	136,748	140,156	143,664	147,249	150,927	154,699	158,550	162,523	166,591
Transfer to Capital Reserve	132,098	189,046	248,743	311,760	491,126	560,165	764,921	864,475	944,278
Sub Total Capital Related	768,828	829,184	892,389	958,991	1,028,645	1,101,457	1,178,008	1,257,975	1,341,846
Total Expenditures	2,159,428	2,247,684	2,339,289	2,434,891	2,534,045	2,636,857	2,744,108	2,855,275	2,971,046
Revenues									
Service Charges	1,040,700	1,088,602	1,138,506	1,190,488	1,244,631	1,301,020	1,359,744	1,420,894	1,484,565
Other Revenue	179,800	183,400	187,100	190,800	194,600	198,500	202,500	206,600	210,700
Connection Charge Revenue	136,748	140,156	143,664	147,249	150,927	154,699	158,550	162,523	166,591
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-
Total Operating Revenue	1,357,248	1,412,159	1,469,269	1,528,537	1,590,158	1,654,219	1,720,794	1,790,017	1,861,855
Water Billing Recovery - Operating	802,180	835,525	870,019	906,354	943,887	982,637	1,023,314	1,065,258	1,109,190



Table 5
Municipality of Trent Hills
Water Services
Water Rate Forecast
Inflated \$

Description	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Water Billing Recovery	802,180	835,525	870,019	906,354	943,887	982,637	1,023,314	1,065,258	1,109,190
Total Volume (m ³)	654,841	661,017	667,193	673,369	679,544	685,720	691,896	698,072	704,248
Constant Rate	1.23	1.26	1.30	1.35	1.39	1.43	1.48	1.53	1.58
Annual Percentage Change	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%