



 **Watson
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Water Ontario Regulation 453/07 Financial Plan

Municipality of Wawa

Financial Plan # 231-301

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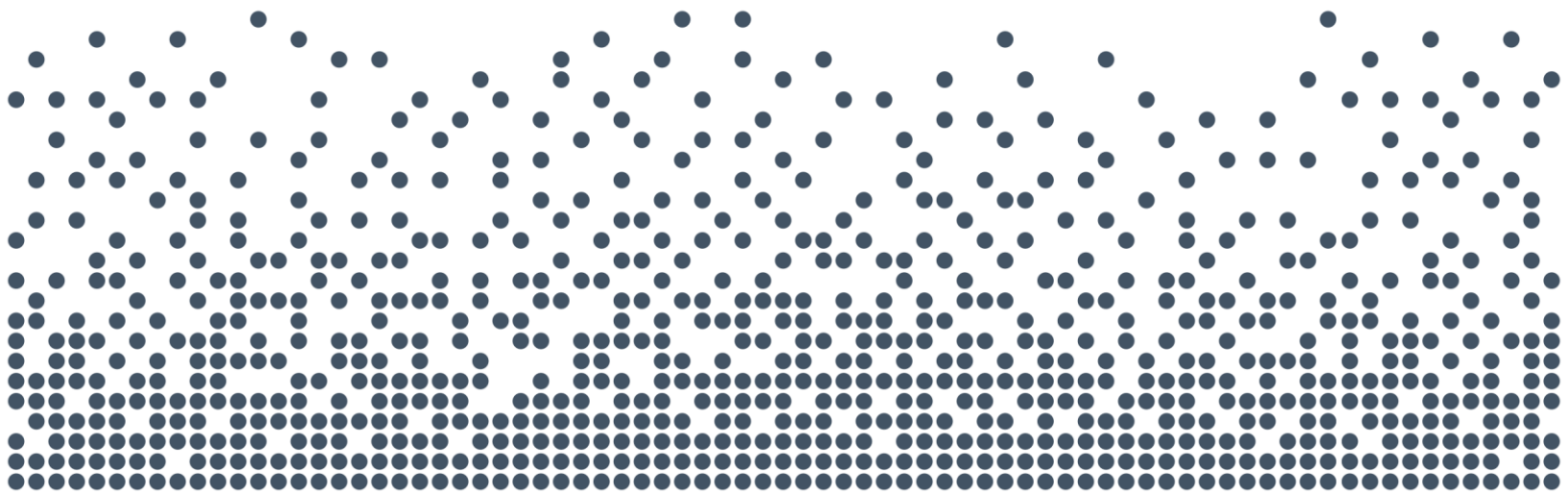
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List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
I.J.P.A.	Infrastructure for Jobs and Prosperity Act
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
OCIF	Ontario Community Infrastructure Fund
O. Reg.	Ontario Regulation
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 Wawa (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 system has already been completed and documented by Watson within the "Municipality of Wawa Water and Wastewater Rate Study, December 8, 2022" (2022 Rate Study). The objective of the report provided herein is to convert the findings of the 2022 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 ten-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 Ministry of the Environment, Conservation, and Parks (MECP); however, the MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary. The financial plan must contain on



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

1.2.4 Public Sector Accounting Board (P.S.A.B.) Requirements

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

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

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

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

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

1.2.5 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 licenses would otherwise expire. This financial plan provides for a 2022 start year and forecast period to 2031.



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the S.D.W.A. requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the MECP released a guideline ("Towards Financially Sustainable Drinking-Water") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water Services are provided below:

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system to which they relate.

Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

Principle #3: Revenues collected for the provision of water services should ultimately be used to meet the needs of those services.

Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.

Principle #5: An asset management plan is a key input to the development of a financial plan.

Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.

Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.

Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.



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

2.2 Sustainable Water and Sewage Systems Act

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

2.3 Water Opportunities Act, 2010

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

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

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

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



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

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

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

On June 4, 2015, the Province passed the *Infrastructure for Jobs and Prosperity Act* (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has three phases that municipalities must meet. The timelines associated with the three phases were later extended by Ontario Regulation 193/21 which was filed on March 15, 2021.

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

- Phase 1 – Asset Management Plan (by July 1, 2022):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2024):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2025):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Lifecycle management and Financial strategy.



In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2022 (Phase 1). O.Reg. 588/17 specifies that the Municipality's asset management plan must include the following for each asset category:

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

2.5 Water Forecast

The Municipality has already completed their financial planning through its 2022 water budget and a forecasting exercise through the 2022 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 2022 Rate Study provides the basis for a financial plan for the Municipality's water system by including:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;



- An analysis of required water rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the Municipal 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 2022 Rate Study are contained in Appendix A.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2022 Rate Study has been used as a starting point to prepare the water financial plan. The Water forecast is prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

3.2 Conversion Process

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

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

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the 2022 Rate Study as well as part of the Municipality's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2022 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 2022 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

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



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



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

Modified Cash Basis	Budget 2022	Adjustments		Full Accrual Budget 2022	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	643,872			643,872	Base Charge Revenue
Rate Based Revenue	265,507			265,507	Rate Based Revenue
Transfers from Reserves	280,636	280,636			
Other Revenue	28,425		3,133,456	3,161,881	Other Revenue
Total Revenues	1,218,440			4,071,260	Total Revenues
Expenditures					Expenses
Operating	696,674	129,500		826,174	Operating Expenses
Capital					
Transfers to Reserves	80,000		80,000		
Transfers to Capital	284,500		284,500		
Debt Repayment (Principal & Interest)	157,266		33,967	123,299	Interest on Debt
		705,146		705,146	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	1,218,440			1,654,619	Total Expenses
Net Expenditures	-			2,416,641	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			7,162,888	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	2,416,641	-	9,579,529	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		3,531,923	3,531,923		

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



3.2.3 Convert Statement of Financial Position

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

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Municipality and as such, it may be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. 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 2022	Adjustments		Full Accrual Budget 2022	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	684,517			684,517	Cash
Accounts Receivable	208,206			208,206	Accounts Receivable
Total Financial Assets	892,723			892,723	Total Financial Assets
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	91,944			91,944	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	2,856,170			2,856,170	Debt (Principal only)
Total Liabilities	2,948,114			2,948,114	Total Liabilities
Net Assets/(Debt)	(2,055,391)			(2,055,391)	Net Financial Assets/(Debt)
		11,764,420	129,500	11,634,920	Non-Financial Assets
				11,634,920	Tangible Capital Assets
					Total Non-Financial Assets
Municipal Position					
Water Reserves	800,779	800,779	-		
Amounts to be Recovered	(2,856,170)	-	2,856,170		
Total Municipal Position	(2,055,391)		9,579,529	9,579,529	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		12,565,199	12,565,199		

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



3.2.5 Verification and Note Preparation

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

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

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

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

Ending Reserve/Reserve Fund Balance

Plus: Ending Accounts Payable Balance

Less: Ending Accounts Receivable Balance

Equals: Approximate Ending Cash Balance



- b) Amortization Expense – The method and timing of amortization should be based on the Municipality’s amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2022 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Municipality’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Municipality's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Municipality's water system. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Municipality's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that for 2022, the Municipality's water system will be in a net financial debt position of approximately \$2.05 million. The Municipality's net financial debt position is projected to improve to \$0.75 million by the end of the forecast.

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

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



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

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the 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 \$2.92 million over the 10-year forecast period. This indicates that the Municipality's anticipated use of existing assets is higher than the investment into tangible capital 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 will peak at 147% and decrease to 93% over the forecast period. As a result, the annual deficit position will peak at \$563,146 and grows to an annual surplus of \$102,308 by the end of the forecast period. 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 \$0.79 million to a 2022 accumulated surplus of \$7.16 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of historical investments in tangible capital assets.

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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e., inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Table 4-3 indicates that in most years, forecasted annual surplus exceeds the forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in decreases in the net debt asset balance. Therefore, an overall decrease to net debt balance is anticipated over the forecast period to 2031. This is a result of minimal capital asset acquisitions forecasted between 2022 and 2031. The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is 0.83 in 2022 and increasing to 1.17 over the remainder of the forecast period (note: a desirable ratio is 1:1 or better).

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e., tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Municipality's water system to improve from a balance of approximately \$698,700 at the beginning of 2022, to approximately \$1.36 million by the end of 2031. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2022-2031

	Notes	Forecast									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Financial Assets											
Cash	1	684,517	809,245	916,424	906,426	906,163	926,616	980,069	1,067,858	1,191,581	1,356,026
Accounts Receivable	1	208,206	203,718	210,940	200,602	200,667	210,805	221,427	232,271	243,487	255,644
Total Financial Assets		892,723	1,012,963	1,127,364	1,107,028	1,106,830	1,137,421	1,201,496	1,300,129	1,435,068	1,611,670
Liabilities											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	91,944	96,953	101,474	105,500	108,867	112,319	115,878	119,558	123,394	127,351
Debt (Principal only)	2	2,856,170	2,801,788	2,744,260	2,683,401	2,619,020	2,550,912	2,478,862	2,402,641	2,322,008	2,236,706
Total Liabilities		2,948,114	2,898,741	2,845,734	2,788,901	2,727,887	2,663,231	2,594,740	2,522,199	2,445,402	2,364,057
Net Financial Assets/(Debt)		(2,055,391)	(1,885,778)	(1,718,370)	(1,681,873)	(1,621,057)	(1,525,810)	(1,393,244)	(1,222,070)	(1,010,334)	(752,387)
Non-Financial Assets											
Tangible Capital Assets	4	11,634,920	11,073,973	10,517,280	9,917,637	9,671,402	9,452,820	9,235,259	9,027,488	8,869,394	8,713,755
Total Non-Financial Assets		11,634,920	11,073,973	10,517,280	9,917,637	9,671,402	9,452,820	9,235,259	9,027,488	8,869,394	8,713,755
Accumulated Surplus/(Deficit)	5	9,579,529	9,188,195	8,798,910	8,235,764	8,050,345	7,927,010	7,842,015	7,805,418	7,859,060	7,961,368
Financial Indicators	Total Change	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1) Increase/(Decrease) in Net Financial Assets	642,770	(660,234)	169,613	167,408	36,497	60,816	95,247	132,566	171,174	211,736	257,947
2) Increase/(Decrease) in Tangible Capital Assets	155,710	3,076,875	(560,947)	(556,693)	(599,643)	(246,235)	(218,582)	(217,561)	(207,771)	(158,094)	(155,639)
3) Increase/(Decrease) in Accumulated Surplus	798,480	2,416,641	(391,334)	(389,285)	(563,146)	(185,419)	(123,335)	(84,995)	(36,597)	53,642	102,308



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2022-2031

	Notes	Forecast									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Revenue											
Base Charge Revenue		643,872	679,896	715,399	752,225	790,945	830,492	872,627	916,259	962,072	1,010,175
Rate Based Revenue		265,507	292,118	314,879	334,341	350,658	369,785	389,131	408,269	427,406	449,734
Other Revenue	6	2,881,245	140,172	136,019	51,719	52,287	53,470	55,337	57,887	61,150	65,245
Transfers from Reserves		280,636	190,222	173,019	55,297	-	-	-	-	-	-
Total Revenues		4,071,260	1,302,408	1,339,316	1,193,582	1,193,890	1,253,747	1,317,095	1,382,415	1,450,628	1,525,154
Water Expenses											
Operating Expenses	Sch. 4-1	826,174	734,625	768,886	799,392	824,904	851,056	878,028	905,911	934,974	964,957
Interest on Debt	2	123,299	162,170	159,022	155,693	152,170	148,444	144,501	140,330	135,918	131,250
Amortization	4	705,146	796,947	800,693	801,643	402,235	377,582	379,561	372,771	326,094	326,639
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Total Expenses		1,654,619	1,693,742	1,728,601	1,756,728	1,379,309	1,377,082	1,402,090	1,419,012	1,396,986	1,422,846
Annual Surplus/(Deficit)		2,416,641	(391,334)	(389,285)	(563,146)	(185,419)	(123,335)	(84,995)	(36,597)	53,642	102,308
Accumulated Surplus/(Deficit), beginning of year	5	7,162,888	9,579,529	9,188,195	8,798,910	8,235,764	8,050,345	7,927,010	7,842,015	7,805,418	7,859,060
Accumulated Surplus/(Deficit), end of year		9,579,529	9,188,195	8,798,910	8,235,764	8,050,345	7,927,010	7,842,015	7,805,418	7,859,060	7,961,368
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Reserve Balances											
Reserves: Capital/Other		800,779	916,010	1,025,890	1,001,528	997,963	1,025,102	1,085,618	1,180,571	1,311,674	1,484,319
Total Reserves Balance		800,779	916,010	1,025,890	1,001,528	997,963	1,025,102	1,085,618	1,180,571	1,311,674	1,484,319
Less: Debt Obligations and Deferred Revenue		(2,856,170)	(2,801,788)	(2,744,260)	(2,683,401)	(2,619,020)	(2,550,912)	(2,478,862)	(2,402,641)	(2,322,008)	(2,236,706)
Add: Tangible Capital Assets	4	11,634,920	11,073,973	10,517,280	9,917,637	9,671,402	9,452,820	9,235,259	9,027,488	8,869,394	8,713,755
Total Ending Balance		9,579,529	9,188,195	8,798,910	8,235,764	8,050,345	7,927,010	7,842,015	7,805,418	7,859,060	7,961,368
Financial Indicators											
	Total Change	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1) Expense to Revenue Ratio		41%	130%	129%	147%	116%	110%	106%	103%	96%	93%
2) Increase/(Decrease) in Accumulated Surplus	798,480	2,416,641	(391,334)	(389,285)	(563,146)	(185,419)	(123,335)	(84,995)	(36,597)	53,642	102,308



Schedule 4-1
 Statement of Operating Expenses: Water Services
 UNAUDITED: For Financial Planning Purposes Only
 2022-2031

	Notes	Forecast									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Expenses											
W & S - Dist Wages - Regular		139,031	143,200	147,500	151,900	156,500	161,200	166,000	171,000	176,100	181,400
Overtime - Full Time		14,090	14,500	14,900	15,300	15,800	16,300	16,800	17,300	17,800	18,300
W & S - Employee Benefits		39,870	41,100	42,300	43,600	44,900	46,200	47,600	49,000	50,500	52,000
W & S - Retiree Group Benefits		5,524	5,700	5,900	6,100	6,300	6,500	6,700	6,900	7,100	7,300
Health Care Spending		1,437	1,500	1,560	1,610	1,640	1,670	1,700	1,730	1,760	1,800
Clothing Allowance		765	800	830	850	870	890	910	930	950	970
W & S - Seminars Wrkshops Training		5,100	5,400	5,620	5,790	5,910	6,030	6,150	6,270	6,400	6,530
W & S - Travel & Entertainment		2,400	2,500	2,600	2,680	2,730	2,780	2,840	2,900	2,960	3,020
W & S - Postage & Courier		4,800	5,000	5,200	5,360	5,470	5,580	5,690	5,800	5,920	6,040
W & S - Office Supplies		150	200	210	220	220	220	220	220	220	220
W & S - Consulting / Professional Fees		23,400	24,600	25,580	26,350	26,880	27,420	27,970	28,530	29,100	29,680
W & S - Printing Ad. & Promo		2,100	2,200	2,290	2,360	2,410	2,460	2,510	2,560	2,610	2,660
W & S - Insurance		6,843	7,200	7,490	7,710	7,860	8,020	8,180	8,340	8,510	8,680
W & S - Transfers to Reserve - Pay		3,744	3,900	4,060	4,180	4,260	4,350	4,440	4,530	4,620	4,710
MRV - Materials / Supplies		2,000	2,100	2,180	2,250	2,300	2,350	2,400	2,450	2,500	2,550
MRV - Hydro		9,000	9,700	10,400	11,000	11,600	12,200	12,800	13,400	14,100	14,800
MRV - Taxes		1,160	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000
MRV - Telephone		1,320	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200
MRV - Consulting / Professional Fees		5,000	5,300	5,600	5,900	6,200	6,500	6,800	7,100	7,500	7,900
MRV - Insurance		426	400	420	430	440	450	460	470	480	490
MRV - Maintenance & Repair		1,000	1,100	1,140	1,170	1,190	1,210	1,230	1,250	1,280	1,310
PWD - Materials / Supplies		500	500	520	540	550	560	570	580	590	600
PWD - Hydro		1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100
PWD - Consulting / Professional Fees		1,000	1,100	1,140	1,170	1,190	1,210	1,230	1,250	1,280	1,310
Purifi - Materials / Supplies		36,000	38,000	40,000	41,000	42,000	43,000	44,000	45,000	46,000	47,000
Purifi - Small Equip Purchases		2,000	2,100	2,180	2,250	2,300	2,350	2,400	2,450	2,500	2,550
Distrb - Materials / Supplies		20,000	21,000	22,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
Distrb - Consulting		32,000	34,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000
Distrb - Insurance		35	37	38	39	40	41	42	43	44	45
Distrb - Maintenance & Repair		20,000	21,000	22,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
WTP - Materials/Supplies		32,000	34,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000
WTP - Hydro		188,700	203,800	218,100	231,200	242,800	254,900	267,600	281,000	295,100	309,900
WTP - Taxes		46,000	48,000	50,000	52,000	53,000	54,000	55,000	56,000	57,000	58,000
WTP - Telephone		2,111	2,200	2,290	2,360	2,410	2,460	2,510	2,560	2,610	2,660
WTP - Consulting / Professional Fees		10,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
WTP - Insurance		7,269	7,600	7,900	8,140	8,300	8,470	8,640	8,810	8,990	9,170
WTP - Building Maintenance		14,466	15,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Pump -Materials / Supplies		2,500	2,600	2,700	2,780	2,840	2,900	2,960	3,020	3,080	3,140
Pump - Taxes		2,996	3,100	3,220	3,320	3,390	3,460	3,530	3,600	3,670	3,740
Pump - Consulting / Professional Fees		1,000	1,100	1,140	1,170	1,190	1,210	1,230	1,250	1,280	1,310
Pump - Insurance		233	245	255	263	268	273	278	284	290	296
18Chev - Gasoline / Diesel		2,700	2,900	3,100	3,300	3,500	3,700	3,900	4,100	4,300	4,500
18Chev - Insurance		487	500	520	540	550	560	570	580	590	600
18Chev - Licenses		72	76	79	81	83	85	87	89	91	93
18Chev - Maintenance & Repairs		300	300	310	320	330	340	350	360	370	380
08 F350 - Gasoline / Diesel		2,700	2,900	3,100	3,300	3,500	3,700	3,900	4,100	4,300	4,500
08 F350 - Insurance		487	500	520	540	550	560	570	580	590	600
08 F350 - Licenses		159	167	174	179	183	187	191	195	199	203
08 F350 - Maintenance & Repairs		600	600	620	640	650	660	670	680	690	700
Non TCA - Expenses from Capital Budget	7	129,500	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		826,174	734,625	768,886	799,392	824,904	851,056	878,028	905,911	934,974	964,957



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2022-2031

	Notes	Forecast									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual Surplus/(Deficit)		2,416,641	(391,334)	(389,285)	(563,146)	(185,419)	(123,335)	(84,995)	(36,597)	53,642	102,308
Less: Acquisition of Tangible Capital Assets	4	(3,782,021)	(236,000)	(244,000)	(202,000)	(156,000)	(159,000)	(162,000)	(165,000)	(168,000)	(171,000)
Add: Amortization of Tangible Capital Assets	4	705,146	796,947	800,693	801,643	402,235	377,582	379,561	372,771	326,094	326,639
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(3,076,875)	560,947	556,693	599,643	246,235	218,582	217,561	207,771	158,094	155,639
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(660,234)	169,613	167,408	36,497	60,816	95,247	132,566	171,174	211,736	257,947
Net Financial Assets/(Net Debt), beginning of year		(1,395,157)	(2,055,391)	(1,885,778)	(1,718,370)	(1,681,873)	(1,621,057)	(1,525,810)	(1,393,244)	(1,222,070)	(1,010,334)
Net Financial Assets/(Net Debt), end of year		(2,055,391)	(1,885,778)	(1,718,370)	(1,681,873)	(1,621,057)	(1,525,810)	(1,393,244)	(1,222,070)	(1,010,334)	(752,387)
Financial Indicators		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1) Acquisition of Tangible Capital Assets (Cumulative)		3,782,021	4,018,021	4,262,021	4,464,021	4,620,021	4,779,021	4,941,021	5,106,021	5,274,021	5,445,021
2) Annual Surplus/Deficit before Amortization (Cumulative)		3,121,787	3,527,400	3,938,808	4,177,305	4,394,121	4,648,368	4,942,934	5,279,108	5,658,844	6,087,791
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.83	0.88	0.92	0.94	0.95	0.97	1.00	1.03	1.07	1.12



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2022-2031

	Notes	Forecast									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Transactions											
Annual Surplus/Deficit		2,416,641	(391,334)	(389,285)	(563,146)	(185,419)	(123,335)	(84,995)	(36,597)	53,642	102,308
Add: Amortization of TCA's	4	705,146	796,947	800,693	801,643	402,235	377,582	379,561	372,771	326,094	326,639
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		-	4,487	(7,221)	10,337	(65)	(10,138)	(10,622)	(10,844)	(11,216)	(12,157)
Change in A/P Increase/(Decrease)		-	5,009	4,521	4,026	3,367	3,452	3,559	3,680	3,836	3,957
Less: Interest Proceeds		(30,799)	(35,231)	(29,880)	(19,638)	(19,568)	(20,100)	(21,287)	(23,148)	(25,719)	(29,104)
Cash Provided by Operating Transactions		3,090,988	379,878	378,828	233,222	200,550	227,461	266,216	305,862	346,637	391,643
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(3,782,021)	(236,000)	(244,000)	(202,000)	(156,000)	(159,000)	(162,000)	(165,000)	(168,000)	(171,000)
Cash Applied to Capital Transactions		(3,782,021)	(236,000)	(244,000)	(202,000)	(156,000)	(159,000)	(162,000)	(165,000)	(168,000)	(171,000)
Investing Transactions											
Proceeds from Investments		30,799	35,231	29,880	19,638	19,568	20,100	21,287	23,148	25,719	29,104
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		30,799	35,231	29,880	19,638	19,568	20,100	21,287	23,148	25,719	29,104
Financing Transactions											
Proceeds from Debt Issue	2	680,000	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(33,967)	(54,381)	(57,529)	(60,858)	(64,381)	(68,108)	(72,050)	(76,221)	(80,633)	(85,302)
Cash Applied to Financing Transactions		646,033	(54,381)	(57,529)	(60,858)	(64,381)	(68,108)	(72,050)	(76,221)	(80,633)	(85,302)
Increase in Cash and Cash Equivalents		(14,201)	124,728	107,179	(9,998)	(263)	20,453	53,453	87,789	123,723	164,445
Cash and Cash Equivalents, beginning of year	1	698,718	684,517	809,245	916,424	906,426	906,163	926,616	980,069	1,067,858	1,191,581
Cash and Cash Equivalents, end of year	1	684,517	809,245	916,424	906,426	906,163	926,616	980,069	1,067,858	1,191,581	1,356,026



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 Wawa, 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 Municipal-wide receivables as a percentage of annual Municipal-wide revenue earned; and
- b) Payables: Based on historical levels of Municipal-wide payables as a percentage of annual Municipal-wide expenditures.

2. Debt

Outstanding water related debt at the end of 2021 was approximately \$2.2 million. It is anticipated that additional debentures will be required over the forecast period. Principal repayments over the forecast period are scheduled as follows:



Year	Principal Payments
2022	33,967
2023	54,381
2024	57,529
2025	60,858
2026	64,381
2027	68,108
2028	72,050
2029	76,221
2030	80,633
2031	85,302
Total	653,430

For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense.

3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. As the Municipality does not currently impose development charges, these amounts are 0.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Facilities;
 - ii. Water Mains;
 - iii. Water Meters;
 - iv. Hydrants;
 - v. Service Leads; and
 - vi. Valves.
- Amortization is calculated based on the straight-line approach with no amortization in the year of acquisition or construction.



- Given the planned asset replacement forecast in the 2022 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, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.
- The Municipality is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:



Asset Historical Cost	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Opening Tangible Capital Asset Balance	21,508,283	24,289,768	24,469,311	24,653,578	24,849,119	24,999,820	25,152,864	25,307,989	25,465,707	25,625,952
Acquisitions	3,782,021	236,000	244,000	202,000	156,000	159,000	162,000	165,000	168,000	171,000
Disposals	1,000,536	56,457	59,733	6,459	5,299	5,956	6,875	7,282	7,755	8,907
Closing Tangible Capital Asset Balance	24,289,768	24,469,311	24,653,578	24,849,119	24,999,820	25,152,864	25,307,989	25,465,707	25,625,952	25,788,045
Opening Accumulated Amortization	12,950,238	12,654,848	13,395,338	14,136,298	14,931,482	15,328,418	15,700,044	16,072,730	16,438,219	16,756,558
Amortization Expense	705,146	796,947	800,693	801,643	402,235	377,582	379,561	372,771	326,094	326,639
Amortization on Disposal	1,000,536	56,457	59,733	6,459	5,299	5,956	6,875	7,282	7,755	8,907
Ending Accumulated Amortization	12,654,848	13,395,338	14,136,298	14,931,482	15,328,418	15,700,044	16,072,730	16,438,219	16,756,558	17,074,290
Net Book Value	11,634,920	11,073,973	10,517,280	9,917,637	9,671,402	9,452,820	9,235,259	9,027,488	8,869,394	8,713,755



5. Accumulated Surplus

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

Water	2022 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	814,980
Total Reserves Balance	814,980
Less: Debt Obligations and Deferred Revenue	(2,210,137)
Add: Tangible Capital Assets	8,558,045
Total Opening Balance	7,162,888

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

6. Other Revenue

Other revenue includes interest and other non-operating general revenues (fire hose charge, reconnection fees, penalties, solar energy revenue, and other miscellaneous revenues) and proceeds from capital grants.

7. Operating Expenses

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



Chapter 5

Process for Financial Plan Approval and Submission to the Province



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

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

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



Chapter 6

Recommendations



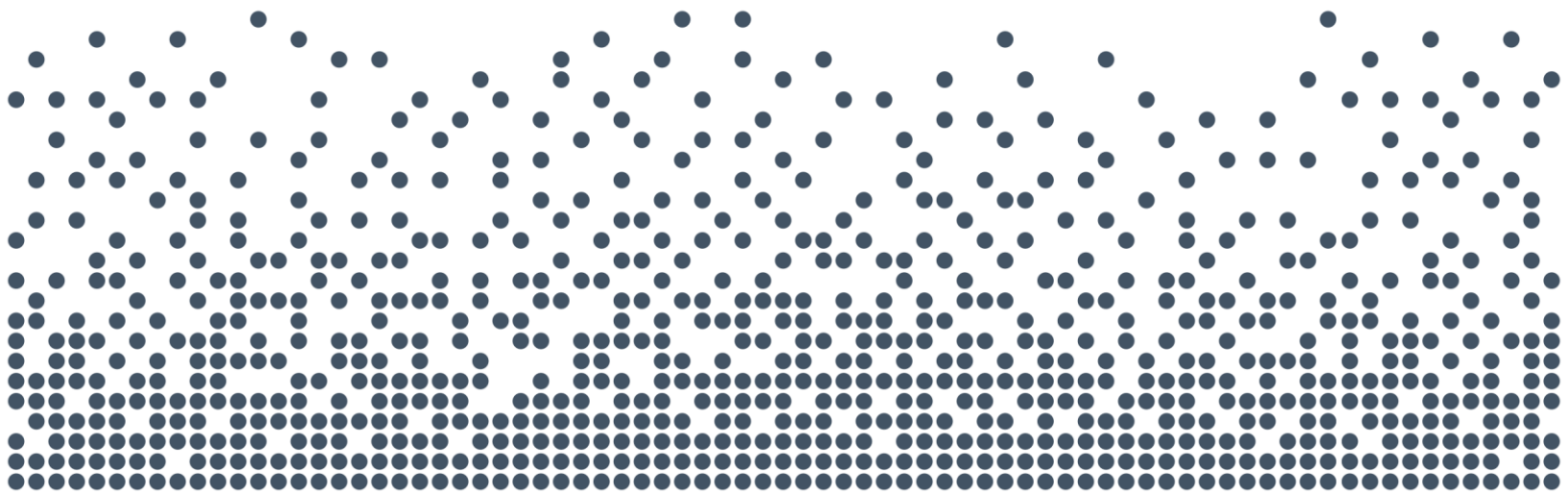
6. Recommendations

This report presents the water financial plan for the Municipality of Wawa 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 2022 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 Wawa's Water Financial Plan prepared by Watson & Associates Economists Ltd. dated January 20, 2023 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 Ministry of the Environment, Conservation, and Parks satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii))¹

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



Appendices



Appendix A

Water Budget and Forecast Summary Tables



Appendix A-1 Water Service Capital Forecast

Description	Budget 2022	Total	Forecast										
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
Capital Expenditures													
Water Main and Hydrant - MRV	75,000	-	-	-	-	-	-	-	-	-	-	-	-
Water and WW 10 yr Plan & Rate Study	24,500	-	-	-	-	-	-	-	-	-	-	-	-
Hydrant Rehabilitation	45,000	145,000	47,000	49,000	49,000	-	-	-	-	-	-	-	-
Water Treatment Plant - Filters	180,000	384,000	189,000	195,000	-	-	-	-	-	-	-	-	-
Water Intake Valve	250,000	-	-	-	-	-	-	-	-	-	-	-	-
Water & Wastewater Master Plan	105,000	-	-	-	-	-	-	-	-	-	-	-	-
Water Intake	3,232,021	-	-	-	-	-	-	-	-	-	-	-	-
Asset Management Works	-	1,308,000	-	-	153,000	156,000	159,000	162,000	165,000	168,000	171,000	174,000	
	0	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditures	3,911,521	1,837,000	236,000	244,000	202,000	156,000	159,000	162,000	165,000	168,000	171,000	174,000	
Capital Financing													
Provincial/Federal Grants	2,657,021	-	-	-	-	-	-	-	-	-	-	-	-
OCIF Reserve Fund	165,000	150,000	75,000	75,000	-	-	-	-	-	-	-	-	-
Debtenture Requirements	680,000	-	-	-	-	-	-	-	-	-	-	-	-
Operating Contributions	284,500	378,000	161,000	169,000	48,000	-	-	-	-	-	-	-	-
Rate Stabilization Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Water General Capital Reserve	-	669,000	-	-	74,000	76,000	79,000	82,000	85,000	88,000	91,000	94,000	
Water Equipment Reserve	125,000	640,000	-	-	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	
Total Capital Financing	3,911,521	1,837,000	236,000	244,000	202,000	156,000	159,000	162,000	165,000	168,000	171,000	174,000	

Appendix A-2 Schedule of Non-Growth-Related Debtenture Repayments

Debtenture Year	2022	Principal (Inflated)	Forecast										
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
2022		680,000	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285
2023		-	-	-	-	-	-	-	-	-	-	-	-
2024		-	-	-	-	-	-	-	-	-	-	-	-
2025		-	-	-	-	-	-	-	-	-	-	-	-
2026		-	-	-	-	-	-	-	-	-	-	-	-
2027		-	-	-	-	-	-	-	-	-	-	-	-
2028		-	-	-	-	-	-	-	-	-	-	-	-
2029		-	-	-	-	-	-	-	-	-	-	-	-
2030		-	-	-	-	-	-	-	-	-	-	-	-
2031		-	-	-	-	-	-	-	-	-	-	-	-
2032		-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Debt Charges	-	680,000	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285	59,285



Appendix A-3 Water Equipment Reserve Continuity

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Opening Balance	505,436	478,853	581,207	681,043	725,264	658,170	589,733	519,928	448,726	376,101	302,023
Transfer from Operating	80,000	80,000	80,000	110,000	-	-	-	-	-	-	-
Transfer to Capital	125,000	-	-	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	460,436	558,853	661,207	711,043	645,264	578,170	509,733	439,928	368,726	296,101	222,023
Interest	18,417	22,354	19,836	14,221	12,905	11,563	10,195	8,799	7,375	5,922	4,440

Appendix A-4 Water Rate Stabilization Reserve Continuity

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Opening Balance	91,105	94,749	98,539	101,495	103,525	105,596	107,708	109,862	112,059	114,300	116,586
Transfer from Operating	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	91,105	94,749	98,539	101,495	103,525	105,596	107,708	109,862	112,059	114,300	116,586
Interest	3,644	3,790	2,956	2,030	2,071	2,112	2,154	2,197	2,241	2,286	2,332

Appendix A-5 Water General Capital Reserve Continuity

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Opening Balance	218,439	227,177	236,264	243,352	172,739	234,198	327,662	455,830	619,788	821,274	1,065,711
Transfer from Operating	-	-	-	-	132,867	166,039	201,229	236,805	273,383	314,541	357,214
Transfer from Wastewater Reserve	280,636	190,222	173,019	55,297	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	74,000	76,000	79,000	82,000	85,000	88,000	91,000	94,000
Transfer to Operating	280,636	190,222	173,019	55,297	-	-	-	-	-	-	-
Closing Balance	218,439	227,177	236,264	169,352	229,606	321,238	446,892	607,635	805,171	1,044,815	1,328,925
Interest	8,738	9,087	7,088	3,387	4,592	6,425	8,938	12,153	16,103	20,896	26,578



Appendix A-6 Water Operating Forecast

Description	Budget	Forecast									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Expenditures											
Operating Costs											
W & S - Dist Wages - Regular	139,031	143,200	147,500	151,900	156,500	161,200	166,000	171,000	176,100	181,400	186,800
Overtime - Full Time	14,090	14,500	14,900	15,300	15,800	16,300	16,800	17,300	17,800	18,300	18,800
W & S - Employee Benefits	39,870	41,100	42,300	43,600	44,900	46,200	47,600	49,000	50,500	52,000	53,600
W & S - Retiree Group Benefits	5,524	5,700	5,900	6,100	6,300	6,500	6,700	6,900	7,100	7,300	7,500
Health Care Spending	1,437	1,500	1,560	1,610	1,640	1,670	1,700	1,730	1,760	1,800	1,840
Clothing Allowance	765	800	830	850	870	890	910	930	950	970	990
W & S - Seminars Wrkshps Training	5,100	5,400	5,620	5,790	5,910	6,030	6,150	6,270	6,400	6,530	6,660
W & S - Travel & Entertainment	2,400	2,500	2,600	2,680	2,730	2,780	2,840	2,900	2,960	3,020	3,080
W & S - Postage & Courier	4,800	5,000	5,200	5,360	5,470	5,580	5,690	5,800	5,920	6,040	6,160
W & S - Office Supplies	150	200	210	220	220	220	220	220	220	220	220
W & S - Consulting / Professional Fees	23,400	24,600	25,580	26,350	26,880	27,420	27,970	28,530	29,100	29,680	30,270
W & S - Printing Ad. & Promo	2,100	2,200	2,290	2,360	2,410	2,460	2,510	2,560	2,610	2,660	2,710
W & S - Insurance	6,843	7,200	7,490	7,710	7,860	8,020	8,180	8,340	8,510	8,680	8,850
W & S - Transfers to Reserve - Pay	3,744	3,900	4,060	4,180	4,260	4,350	4,440	4,530	4,620	4,710	4,800
MRV - Materials / Supplies	2,000	2,100	2,180	2,250	2,300	2,350	2,400	2,450	2,500	2,550	2,600
MRV - Hydro	9,000	9,700	10,400	11,000	11,600	12,200	12,800	13,400	14,100	14,800	15,500
MRV - Taxes	1,160	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100
MRV - Telephone	1,320	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	2,300
MRV - Consulting / Professional Fees	5,000	5,300	5,600	5,900	6,200	6,500	6,800	7,100	7,500	7,900	8,300
MRV - Insurance	426	400	420	430	440	450	460	470	480	490	500
MRV - Maintenance & Repair	1,000	1,100	1,140	1,170	1,190	1,210	1,230	1,250	1,280	1,310	1,340
PWD - Materials / Supplies	500	500	520	540	550	560	570	580	590	600	610
PWD - Hydro	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200
PWD - Consulting / Professional Fees	1,000	1,100	1,140	1,170	1,190	1,210	1,230	1,250	1,280	1,310	1,340
Purifi - Materials / Supplies	36,000	38,000	40,000	41,000	42,000	43,000	44,000	45,000	46,000	47,000	48,000
Purifi - Small Equip Purchases	2,000	2,100	2,180	2,250	2,300	2,350	2,400	2,450	2,500	2,550	2,600
Distrb - Materials / Supplies	20,000	21,000	22,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
Distrb - Consulting	32,000	34,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000
Distrb - Insurance	35	37	38	39	40	41	42	43	44	45	46
Distrb - Maintenance & Repair	20,000	21,000	22,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
WTP - Materials/Supplies	32,000	34,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000
WTP - Hydro	188,700	203,800	218,100	231,200	242,800	254,900	267,600	281,000	295,100	309,900	325,400
WTP - Taxes	46,000	48,000	50,000	52,000	53,000	54,000	55,000	56,000	57,000	58,000	59,000
WTP - Telephone	2,111	2,200	2,290	2,360	2,410	2,460	2,510	2,560	2,610	2,660	2,710
WTP - Consulting / Professional Fees	10,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
WTP - Insurance	7,269	7,600	7,900	8,140	8,300	8,470	8,640	8,810	8,990	9,170	9,350
WTP - Building Maintenance	14,466	15,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000



Appendix A-6 (con't) Water Operating Forecast

Description	Budget	Forecast									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Pump -Materials / Supplies	2,500	2,600	2,700	2,780	2,840	2,900	2,960	3,020	3,080	3,140	3,200
Pump - Taxes	2,996	3,100	3,220	3,320	3,390	3,460	3,530	3,600	3,670	3,740	3,810
Pump - Consulting / Professional Fees	1,000	1,100	1,140	1,170	1,190	1,210	1,230	1,250	1,280	1,310	1,340
Pump - Insurance	233	245	255	263	268	273	278	284	290	296	302
18Chev - Gasoline / Diesel	2,700	2,900	3,100	3,300	3,500	3,700	3,900	4,100	4,300	4,500	4,700
18Chev - Insurance	487	500	520	540	550	560	570	580	590	600	610
18Chev - Licenses	72	76	79	81	83	85	87	89	91	93	95
18Chev - Maintenance & Repairs	300	300	310	320	330	340	350	360	370	380	390
08 F350 - Gasoline / Diesel	2,700	2,900	3,100	3,300	3,500	3,700	3,900	4,100	4,300	4,500	4,700
08 F350 - Insurance	487	500	520	540	550	560	570	580	590	600	610
08 F350 - Licenses	159	167	174	179	183	187	191	195	199	203	207
08 F350 - Maintenance & Repairs	600	600	620	640	650	660	670	680	690	700	710
Sub Total Operating	696,674	734,625	768,886	799,392	824,904	851,056	878,028	905,911	934,974	964,957	995,850
Capital-Related											
Existing Debt (Principal)	33,967	35,896	37,934	40,088	42,365	44,770	47,312	49,999	52,838	55,838	59,009
Existing Debt (Interest)	123,299	121,370	119,332	117,178	114,901	112,496	109,953	107,267	104,428	101,427	98,257
New Debt (Principal)		18,485	19,595	20,770	22,017	23,337	24,738	26,222	27,795	29,463	31,231
New Debt (Interest)		40,800	39,691	38,515	37,269	35,948	34,548	33,063	31,490	29,822	28,055
Transfer to Capital	284,500	161,000	169,000	48,000	-	-	-	-	-	-	-
Transfer to Rate Stabilization Reserve											
Transfer to Equipment Reserve	80,000	80,000	80,000	110,000							
Transfer to Capital Reserve					132,867	166,039	201,229	236,805	273,383	314,541	357,214
Sub Total Capital Related	521,766	457,551	465,551	374,551	349,419	382,591	417,781	453,357	489,934	531,092	573,765
Total Expenditures	1,218,440	1,192,176	1,234,437	1,173,943	1,174,323	1,233,647	1,295,809	1,359,268	1,424,908	1,496,049	1,569,615
Revenues											
Base Charge	643,872	679,896	715,399	752,225	790,945	830,492	872,627	916,259	962,072	1,010,175	1,060,684
W & S - Fire Hydrant Rentals	11,125	11,700	12,170	12,540	12,790	13,050	13,310	13,580	13,850	14,130	14,410
W & S - Reconnection Fees	700	740	770	790	810	830	850	870	890	910	930
W & S - Penalty & Interest Other	4,550	4,800	4,990	5,140	5,240	5,340	5,450	5,560	5,670	5,780	5,900
W & S - Miscellaneous Revenues	4,550	4,800	4,990	5,140	5,240	5,340	5,450	5,560	5,670	5,780	5,900
WTP - Solar Energy Revenue	7,500	7,900	8,220	8,470	8,640	8,810	8,990	9,170	9,350	9,540	9,730
Contributions from Reserves / Reserve Funds	280,636	190,222	173,019	55,297	-	-	-	-	-	-	-
Total Operating Revenue	952,933	900,058	919,558	839,602	823,665	863,862	906,677	950,999	997,502	1,046,315	1,097,554
Water Billing Recovery - Total	265,507	292,118	314,879	334,341	350,658	369,785	389,131	408,269	427,406	449,734	472,061



Appendix A-7 Water Rate Forecast

Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total Water Billing Recovery	265,507	292,118	314,879	334,341	350,658	369,785	389,131	408,269	427,406	449,734	472,061
Total Volume (m ³)	316,080	317,520	318,060	318,420	318,780	318,780	318,960	318,960	318,960	318,960	318,960
Constant Rate	0.84	0.92	0.99	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48
Annual Percentage Change		10%	8%	6%	5%	5%	5%	5%	5%	5%	5%