

Municipality of Leamington

Water Ontario Regulation 453/07 Financial Plan

Financial Plan # 033-301

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 Planning for growth

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List of Acronyms

O.Reg.	Ontario Regulation
P.S.A.B.	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
S.W.S.S.A.	Sustainable Water and Sewage Systems Act

1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Municipality of Leamington (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 regards to the Municipality's water systems has already been completed and documented by Watson within the "Municipality of Leamington Water and Wastewater Rate Update - 2016" (2016 Rate Update). The objective of the report provided herein is to convert the findings of the 2016 Rate Update 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; and
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

Section 30 (1) of the S.D.W.A. provides the following definition of financial plans:

“financial plans’ means,

- a) financial plans that satisfy the requirements of subsection (2), but only if,
 - (i) Bill 175 (Sustainable Water and Sewage Systems Act, 2002, introduced on September 23, 2002) receives Royal Assent, and
 - (ii) sections 3 and 9 of Bill 175 (Sustainable Water and Sewage Systems Act, 2002) are in force, or
- b) financial plans that satisfy the requirements prescribed by the Minister, in any other case. 2002, c. 32, s. 30 (1).”

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 cited above has been repealed (see Section 2.2 of this report); however, the standards that it directs underpin the specific requirements of s.30 (1) part b as they are outlined in O.Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – New System

O.Reg. 453/07 provides the following parameters with regard to s.30 (1) part b of the S.D.W.A. for new water systems:

- Financial plans must be approved by Council resolution (or governing body) indicating that the drinking water system is financially viable;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing when the system first serves the public);
- 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 Public Sector Accounting Board (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 plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – Existing System

O.Reg. 453/07 also provides details with regard to s.30 (1) part b of the S.D.W.A. for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the P.S.A.B.) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per the 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 the 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 plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.4 Financial Plan Requirements - General

Given that the legislation falls under the S.D.W.A., a financial plan is mandatory for water systems and encouraged for wastewater systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The financial plan is to be completed, approved and submitted at the time of licence renewal (i.e. six months prior to licence expiry). Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary.

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

1.2.5 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 Chartered Professional Accountants Canada (previously 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.”

Both the Statement of Financial Position and the Statement of Operations were required for financial reporting purposes in pre-2009 reporting years; however, the format changed in 2009 to conform to the requirements of PS1200 and PS3150 (see Figures 1-1 and 1-2). Financial statements are now reported on a full accrual accounting basis, which will continue in future years. 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. Before 2009, financial results were reported on a modified cash basis of accounting, whereby revenues and expenses are recognized when cash is paid or received and only certain accrual-type items such as payables and receivables are recognized at year-end. The difference between the

methods is in the timing of when transactions are reported. This timing difference has impacted the presentation of the statements in that various accounts have been added or deleted in order to properly report the transactions.

Moreover, since the 2009 fiscal year, additional information relating to the accounting treatment of tangible capital assets is included in annual reporting, as indicated by the requirements under section PS3150. Pre-2009, the costs to acquire, develop and/or construct capital assets were expensed in the year in which they occur. Going forward, tangible capital assets are capitalized so as to create an inventory of the assets owned and to account for their ability to provide future benefits. The reporting of tangible capital assets required further changes to the format of existing financial statements. From a financial planning perspective, this change is significant for water assets as they can represent a significant portion of the Municipality's total assets.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt (which is a new statement as of 2009) are required statements going forward. 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 (see Figure 1-3). 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 (see Figure 1-4).

It should be noted that the Statement of Reserves and Reserve Funds and the Statement of Capital, as used by the public sector pre-2009, have been eliminated by the new reporting format. The balances and transactions that make up these two statements have been transferred to either the Statement of Operations or the Statement of Financial Position depending on the nature of the account.

Figure 1-1
Statement of Financial Position

OLD FORMAT (PRE-2009)**2009 AND FUTURE**

<u>Assets</u>
Financial Assets
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Non-Financial Assets</u>
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET ASSETS
<u>Municipal Position</u>
Fund Balances
Current Fund
Capital Fund
Reserves and Reserve Funds
Amounts to be Recovered
From Future Revenues
From Reserves & Reserve Funds
TOTAL MUNICIPAL POSITION

<u>Financial Assets</u>
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET FINANCIAL ASSETS/(DEBT)
<u>Non-Financial Assets</u>
Tangible Capital Assets
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
ACCUMULATED SURPLUS/(DEFICIT)

Figure 1-2
Statement of Operations

OLD FORMAT (PRE-2009)

<u>Revenues</u>
Base Charge Revenue
Rate Based Revenue
Transfers from Reserves
Other Revenue
Total Revenues
<u>Expenditures</u>
Operating Expenses
Capital
Total Expenditures
Net Revenues for the year
Increase (decrease) in amounts to be recovered
Change in fund balances

2009 AND FUTURE

<u>Revenue</u>
Base Charge Revenue
Rate Based Revenue
Earned DC Revenue
Other Revenue
Total Revenue
<u>Expenses</u>
Operating Expenses
Interest on Debt
Amortization
Other
Total Expenses
Annual Surplus/(Deficit)
Accum. Surplus/(Deficit), beg. of year
Accum. Surplus/(Deficit), end of year

Figure 1-3
Statement of Change in Net Financial Assets/Debt

2009 AND FUTURE

Annual Surplus/(Deficit)
Less: Acquisition of tangible capital assets
Add: Amortization of tangible capital assets
(Gain)/Loss on disposal of tangible capital assets
Add: Proceeds on sale of tangible capital assets
Add: Write-downs of tangible capital assets
Sub-total
Less: Acquisition of supplies inventory
Less: Acquisition of prepaid expenses
Add: Consumption of supplies inventory
Add: Use of prepaid expenses
Sub-total
(Increase)/Decrease in net financial assets/net debt
Net financial assets/(net debt), beginning of year
Net financial assets/(net debt), end of year

Figure 1-4
Statement of Cash Flow¹

DIRECT METHOD	INDIRECT METHOD
<p><u>Operating Transactions</u> Cash received from: Water Operations Less: Cash paid for: Operating expenses Finance charges</p>	<p><u>Operating Transactions</u> Annual Surplus/(Deficit) Add: Amortization of Tangible Capital Assets Loss/(Gain) on sale of Tangible Capital Assets Decrease/(Increase) in Accounts Receivable Increase/(Decrease) in Accounts Payable Decrease/(Increase) in Inventories for sale Other items</p>
Cash provided by operating transactions	Cash provided by operating transactions
<p><u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>	<p><u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>
Cash applied to capital transactions	Cash applied to capital transactions
<p><u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments</p>	<p><u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments</p>
Cash provided by (applied to) investing transactions	Cash provided by (applied to) investing transactions
<p><u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (Principal only)</p>	<p><u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (Principal only)</p>
Cash applied to financing transactions	Cash applied to financing transactions
Increase in cash and cash equivalents	Increase in cash and cash equivalents
Cash and cash equivalents, beginning of year	Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year	Cash and cash equivalents, end of year

¹ The statement of cash flow can be prepared using either the direct or indirect methods. The indirect method derives cash flow by making adjustments to the net surplus/deficit reported on the statement of operations. The direct method calculates cash flow identifying the direct sources and uses of cash.

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 and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water and Wastewater 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 and wastewater services should ultimately be used to meet the needs of those services.
- Principle #4: Lifecycle 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 (Bill 72)

Since the passage of the Safe Drinking Water Act, changes and refinements to the legislation have been introduced, including Bill 72. Bill 72 was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010 as the Water Opportunities Act.

The purposes of the Water Opportunities Act are to foster innovative water, wastewater and storm water technologies, services and practices; to create opportunities for economic development and clean-technology jobs; and to conserve and sustain water resources. To achieve this, Bill 72 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 storm water.

The sustainability plan in Bill 72 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.

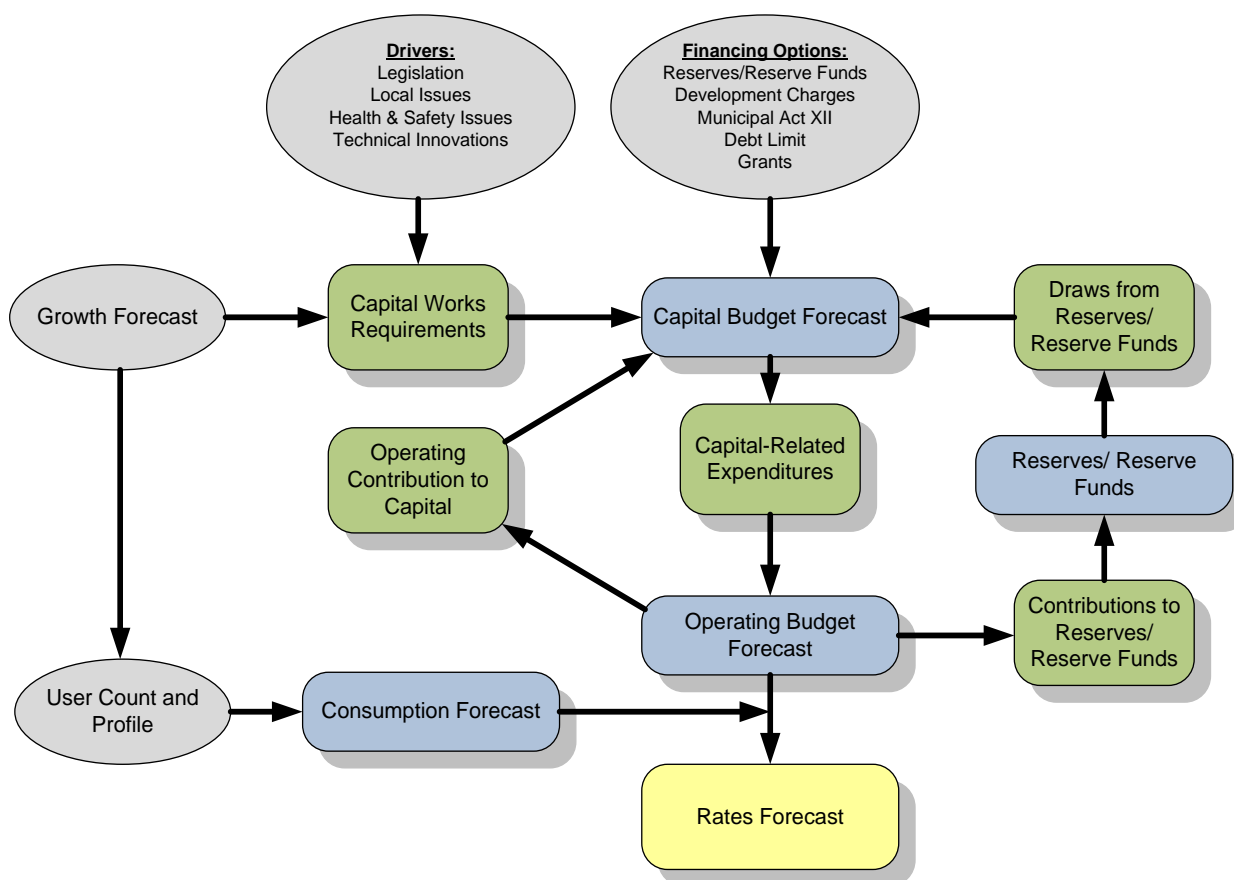
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details with 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 2016 Water and Wastewater Rate Update

As noted above, Watson has already completed extensive financial planning as documented in the 2016 Rate Update conducted on behalf of the Municipality. The study process was designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning. Figure 2-1 below summarizes the process.

**Figure 2-1
Water (and Wastewater) Rate Calculation Process**



As a result of employing this process, the 2016 Rate Update provides a sound financial plan for the Municipality’s water systems by providing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of fixed and variable operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- A review and recommendation on rate structures that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves ongoing 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 financial plan.

The details of the financial plan arising from the 2016 Rate Update are contained in Appendix A.

3. Approach

3.1 Overview

The 2016 Rate Update has been 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; and
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 2016 Rate Update as well as part of the Municipality's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2016 Rate Update, 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; and
- Disposals and related gains or losses for each year of the forecast period.

Future water capital needs have also been determined and summarized within the 2016 Rate Update. These estimates, however, 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 cost 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 subsection 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 subsection 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 subsection 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.

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	1,841,924			1,841,924	Base Charge Revenue
Rate Based Revenue	4,101,883			4,101,883	Rate Based Revenue
Transfers from Reserves	655,094	655,094			
Other Revenue	989,811		353,254	353,254	Earned Development Charges Revenue
Total Revenues	7,588,712			7,286,872	Total Revenues
Expenditures					Expenses
Operating	5,861,215	15,000		5,876,215	Operating Expenses
Capital					
Transfers to Reserves	1,727,497		1,727,497		
		1,478,398		1,478,398	Amortization
Total Expenditures	7,588,712			7,354,613	Total Expenses
Net Expenditures	-			(67,741)	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			67,615,610	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-		67,741	67,547,869	Accumulated Surplus/(Deficit), end of year

TOTAL ADJUSTMENTS	2,148,492	2,148,492
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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 and 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.

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	10,205,828			10,205,828	Cash
Accounts Receivable	964,654			964,654	Accounts Receivable
<i>Total Financial Assets</i>	<i>11,170,482</i>			<i>11,170,482</i>	<i>Total Financial Assets</i>
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	684,941			684,941	Accounts Payable & Accrued Liabilities
Deferred Revenue	5,128,193			5,128,193	Deferred Revenue
<i>Total Liabilities</i>	<i>5,813,134</i>			<i>5,813,134</i>	<i>Total Liabilities</i>
Net Assets/(Debt)	5,357,348			5,357,348	Net Financial Assets/(Debt)
		62,205,521	15,000	62,190,521	Non-Financial Assets
				62,190,521	Tangible Capital Assets
					Total Non-Financial Assets
Municipal Position					
Water Reserves	5,357,348	5,357,348			
Development Charge Reserve Fund	5,128,193	5,128,193			
Amounts to be Recovered	(5,128,193)		5,128,193		
Total Municipal Position	5,357,348		67,547,869	67,547,869	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		72,691,062	72,691,062		

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. It may not be possible, however, to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

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

- b) Amortization Expense – The method and timing of amortization should be based on the 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 2016 Rate Update.
- 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.

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 systems. 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 estimation of the systems' "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 at the end of 2015, the Municipality's water systems will be in a net financial asset position of approximately \$5.4 million. After dropping to a net financial asset position of just under \$1.6 million in 2017, the Municipality's water systems are projected to improve its net financial asset position over the remaining forecast period, to an amount just under \$9.9 million. The decline in net financial asset position in 2017 is due to the proposed use of reserve funds to pay for significant anticipated capital projects in that year.

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 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; and
- 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 increase by approximately \$3.7 million over the forecast period. This indicates that the Municipality has plans to invest in tangible capital assets in excess of the anticipated use of existing assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water systems for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and, in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues improving from 101% in 2015, to 87% in 2025. As a result, after an anticipated annual deficit of just under \$68,000 in 2015, annual surpluses are projected in every subsequent year of the forecast. Annual surplus generally increases from approximately \$327,000 in 2016, to just under \$1.5 million by 2025. 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 and reserve/reserve fund transfers.

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 \$7.8 million to a 2014 accumulated surplus of approximately \$67.6 million over the forecast

period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of reserve and reserve fund 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. 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 2015 and 2017, forecasted tangible capital asset acquisitions (net of amortization for the year) exceed forecasted annual surplus, resulting in decreases in net financial assets during these years. In each of the other years (i.e. 2016 and 2018 to 2025) the forecasted annual surplus exceeds the forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an increase to net financial assets each year. This allows for a long-term plan of funding capital through accumulated surplus (i.e. reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 0.76 in 2015 to 0.97 in 2016, then dropping to 0.55 in 2017 due to significant capital expenditures in that year, followed by annual improvements, ultimately achieving 1.18 by 2025.¹

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) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Municipality's water systems to increase initially from approximately \$10.2 million at the end of 2015 to almost \$10.9 million at the end of 2016, decreasing to just under \$7.1 million for 2017, and then increasing annually to approximately \$18.4 million by the end of 2025. For further discussions on projected cash balances, please refer to the Notes to the Financial Plan.

¹ A desirable ratio is 1:1 or better.

Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2025

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Financial Assets												
Cash	1	10,205,828	10,867,010	7,060,800	7,977,321	9,207,653	10,341,487	11,596,385	13,006,539	14,580,250	16,383,684	18,387,060
Accounts Receivable	1	964,654	987,205	1,028,877	1,072,635	1,118,571	1,166,303	1,215,907	1,267,441	1,320,974	1,377,683	1,437,686
Total Financial Assets		11,170,482	11,854,215	8,089,677	9,049,956	10,326,224	11,507,790	12,812,292	14,273,980	15,901,224	17,761,367	19,824,746
Liabilities												
Accounts Payable & Accrued Liabilities	1	684,941	701,510	726,074	751,433	777,656	804,686	832,452	861,013	890,356	920,833	952,491
Deferred Revenue	3	5,128,193	5,444,798	5,770,397	6,125,677	6,491,047	6,866,764	7,252,506	7,649,076	8,056,702	8,522,576	9,000,427
Total Liabilities		5,813,134	6,146,308	6,496,471	6,877,110	7,268,703	7,671,450	8,084,958	8,510,089	8,947,058	9,443,409	9,952,918
Net Financial Assets/(Debt)		5,357,348	5,707,907	1,593,206	2,172,846	3,057,521	3,836,340	4,727,334	5,763,891	6,954,166	8,317,958	9,871,828
Non-Financial Assets												
Tangible Capital Assets	4	62,190,521	62,166,464	66,592,360	66,381,590	66,003,904	65,874,911	65,780,640	65,695,972	65,622,788	65,559,595	65,505,555
Total Non-Financial Assets		62,190,521	62,166,464	66,592,360	66,381,590	66,003,904	65,874,911	65,780,640	65,695,972	65,622,788	65,559,595	65,505,555
Accumulated Surplus/(Deficit)	5	67,547,869	67,874,371	68,185,566	68,554,436	69,061,425	69,711,251	70,507,974	71,459,863	72,576,954	73,877,553	75,377,383
Financial Indicators												
	Total Change	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1) Increase/(Decrease) in Net Financial Assets	4,057,137	(457,343)	350,559	(4,114,701)	579,640	884,675	778,819	890,994	1,036,557	1,190,275	1,363,792	1,553,870
2) Increase/(Decrease) in Tangible Capital Assets	3,704,636	389,602	(24,057)	4,425,896	(210,770)	(377,686)	(128,993)	(94,271)	(84,668)	(73,184)	(63,193)	(54,040)
3) Increase/(Decrease) in Accumulated Surplus	7,761,773	(67,741)	326,502	311,195	368,870	506,989	649,826	796,723	951,889	1,117,091	1,300,599	1,499,830

Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2025

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water Revenue												
Base Charge Revenue		1,841,924	1,885,617	1,931,380	2,182,814	2,240,077	2,298,758	2,358,890	2,420,508	2,483,647	2,553,441	2,629,958
Rate Based Revenue		4,101,883	4,869,388	5,132,625	5,408,599	5,697,876	5,999,642	6,314,387	6,642,616	6,984,856	7,344,992	7,723,710
Earned Development Charges Revenue	3	353,254	-	-	-	-	-	-	-	-	-	-
Other Revenue	6	989,811	1,072,554	1,058,494	917,427	947,322	976,319	1,007,217	1,040,333	1,075,772	1,114,159	1,155,902
Total Revenues		7,286,872	7,827,559	8,122,499	8,508,840	8,885,275	9,274,719	9,680,494	10,103,457	10,544,275	11,012,592	11,509,570
Water Expenses												
Operating Expenses	Sch. 4-1	5,876,215	6,013,000	6,223,200	6,441,200	6,665,600	6,896,900	7,134,500	7,378,900	7,631,000	7,891,800	8,162,700
Amortization	4	1,478,398	1,488,057	1,588,104	1,698,770	1,712,686	1,727,993	1,749,271	1,772,668	1,796,184	1,820,193	1,847,040
Total Expenses		7,354,613	7,501,057	7,811,304	8,139,970	8,378,286	8,624,893	8,883,771	9,151,568	9,427,184	9,711,993	10,009,740
Annual Surplus/(Deficit)		(67,741)	326,502	311,195	368,870	506,989	649,826	796,723	951,889	1,117,091	1,300,599	1,499,830
Accumulated Surplus/(Deficit), beginning of year	5	67,615,610	67,547,869	67,874,371	68,185,566	68,554,436	69,061,425	69,711,251	70,507,974	71,459,863	72,576,954	73,877,553
Accumulated Surplus/(Deficit), end of year		67,547,869	67,874,371	68,185,566	68,554,436	69,061,425	69,711,251	70,507,974	71,459,863	72,576,954	73,877,553	75,377,383
Note 5:												
Accumulated Surplus/(Deficit) Reconciliation:		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Reserve Balances												
Reserves: Development Charges		5,128,193	5,444,798	5,770,397	6,125,677	6,491,047	6,866,764	7,252,506	7,649,076	8,056,702	8,522,576	9,000,427
Reserves: Capital/Other		5,357,348	5,707,907	1,593,206	2,172,846	3,057,521	3,836,340	4,727,334	5,763,891	6,954,166	8,317,958	9,871,828
Total Reserves Balance		10,485,541	11,152,705	7,363,603	8,298,523	9,548,568	10,703,104	11,979,840	13,412,967	15,010,868	16,840,534	18,872,255
Less: Debt Obligations and Deferred Revenue		(5,128,193)	(5,444,798)	(5,770,397)	(6,125,677)	(6,491,047)	(6,866,764)	(7,252,506)	(7,649,076)	(8,056,702)	(8,522,576)	(9,000,427)
Add: Tangible Capital Assets	4	62,190,521	62,166,464	66,592,360	66,381,590	66,003,904	65,874,911	65,780,640	65,695,972	65,622,788	65,559,595	65,505,555
Total Ending Balance		67,547,869	67,874,371	68,185,566	68,554,436	69,061,425	69,711,251	70,507,974	71,459,863	72,576,954	73,877,553	75,377,383
Financial Indicators	Total Change	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1) Expense to Revenue Ratio		101%	96%	96%	96%	94%	93%	92%	91%	89%	88%	87%
2) Increase/(Decrease) in Accumulated Surplus	7,761,773	(67,741)	326,502	311,195	368,870	506,989	649,826	796,723	951,889	1,117,091	1,300,599	1,499,830

Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2025

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Expenses												
Wages		253,320	258,500	263,700	268,800	274,100	279,800	285,400	291,000	296,700	302,400	308,400
Rents and Services		4,298,487	4,408,000	4,585,400	4,769,100	4,959,500	5,155,800	5,357,800	5,565,800	5,780,000	6,003,200	6,235,500
Office Overhead		122,457	125,000	127,500	130,100	132,700	135,300	137,900	140,700	143,500	146,300	149,200
Office Equipment		4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Building Maintenance		43,322	45,000	46,900	48,900	50,900	53,000	55,300	57,700	60,100	62,600	65,200
Property Maintenance		1,482	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Boil Water Advisory		8,530	8,700	8,900	9,100	9,300	9,500	9,700	9,900	10,100	10,300	10,500
Meter Maintenance		112,818	115,100	117,400	119,700	122,100	124,600	127,100	129,600	132,100	134,800	137,500
Hydrant Maintenance		88,768	90,500	92,300	94,100	96,000	97,900	99,800	101,800	103,800	105,800	108,000
Health and Safety		6,980	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,600	8,800	9,000
Water Main Flushing		830,551	847,100	864,000	881,300	898,900	916,800	935,100	953,800	972,900	992,400	1,012,200
Vehicle Maintenance		82,555	84,300	86,000	87,700	89,400	91,200	93,100	95,000	96,900	98,800	100,700
Equipment Maintenance		7,145	7,300	7,400	7,500	7,600	7,700	7,800	7,900	8,000	8,100	8,200
Non TCA - Expenses from Capital Budget	7	15,000	10,000	10,000	11,000	11,000	11,000	11,000	11,000	12,000	12,000	12,000
TOTAL OPERATING EXPENSES		5,876,215	6,013,000	6,223,200	6,441,200	6,665,600	6,896,900	7,134,500	7,378,900	7,631,000	7,891,800	8,162,700

Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2025

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Surplus/(Deficit)		(67,741)	326,502	311,195	368,870	506,989	649,826	796,723	951,889	1,117,091	1,300,599	1,499,830
Less: Acquisition of Tangible Capital Assets	4	(1,868,000)	(1,464,000)	(6,014,000)	(1,488,000)	(1,335,000)	(1,599,000)	(1,655,000)	(1,688,000)	(1,723,000)	(1,757,000)	(1,793,000)
Add: Amortization of Tangible Capital Assets	4	1,478,398	1,488,057	1,588,104	1,698,770	1,712,686	1,727,993	1,749,271	1,772,668	1,796,184	1,820,193	1,847,040
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
		(389,602)	24,057	(4,425,896)	210,770	377,686	128,993	94,271	84,668	73,184	63,193	54,040
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(457,343)	350,559	(4,114,701)	579,640	884,675	778,819	890,994	1,036,557	1,190,275	1,363,792	1,553,870
Net Financial Assets/(Net Debt), beginning of year		5,814,691	5,357,348	5,707,907	1,593,206	2,172,846	3,057,521	3,836,340	4,727,334	5,763,891	6,954,166	8,317,958
Net Financial Assets/(Net Debt), end of year		5,357,348	5,707,907	1,593,206	2,172,846	3,057,521	3,836,340	4,727,334	5,763,891	6,954,166	8,317,958	9,871,828
Financial Indicators		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1) Acquisition of Tangible Capital Assets (Cumulative)		1,868,000	3,332,000	9,346,000	10,834,000	12,169,000	13,768,000	15,423,000	17,111,000	18,834,000	20,591,000	22,384,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		1,410,657	3,225,216	5,124,515	7,192,155	9,411,830	11,789,649	14,335,643	17,060,200	19,973,475	23,094,267	26,441,137
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.76	0.97	0.55	0.66	0.77	0.86	0.93	1.00	1.06	1.12	1.18

Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2025

	Notes	Forecast										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Transactions												
Annual Surplus/Deficit		(67,741)	326,502	311,195	368,870	506,989	649,826	796,723	951,889	1,117,091	1,300,599	1,499,830
Add: Amortization of TCA's	4	1,478,398	1,488,057	1,588,104	1,698,770	1,712,686	1,727,993	1,749,271	1,772,668	1,796,184	1,820,193	1,847,040
Less: Earned Deferred Revenue	3	(353,254)	-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		298,531	316,605	325,599	355,280	365,371	375,718	385,742	396,570	407,626	465,874	477,851
Change in A/R (Increase)/Decrease		(22,089)	(22,551)	(41,672)	(43,758)	(45,937)	(47,733)	(49,604)	(51,534)	(53,533)	(56,709)	(60,003)
Change in A/P Increase/(Decrease)		13,641	16,569	24,564	25,359	26,223	27,030	27,766	28,561	29,343	30,477	31,658
Less: Interest Proceeds		-	(70,468)	(19,669)	(26,825)	(37,747)	(47,362)	(58,362)	(71,159)	(85,854)	(102,691)	(121,874)
Cash Provided by Operating Transactions		1,347,486	2,054,714	2,188,121	2,377,696	2,527,585	2,685,472	2,851,536	3,026,995	3,210,857	3,457,743	3,674,502
Capital Transactions												
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(1,868,000)	(1,464,000)	(6,014,000)	(1,488,000)	(1,335,000)	(1,599,000)	(1,655,000)	(1,688,000)	(1,723,000)	(1,757,000)	(1,793,000)
Cash Applied to Capital Transactions		(1,868,000)	(1,464,000)	(6,014,000)	(1,488,000)	(1,335,000)	(1,599,000)	(1,655,000)	(1,688,000)	(1,723,000)	(1,757,000)	(1,793,000)
Investing Transactions												
Proceeds from Investments		-	70,468	19,669	26,825	37,747	47,362	58,362	71,159	85,854	102,691	121,874
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		-	70,468	19,669	26,825	37,747	47,362	58,362	71,159	85,854	102,691	121,874
Increase in Cash and Cash Equivalents		(520,514)	661,182	(3,806,210)	916,521	1,230,332	1,133,834	1,254,898	1,410,154	1,573,711	1,803,434	2,003,376
Cash and Cash Equivalents, beginning of year	1	10,726,342	10,205,828	10,867,010	7,060,800	7,977,321	9,207,653	10,341,487	11,596,385	13,006,539	14,580,250	16,383,684
Cash and Cash Equivalents, end of year	1	10,205,828	10,867,010	7,060,800	7,977,321	9,207,653	10,341,487	11,596,385	13,006,539	14,580,250	16,383,684	18,387,060

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. The financial plan, however, 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); and
- 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; and
- 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 Leamington, 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 typical ratios of receivables as a percentage of annual revenues as witnessed in other municipalities, applied to projected Leamington water revenues; and
- b) Payables: Based on historical ratios of municipal-wide payables as a percentage of annual expenses and applied to projected Leamington water expenses.

2. Debt

The Municipality had no water related debt at the end of 2015. No additional water related debt proceeds are anticipated over the forecast period.

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 made up of 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.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water-related assets in the following categories:
 - i. Infrastructure;

- ii. Facilities;
 - iii. Meters;
 - iv. Vehicles
 - v. Equipment; and
 - vi. Land.
- Amortization is calculated based on the straight-line approach.
 - Tangible capital assets included in 2014 construction in progress are assumed to be brought into service in 2015 for amortization purposes.
 - Given the planned asset replacement forecast in the 2016 Rate Update, useful life on acquisitions is assumed to be equal to typical values assigned by the Municipality for each asset category.
 - Write-offs are assumed to equal \$0 for each year in the forecast period.
 - Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
 - Gains/losses on disposals 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 subsection 3.2.1, are shown as Developer Contributions, a revenue, on the Statement of Operations in the year of contribution, if applicable.
 - The Municipality is unaware of any specific lead service piping in the Municipality's water systems.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Tangible Capital Asset Balance	87,109,240	88,873,013	90,222,045	93,658,791	95,047,769	96,347,329	97,915,599	99,339,549	100,778,738	102,229,725	103,676,509
Acquisitions	1,868,000	1,464,000	6,014,000	1,488,000	1,335,000	1,599,000	1,655,000	1,688,000	1,723,000	1,757,000	1,793,000
Disposals	104,227	114,968	2,577,254	99,022	35,440	30,730	231,050	248,811	272,013	310,216	330,233
Closing Tangible Capital Asset Balance	88,873,013	90,222,045	93,658,791	95,047,769	96,347,329	97,915,599	99,339,549	100,778,738	102,229,725	103,676,509	105,139,276
Opening Accumulated Amortization	25,308,321	26,682,492	28,055,581	27,066,431	28,666,179	30,343,425	32,040,688	33,558,909	35,082,766	36,606,937	38,116,914
Amortization Expense	1,478,398	1,488,057	1,588,104	1,698,770	1,712,686	1,727,993	1,749,271	1,772,668	1,796,184	1,820,193	1,847,040
Amortization on Disposal	104,227	114,968	2,577,254	99,022	35,440	30,730	231,050	248,811	272,013	310,216	330,233
Ending Accumulated Amortization	26,682,492	28,055,581	27,066,431	28,666,179	30,343,425	32,040,688	33,558,909	35,082,766	36,606,937	38,116,914	39,633,721
Net Book Value	62,190,521	62,166,464	66,592,360	66,381,590	66,003,904	65,874,911	65,780,640	65,695,972	65,622,788	65,559,595	65,505,555

5. Accumulated Surplus

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

Wastewater	2015 Opening Accumulated Surplus
Reserve Balances	
Reserves: Development Charges	5,182,916
Reserves: Capital/Other	5,814,691
Total Reserves Balance	10,997,607
Less: Debt Obligations and Deferred Revenue	(5,182,916)
Add: Tangible Capital Assets	61,800,919
Total Opening Balance	67,615,610

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

6. Other Revenue

Other revenue includes grants, meter replacement charges, preferred commercial metered, penalties and interest, as well as 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.

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 systems or the governing body of the owner. (O.Reg. 453/07, Section 3 (1) 1)
2. The owner of the drinking water systems 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 systems 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 systems must provide proof satisfactory to the Ministry of the Environment 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)

6. Recommendations

This report presents the water financial plan for the Municipality of Leamington 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 2016 Rate Update. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Municipality of Leamington Water Financial Plan prepared by Watson & Associates Economists Ltd. dated March 10, 2016 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan and the Council Resolution approving the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6).
4. The Financial Plan and the Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii)).

Appendix A – 2016 Rate Update – Water Summary Tables

**Table A-1
Municipality of Leamington
Water Service
Capital Budget Forecast
Inflated \$**

Description	Budget 2015	Total	Forecast									
			2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital Expenditures												
Hazelton, Queens, Windsor	533,000	-	-	-	-	-	-	-	-	-	-	-
White Street Construction	130,000	-	-	-	-	-	-	-	-	-	-	-
Erie St from Askew to Oak	165,000	-	-	-	-	-	-	-	-	-	-	-
Foundry, Clark, Ivan, Whitney	606,000	-	-	-	-	-	-	-	-	-	-	-
Melrose from Erie to Sherk, Parkdale	374,000	-	-	-	-	-	-	-	-	-	-	-
Tools & Equipment - Small Capital	15,000	111,000	10,000	10,000	11,000	11,000	11,000	11,000	11,000	12,000	12,000	12,000
Wigle from Marlborough to Talbot	-	274,000	45,000	229,000	-	-	-	-	-	-	-	-
Wigle from Robinson to Oak	-	168,000	28,000	140,000	-	-	-	-	-	-	-	-
Orange from Victoria to Orange - Whitwam Intersection	-	252,000	41,000	211,000	-	-	-	-	-	-	-	-
Settingrington from Victoria to Whitwam	-	252,000	41,000	211,000	-	-	-	-	-	-	-	-
Settingrington from Princess to Erie	-	66,000	11,000	55,000	-	-	-	-	-	-	-	-
Mill St from Victoria to Whitwam	-	236,000	23,000	213,000	-	-	-	-	-	-	-	-
Morgan & Georgia, Erie to Chestnut	-	581,000	581,000	-	-	-	-	-	-	-	-	-
Marlborough, (Chestnut, Fox) Phase 1 Construction	-	291,000	-	291,000	-	-	-	-	-	-	-	-
Mersea Rd 7 to Kent Rd 1	-	851,000	-	-	851,000	-	-	-	-	-	-	-
Audrey/Margaret/Jane/Claire	-	423,000	-	78,000	345,000	-	-	-	-	-	-	-
Coronation from Erie to Sherk	-	52,000	-	52,000	-	-	-	-	-	-	-	-
Ontario St from Oak St E. to Robinson St	-	243,000	-	94,000	149,000	-	-	-	-	-	-	-
Victoria from Oak to Robinson	-	174,000	-	-	-	146,000	-	-	-	-	-	-
Montgomery from Victoria to Erie	-	161,000	-	26,000	-	135,000	-	-	-	-	-	-
Princess from Robinson to Settingrington	-	161,000	-	26,000	-	135,000	-	-	-	-	-	-
(Marlborough), Chestnut, Fox Phase 2 construction	-	125,000	-	125,000	-	-	-	-	-	-	-	-
MCR- trunk watermain intersection to Oak St W	-	90,000	-	-	90,000	-	-	-	-	-	-	-
Pelee Bevel Phase 2	-	574,000	574,000	-	-	-	-	-	-	-	-	-
Pelee Bevel Phase 3	-	646,000	-	646,000	-	-	-	-	-	-	-	-
Erie S/Forest/Conover/Stewart (115,116,117) Const - Phase 2	-	373,000	-	-	-	373,000	-	-	-	-	-	-
10E Henry/Lorne/Gladstone/William	-	54,000	-	-	-	54,000	-	-	-	-	-	-
10C Henry/Lorne/Gladstone/William	-	298,000	-	-	-	298,000	-	-	-	-	-	-
Grace Ave from Fuller to just past Kimball Ave.	-	61,000	-	-	-	61,000	-	-	-	-	-	-
Marlborough St E. from Wigle St to Whitwam Ave.	-	133,000	-	-	-	133,000	-	-	-	-	-	-
22C Coronation St from Erie St to Sherk St	-	205,000	-	-	-	-	205,000	-	-	-	-	-
Martin Dr from Robinson St to just past mid point	-	77,000	-	-	-	-	77,000	-	-	-	-	-
Danforth Ave From Oak St to Hayward Phase I	-	480,000	-	-	-	-	480,000	-	-	-	-	-
Danforth Ave from Hayward to Seacliff Dr E Pahse II	-	291,000	-	-	-	-	291,000	-	-	-	-	-
Bryon St and Warren Ave	-	160,000	-	-	-	-	160,000	-	-	-	-	-
Maxon St / Sherman St and James St	-	386,000	-	-	-	-	386,000	-	-	-	-	-
Lifecycle:												
Meter Replacements	-	3,537,000	-	3,537,000	-	-	-	-	-	-	-	-
Replace Unit #61 - Heavy Duty Truck	60,000	-	-	-	-	-	-	-	-	-	-	-
Replace units # 59 & 71 Heavy Duty Truck	-	102,000	102,000	-	-	-	-	-	-	-	-	-
Replace Unit # 63	-	52,000	-	52,000	-	-	-	-	-	-	-	-
Replace unit # 58	-	53,000	-	-	53,000	-	-	-	-	-	-	-
Lighting & Bay Doors	-	18,000	18,000	-	-	-	-	-	-	-	-	-
Water Facilities, Vehicles & Equipment	-	567,000	-	-	-	-	-	109,000	111,000	113,000	116,000	118,000
Water Hydrants	-	990,000	-	-	-	-	-	190,000	194,000	198,000	202,000	206,000
Watermains	-	3,326,000	-	-	-	-	-	639,000	652,000	665,000	678,000	692,000
Water Service Connection	-	2,624,000	-	-	-	-	-	504,000	514,000	525,000	535,000	546,000
Water Valves	-	1,109,000	-	-	-	-	-	213,000	217,000	222,000	226,000	231,000
Total Capital Expenditures	1,883,000	20,627,000	1,474,000	6,024,000	1,499,000	1,346,000	1,610,000	1,666,000	1,699,000	1,735,000	1,769,000	1,805,000
Description	Budget 2015	Total	Forecast									
			2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital Financing												
Water Meter Replacement Reserve	-	3,537,000	-	3,537,000	-	-	-	-	-	-	-	-
Water Reserve	1,883,000	17,090,000	1,474,000	2,487,000	1,499,000	1,346,000	1,610,000	1,666,000	1,699,000	1,735,000	1,769,000	1,805,000
Total Capital Financing	1,883,000	20,627,000	1,474,000	6,024,000	1,499,000	1,346,000	1,610,000	1,666,000	1,699,000	1,735,000	1,769,000	1,805,000

Table A-2
Municipality of Leamington
Water Service
Water Line Renewals Reserve Fund Continuity
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Balance	3,845,376	3,004,305	2,927,337	1,951,475	2,323,030	2,991,616	3,546,108	4,204,298	4,999,326	5,939,096	7,042,665
Transfer from Operating	1,343,769	1,360,892	1,487,046	1,841,875	1,977,652	2,120,714	2,272,285	2,432,308	2,601,447	2,785,623	2,985,389
Transfer to Capital	1,883,000	1,474,000	2,487,000	1,499,000	1,346,000	1,610,000	1,666,000	1,699,000	1,735,000	1,769,000	1,805,000
Transfer to Operating	301,840	-	-	-	-	-	-	-	-	-	-
Closing Balance	3,004,305	2,891,197	1,927,383	2,294,351	2,954,682	3,502,329	4,152,393	4,937,606	5,865,774	6,955,719	8,223,054
Interest	-	36,140	24,092	28,679	36,934	43,779	51,905	61,720	73,322	86,946	102,788

Table A-3
Municipality of Leamington
Water Service
Wheatley Watermain Reserve Fund Continuity
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Balance	156,081	162,601	171,235	179,977	188,828	197,790	206,864	216,051	225,353	234,772	244,308
Transfer from Operating	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	162,601	169,121	177,755	186,497	195,348	204,310	213,384	222,571	231,873	241,292	250,828
Interest	-	2,114	2,222	2,331	2,442	2,554	2,667	2,782	2,898	3,016	3,135

Table A-4
Municipality of Leamington
Water Service
Water Meter Replacement Reserve Fund Continuity
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Balance	1,813,234	2,190,442	2,609,335	(538,246)	(339,013)	(131,886)	83,367	306,984	539,211	780,297	1,030,983
Transfer from Operating	377,208	386,679	396,064	203,419	208,755	214,224	219,827	225,570	231,454	237,958	245,088
Transfer to Capital	-	-	3,537,000	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	2,190,442	2,577,121	(531,601)	(334,827)	(130,258)	82,338	303,194	532,554	770,664	1,018,255	1,276,072
Interest	-	32,214	(6,645)	(4,185)	(1,628)	1,029	3,790	6,657	9,633	12,728	15,951

Table A-5
Municipality of Leamington
Water Service
Water Development Charges Reserve Fund Continuity
 Inflated \$

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Opening Balance	5,182,916	5,128,193	5,444,798	5,770,397	6,125,677	6,491,047	6,866,765	7,252,507	7,649,077	8,056,703	8,522,577
Development Charge Proceeds	-	-	15,165	67,359	68,694	70,071	70,917	72,342	73,770	121,579	122,875
Development Charge Proceeds - Greenhouses	106,700	108,834	111,011	113,231	115,496	117,805	120,162	122,565	125,016	127,516	130,067
Transfer from Operating (Non-Greenhouse Discounts)	35,170	45,335	31,063	-	-	-	-	-	-	-	-
Transfer from Operating (Greenhouse Discount)	93,350	95,217	97,121	99,064	101,045	103,066	105,127	107,230	109,374	111,562	113,793
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-
Transfer to Operating - Repayment of Internal Loan from Water Rates	353,254	-	-	-	-	-	-	-	-	-	-
Closing Balance	5,064,882	5,377,578	5,699,158	6,050,051	6,410,911	6,781,990	7,162,970	7,554,644	7,957,238	8,417,360	8,889,312
Interest	63,311	67,220	71,239	75,626	80,136	84,775	89,537	94,433	99,465	105,217	111,116
Required from Development Charges	-	-	-	-	-	-	-	-	-	-	-

Table A-6
Municipality of Leamington
Water Services
Operating Budget Forecast
 Inflated \$

Description	Budget 2015	Forecast										
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Expenditures												
Wages												
Salaried Wages	533,810	544,500	555,400	566,500	577,800	589,400	601,200	613,200	625,500	638,000	650,800	
Part-Time Wage Base Account	37,500	38,300	39,100	39,900	40,700	41,500	42,300	43,100	44,000	44,900	45,800	
Honorarium	10,410	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000	12,200	12,400	
Overtime	45,000	45,900	46,800	47,700	48,700	49,700	50,700	51,700	52,700	53,800	54,900	
Shift Premium	500	500	500	500	500	500	500	500	500	500	500	
Union Business	1,250	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	
Lieu Time Banked	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Compassionate Leave	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	
Sick Leave	19,800	20,200	20,600	21,000	21,400	21,800	22,200	22,600	23,100	23,600	24,100	
Long Service Pay	960	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Standby Pay	900	900	900	900	900	900	900	900	900	900	900	
Vacation Pay	44,120	45,000	45,900	46,800	47,700	48,700	49,700	50,700	51,700	52,700	53,800	
Vacation Pay - Part Time	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900	4,000	
Statutory Holiday Pay	27,700	28,300	28,900	29,500	30,100	30,700	31,300	31,900	32,500	33,200	33,900	
Management Wage Allocations	95,746	97,700	99,700	101,700	103,700	105,800	107,900	110,100	112,300	114,500	116,800	
Internal Wage Allocations	(421,330)	(429,800)	(438,400)	(447,200)	(456,100)	(465,200)	(474,500)	(484,000)	(493,700)	(503,600)	(513,700)	
Depart Part-Time Allocation	(37,610)	(38,400)	(39,200)	(40,000)	(40,800)	(41,600)	(42,400)	(43,200)	(44,100)	(45,000)	(45,900)	
Job Burden-Wage Allocation	(273,880)	(279,400)	(285,000)	(290,700)	(296,500)	(302,400)	(308,400)	(314,600)	(320,900)	(327,300)	(333,800)	
Job Burden-Part Time Wage	(62,890)	(64,100)	(65,400)	(66,700)	(68,000)	(69,400)	(70,800)	(72,200)	(73,600)	(75,100)	(76,600)	
CPP	22,320	22,800	23,300	23,800	24,300	24,800	25,300	25,800	26,300	26,800	27,300	
EI	11,730	12,000	12,200	12,400	12,600	12,900	13,200	13,500	13,800	14,100	14,400	
EHT	12,260	12,500	12,800	13,100	13,400	13,700	14,000	14,300	14,600	14,900	15,200	
Extended Health	44,070	45,000	45,900	46,800	47,700	48,700	49,700	50,700	51,700	52,700	53,800	
Benefits - Complex Membership	300	300	300	300	300	300	300	300	300	300	300	
WSIB	17,810	18,200	18,600	19,000	19,400	19,800	20,200	20,600	21,000	21,400	21,800	
OMERS	64,800	66,100	67,400	68,700	70,100	71,500	72,900	74,400	75,900	77,400	78,900	
Life & LTD	16,300	16,600	16,900	17,200	17,500	17,900	18,300	18,700	19,100	19,500	19,900	
Retiree Benefits	18,050	18,400	18,800	19,200	19,600	20,000	20,400	20,800	21,200	21,600	22,000	
Benefits Part Time	3,750	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500	4,600	4,700	
Internal Benefit Allocation	14,744	15,000	15,300	15,600	15,900	16,200	16,500	16,800	17,100	17,400	17,700	
Rents and Services												
Office Supplies	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	
Dues, Memberships and Subscriptions	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	
Travel & Mileage	500	500	500	500	500	500	500	500	500	500	500	
Training	11,800	12,000	12,200	12,400	12,600	12,900	13,200	13,500	13,800	14,100	14,400	
Conferences	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Recruitment Expenses	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Uniforms & Clothing	9,000	9,200	9,400	9,600	9,800	10,000	10,200	10,400	10,600	10,800	11,000	
Sundry Expenses	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Professional Services	45,000	45,900	46,800	47,700	48,700	49,700	50,700	51,700	52,700	53,800	54,900	
Service Contracts	323,470	329,900	336,500	343,200	350,100	357,100	364,200	371,500	378,900	386,500	394,200	
Water Purchase from UWSS	3,902,117	4,003,900	4,173,400	4,349,100	4,531,200	4,719,000	4,912,400	5,111,600	5,316,900	5,530,900	5,753,900	

Table A-6 Continued
Municipality of Leamington
Water Services
Operating Budget Forecast
 Inflated \$

Description	Budget 2015	Forecast									
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Office Overhead											
Telecommunications Usage	8,700	8,900	9,100	9,300	9,500	9,700	9,900	10,100	10,300	10,500	10,700
Advertising & Promotion	750	800	800	800	800	800	800	800	800	800	800
Insurance - Liability	70,050	71,500	72,900	74,400	75,900	77,400	78,900	80,500	82,100	83,700	85,400
Internal Overhead Allocation	42,957	43,800	44,700	45,600	46,500	47,400	48,300	49,300	50,300	51,300	52,300
Office Equipment											
Office Equipment Rental/Lease	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Office Equipment Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Telecommunication Purchases (non TCA)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Telecommunication Maintenance & Support	500	500	500	500	500	500	500	500	500	500	500
Building Maintenance											
Total Wages and Benefits	7,750	7,900	8,100	8,300	8,500	8,700	8,900	9,100	9,300	9,500	9,700
Natural Gas	10,228	10,700	11,200	11,800	12,400	13,000	13,700	14,400	15,100	15,900	16,700
Electricity	12,699	13,300	14,000	14,700	15,400	16,200	17,000	17,900	18,800	19,700	20,700
Water	1,205	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200
Building Insurance	2,640	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	3,600
Project Materials	4,000	4,200	4,400	4,600	4,800	5,000	5,300	5,600	5,900	6,200	6,500
Service Contracts	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500	4,600	4,700	4,800
Garbage Collection	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Property Maintenance											
Total Wages and Benefits	1,382	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Project Equipment	100	100	100	100	100	100	100	100	100	100	100
Boil Water Advisory Notice											
Total Wages and Benefits	3,530	3,600	3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500
Project Materials	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000
Water Meter Maintenance											
Total Wages and Benefits	62,818	64,100	65,400	66,700	68,000	69,400	70,800	72,200	73,600	75,100	76,600
Project Materials	50,000	51,000	52,000	53,000	54,100	55,200	56,300	57,400	58,500	59,700	60,900
Hydrant Maintenance											
Total Wages and Benefits	73,768	75,200	76,700	78,200	79,800	81,400	83,000	84,700	86,400	88,100	89,900
Project Materials	15,000	15,300	15,600	15,900	16,200	16,500	16,800	17,100	17,400	17,700	18,100
Health and Safety											
Total Wages and Benefits	3,980	4,100	4,200	4,300	4,400	4,500	4,600	4,700	4,800	4,900	5,000
Project Materials	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900	4,000
Watermain Flushing and Maintenance											
Total Wages and Benefits	634,551	647,200	660,100	673,300	686,800	700,500	714,500	728,800	743,400	758,300	773,500
Project Materials	190,000	193,800	197,700	201,700	205,700	209,800	214,000	218,300	222,700	227,200	231,700
Project Contracts	6,000	6,100	6,200	6,300	6,400	6,500	6,600	6,700	6,800	6,900	7,000
Vehicle Maintenance											
Total Wages and Benefits	5,650	5,800	5,900	6,000	6,100	6,200	6,300	6,400	6,500	6,600	6,700
Vehicle Fuel	30,000	30,600	31,200	31,800	32,400	33,000	33,700	34,400	35,100	35,800	36,500
Vehicle Maintenance	8,000	8,200	8,400	8,600	8,800	9,000	9,200	9,400	9,600	9,800	10,000
Vehicle Licence	4,035	4,100	4,200	4,300	4,400	4,500	4,600	4,700	4,800	4,900	5,000
Vehicle Insurance	34,870	35,600	36,300	37,000	37,700	38,500	39,300	40,100	40,900	41,700	42,500
Equipment Maintenance											
Total Wages and Benefits	2,285	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Equipment Fuel	4,500	4,600	4,700	4,800	4,900	5,000	5,100	5,200	5,300	5,400	5,500
Equipment Insurance	360	400	400	400	400	400	400	400	400	400	400
Sub Total Operating	5,861,215	6,003,000	6,213,200	6,430,200	6,654,600	6,885,900	7,123,500	7,367,900	7,619,000	7,879,800	8,150,700

Table A-6 Continued
Municipality of Leamington
Water Services
Operating Budget Forecast
 Inflated \$

Description	Budget 2015	Forecast										
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Capital-Related												
Transfer to Development Charge - Greenhouse Discount	93,350	95,217	97,121	99,064	101,045	103,066	105,127	107,230	109,374	111,562	113,793	
Transfer to Development Charge - Non-Greenhouse Discount	35,170	45,335	31,063	-	-	-	-	-	-	-	-	
Transfer to Wheatley Watermain Reserve	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520	6,520	
Transfer to Water Meter Replacement Reserve	377,208	386,679	396,064	203,419	208,755	214,224	219,827	225,570	231,454	237,958	245,088	
Transfer to Water Reserve	1,343,769	1,360,892	1,487,046	1,841,875	1,977,652	2,120,714	2,272,285	2,432,308	2,601,447	2,785,623	2,985,389	
Sub Total Capital Related	1,856,016	1,894,642	2,017,814	2,150,878	2,293,972	2,444,523	2,603,759	2,771,627	2,948,795	3,141,662	3,350,791	
Total Expenditures	7,717,231	7,897,642	8,231,014	8,581,078	8,948,572	9,330,423	9,727,259	10,139,527	10,567,795	11,021,462	11,501,491	
Revenues												
Basic Water Charge	1,841,924	1,885,617	1,931,380	2,182,814	2,240,077	2,298,758	2,358,890	2,420,508	2,483,647	2,553,441	2,629,958	
Water Meter Replacement Charge	377,208	386,679	396,064	203,419	208,755	214,224	219,827	225,570	231,454	237,958	245,088	
Provincial Grant - SECC Student Job Creation	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Provincial Grant - RSJS Rural Summer Jobs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Urban Flat Rate	8,232	8,397	8,565	8,736	8,911	9,089	9,271	9,456	9,645	9,838	10,035	
Flat Rate Fire Line	1,764	1,799	1,835	1,872	1,909	1,948	1,987	2,026	2,067	2,108	2,150	
Private Hydrant Maintenance	1,770	1,805	1,842	1,878	1,916	1,954	1,993	2,033	2,074	2,115	2,158	
Water Service Connection Fee	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	30,500	
Wheatley Surcharge Harbour	6,520	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500	7,700	
Preferred Commercial Metered	267,017	272,357	277,804	283,360	289,028	294,808	300,704	306,718	312,853	319,110	325,492	
Water Buy-in Fee	25,000	25,500	26,000	26,500	27,000	27,500	28,100	28,700	29,300	29,900	30,500	
Sundry Revenue	368,320	375,700	383,200	390,900	398,700	406,700	414,800	423,100	431,600	440,200	449,000	
Investment Income	35,500	36,200	36,900	37,600	38,400	39,200	40,000	40,800	41,600	42,400	43,200	
Contributions from Development Charges Reserve Fund	353,254	-	-	-	-	-	-	-	-	-	-	
Contributions from Reserves / Reserve Funds	301,840	-	-	-	-	-	-	-	-	-	-	
Total Operating Revenue	3,615,348	3,028,254	3,098,390	3,172,479	3,250,696	3,330,780	3,412,872	3,496,911	3,582,939	3,676,470	3,777,781	
Water Billing Recovery - Operating	4,101,883	4,869,388	5,132,625	5,408,599	5,697,876	5,999,642	6,314,387	6,642,616	6,984,856	7,344,992	7,723,710	
Lifecycle Reserve Contribution (\$)												
Water Billing Recovery - Total	4,101,883	4,869,388	5,132,625	5,408,599	5,697,876	5,999,642	6,314,387	6,642,616	6,984,856	7,344,992	7,723,710	