

**City of Owen Sound**

**Water and Wastewater  
Ontario Regulation 453/07  
Financial Plans**

**Financial Plan #092-101**

March 31, 2015



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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

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# 1. Introduction

## 1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the City of Owen Sound (the City) to prepare a water and wastewater 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 City's water and wastewater systems has already been completed and documented by Watson within the "City of Owen Sound Water and Wastewater Rate Study, March 27, 2015" (2015 Rate Study). The objective of the report provided herein is to convert the findings of the 2015 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**

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 regards 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 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 plan is 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 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.

#### **1.2.4 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 plan 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 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 will be 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 requires further changes to the format of existing financial statements. From a financial planning perspective, this change is significant for water and wastewater assets as they can represent a significant portion of the City'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 now 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**

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

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

**Figure 1-2**  
**Statement of Operations**

**OLD FORMAT (PRE-2009)**

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

**2009 AND FUTURE**

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

**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
<b>Sub-total</b>
Less: Acquisition of supplies inventory
Less: Acquisition of prepaid expenses
Add: Consumption of supplies inventory
Add: Use of prepaid expenses
<b>Sub-total</b>
<b>(Increase)/Decrease in net financial assets/net debt</b>
<b>Net financial assets/(net debt), beginning of year</b>
<b>Net financial assets/(net debt), end of year</b>

**Figure 1-4**  
**Statement of Cash Flow<sup>1</sup>**

DIRECT METHOD	INDIRECT METHOD
<p><b><u>Operating Transactions</u></b> Cash received from:   Water Operations Less: Cash paid for:   Operating expenses   Finance charges</p>	<p><b><u>Operating Transactions</u></b> 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>
<b>Cash provided by operating transactions</b>	<b>Cash provided by operating transactions</b>
<p><b><u>Capital Transactions</u></b> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>	<p><b><u>Capital Transactions</u></b> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>
<b>Cash applied to capital transactions</b>	<b>Cash applied to capital transactions</b>
<p><b><u>Investing Transactions</u></b> Proceeds from investments Less: Cash used to acquire investments</p>	<p><b><u>Investing Transactions</u></b> Proceeds from investments Less: Cash used to acquire investments</p>
<b>Cash provided by (applied to) investing transactions</b>	<b>Cash provided by (applied to) investing transactions</b>
<p><b><u>Financing Transactions</u></b> Proceeds from debt issue Less: Debt repayment (Principal only)</p>	<p><b><u>Financing Transactions</u></b> Proceeds from debt issue Less: Debt repayment (Principal only)</p>
<b>Cash applied to financing transactions</b>	<b>Cash applied to financing transactions</b>
<b>Increase in cash and cash equivalents</b>	<b>Increase in cash and cash equivalents</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>Cash and cash equivalents, beginning of year</b>
<b>Cash and cash equivalents, end of year</b>	<b>Cash and cash equivalents, end of year</b>

<sup>1</sup> 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.

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## 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: 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* 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; create opportunities for economic development and clean-technology jobs; and 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 stormwater.

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.

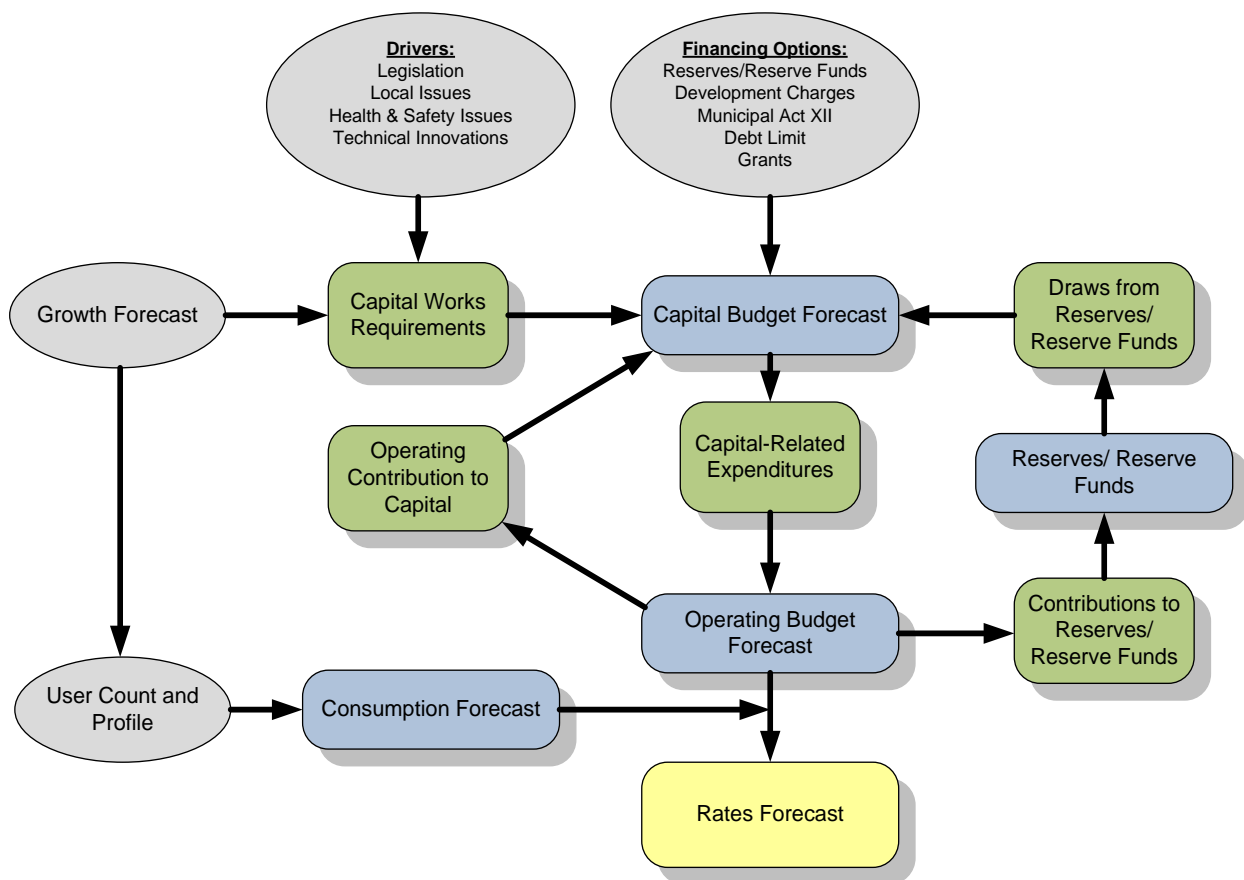
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details 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 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2015 Rate Study conducted on behalf of the City. 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 2015 Rate Study provides a sound financial plan for the City’s water and wastewater system 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 City 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 2015 Rate Study are contained in Appendix A. A summary of the water and wastewater rates projected for the City are as follows:

**Forecasted Water Base Charges and Volumetric Rates**

Description	2015	2016	2017	2018	2019	2020
<b>Base Charges - By Meter Size</b>						
5/8"	\$24.17	\$24.66	\$25.15	\$25.65	\$26.17	\$26.69
3/4"	\$29.42	\$30.01	\$30.61	\$31.22	\$31.84	\$32.48
1"	\$38.11	\$38.87	\$39.65	\$40.44	\$41.25	\$42.07
1 1/2"	\$55.59	\$56.70	\$57.84	\$58.99	\$60.17	\$61.38
2"	\$108.33	\$110.50	\$112.71	\$114.97	\$117.26	\$119.61
3"	\$178.01	\$181.57	\$185.20	\$188.91	\$192.68	\$196.54
4"	\$265.42	\$270.73	\$276.15	\$281.67	\$287.30	\$293.05
6"	\$352.83	\$359.88	\$367.08	\$374.42	\$381.91	\$389.55
8"	\$527.67	\$538.22	\$548.98	\$559.96	\$571.16	\$582.59
<b>Volume Rates</b>						
Block 1 - Up to 110m <sup>3</sup> per month	\$ 1.365	\$ 1.406	\$ 1.448	\$ 1.491	\$ 1.536	\$ 1.582
Block 2 - Over 110m <sup>3</sup> per month	\$ 1.534	\$ 1.580	\$ 1.627	\$ 1.676	\$ 1.726	\$ 1.778

**Forecasted Wastewater Base Charges and Volumetric Rates**

Description	2015	2016	2017	2018	2019	2020
<b>Base Charges - By Meter Size</b>						
5/8"	\$24.53	\$25.39	\$26.28	\$27.20	\$28.15	\$29.13
3/4"	\$29.85	\$30.89	\$31.98	\$33.09	\$34.25	\$35.45
1"	\$38.67	\$40.02	\$41.42	\$42.87	\$44.37	\$45.92
1 1/2"	\$56.41	\$58.38	\$60.43	\$62.54	\$64.73	\$66.99
2"	\$109.93	\$113.77	\$117.76	\$121.88	\$126.14	\$130.56
3"	\$180.63	\$186.95	\$193.49	\$200.27	\$207.28	\$214.53
4"	\$269.33	\$278.75	\$288.51	\$298.61	\$309.06	\$319.88
6"	\$358.02	\$370.55	\$383.52	\$396.94	\$410.83	\$425.21
8"	\$535.43	\$554.17	\$573.56	\$593.64	\$614.41	\$635.92
<b>Volume Rates</b>						
Block 1 - Up to 110m <sup>3</sup> per month	\$ 1.371	\$ 1.419	\$ 1.469	\$ 1.520	\$ 1.574	\$ 1.629
Block 2 - Over 110m <sup>3</sup> per month	\$ 1.541	\$ 1.595	\$ 1.651	\$ 1.709	\$ 1.768	\$ 1.830

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## 3. Approach

### 3.1 Overview

The 2015 Rate Study 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. It is noted that financial plans have been prepared for both water and wastewater; however, the focus of the remaining chapters will be on water only. The complete financial plan for wastewater is provided in Appendix B.

### 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 2015 Rate Study as well as part of the City's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2015 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 2015 Rate Study. However, these estimates only represent future assets that the City anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the City). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

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

As per section 1.2.5 above, the new Statement of Operations eliminates and/or adds certain transactions that have been reported differently by municipalities since 2009 (see Figure 3-1). A wide range of adjustments will be considered and will depend on the size and complexity of the system. For example, the revenues and expenses associated with the now obsolete Statement of Capital and Statement of Reserves and Reserve Funds (see Section 1.2.5) will need to be adjusted for and included within the Statement of Operations. This includes all non-tangible capital asset costs previously included in the capital statement (i.e. expenses related to various studies) while at the same time eliminating all expenditures incurred to acquire tangible capital assets which will now form part of the tangible capital asset balance discussed in section 3.2.1. Transfers to and from reserves are no longer explicitly reported on the Statement of Operations. Instead, these transactions are represented by changes in cash and accumulated surplus. Also, debt repayment costs relating to the principal payment portion only need to be removed, as they no longer qualify as an expense for reporting purposes. Principal payments will now be reported as a decrease in debt liability on the Statement of Financial Position. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets will be reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives.

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	2,377,629			2,377,629	Base Charge Revenue
Rate Based Revenue	3,286,790			3,286,790	Rate Based Revenue
Transfers from Reserves	62,465	62,465			
Other Revenue	165,000		62,465	62,465	Earned Development Charges and Gas Tax Revenue
<b>Total Revenues</b>	<b>5,891,885</b>		31,157	<b>5,923,042</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenditures</b>
Operating Capital	3,255,300	78,000		3,333,300	Operating Expenses
Transfers to Reserves	2,109,841		2,109,841		
Debt Repayment (Principal & Interest)	526,744		465,083	61,662	Interest on Debt
		651,167		651,167	Amortization
				-	Loss on Disposal of Tangible Capital Assets
<b>Total Expenditures</b>	<b>5,891,885</b>			<b>4,046,129</b>	<b>Total Expenditures</b>
<b>Net Expenditures</b>	<b>-</b>			<b>1,876,913</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			23,897,306	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>1,876,913</b>	<b>-</b>	<b>25,774,219</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>2,668,545</b>	<b>2,668,546</b>		

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

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

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). 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 City 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 City 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  
Statement of Financial Position (Water)**

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	2,153,836			2,149,740	Cash
Accounts Receivable	491,336			504,427	Accounts Receivable
<b>Total Financial Assets</b>	<b>2,645,172</b>			<b>2,654,167</b>	<b>Total Financial Assets</b>
<b>LIABILITIES</b>					<b>LIABILITIES</b>
Accounts Payable & Accrued Liabilities	363,380			372,375	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	1,345,926			1,345,926	Debt (Principal only)
Deferred Revenue	173,516			173,516	Deferred Revenue
<b>Total Liabilities</b>	<b>1,882,822</b>			<b>1,891,817</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>762,350</b>			<b>762,350</b>	<b>Net Financial Assets/(Debt)</b>
		25,089,869	78,000	25,011,869	<b>Non-Financial Assets</b>
					Tangible Capital Assets
				<b>25,011,869</b>	<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Water Reserves	2,108,276	2,108,276			
Development Charge Reserve Fund	173,516	173,516			
Amounts to be Recovered	(1,519,442)		1,519,442		
<b>Total Municipal Position</b>	<b>762,350</b>		25,774,219	<b>25,774,219</b>	<b>Accumulated Surplus/(Deficit), end of year</b>

<b>TOTAL ADJUSTMENTS</b>	<b>27,371,661</b>	<b>27,371,661</b>
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**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 City 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 City's ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

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

- b) Amortization Expense – The method and timing of amortization should be based on the City'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 2015 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the City’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.



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## 4. Financial Plan

### 4.1 Introduction

The following tables provide the complete financial plan for the City'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 City's water system. It is not an audited document<sup>1</sup> 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 City'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 in 2015, the City's water system will be in a net financial asset position of approximately \$762,350. After 2015, the financial plan forecasts an improving net financial asset/(debt) position in each subsequent year of the forecast period with the exception of 2019 (due to planned debt issuances). Net financial assets are projected to grow to over \$5.9 million by the end of 2020.

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:

- Tangible capital assets such as water mains and treatment plants are imperative to water service delivery.

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

- 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 grow by approximately \$7.5 million over the 6-year forecast period. This indicates that the City 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 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 decreasing from 68% to 63% over the forecast period and as a result, annual surplus grows from just under \$1.9 million to over \$2.7 million by 2020. 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 \$13.3 million to a 2014 accumulated surplus of \$23.9 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. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that forecasted tangible capital asset acquisitions (net of amortization for the year) exceed the forecasted annual surplus for 2019, resulting in a decrease in net financial assets in that year. This is due to the planned use of debt to construct tangible capital assets in 2019. In each of the remaining years (2015 to 2018; and 2020), forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in annual increases to net financial assets. This allows for a long term plan of funding capital through accumulated surplus (i.e. reserves and reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 1.41 to 1.50 over the forecast period.<sup>1</sup>

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

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash 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 City's water system to improve from a balance of approximately \$1.9 million at the beginning of 2015, to just over \$9.5 million by the end of 2020. For further discussions, on projected cash balances please refer to the Notes to the Financial Plan.

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

**Table 4-1**  
**Statement of Financial Position: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Financial Assets</b>							
Cash	1	2,149,740	2,840,853	4,744,694	6,273,820	7,717,641	9,514,430
Accounts Receivable	1	504,427	518,315	532,595	547,278	562,376	577,901
Accounts Receivable - Other	3	-	-	-	-	-	428,558
Total Financial Assets		2,654,167	3,359,168	5,277,289	6,821,098	8,280,017	10,520,889
<b>Liabilities</b>							
Accounts Payable & Accrued Liabilities	1	372,375	381,560	390,986	400,709	410,707	421,037
Debt (Principal only)	2	1,345,926	1,046,463	699,229	632,324	4,597,437	4,196,796
Deferred Revenue	3	173,516	158,958	140,202	118,881	93,618	-
Total Liabilities		1,891,817	1,586,981	1,230,417	1,151,914	5,101,762	4,616,833
<b>Net Financial Assets/(Debt)</b>		<b>762,350</b>	<b>1,772,187</b>	<b>4,046,872</b>	<b>5,669,184</b>	<b>3,178,255</b>	<b>5,904,056</b>
<b>Non-Financial Assets</b>							
Tangible Capital Assets	4	25,011,869	26,034,984	25,892,709	26,491,625	31,316,915	31,322,405
Total Non-Financial Assets		25,011,869	26,034,984	25,892,709	26,491,625	31,316,915	31,322,405
<b>Accumulated Surplus/(Deficit)</b>	5	<b>25,774,219</b>	<b>27,807,171</b>	<b>29,939,581</b>	<b>32,160,809</b>	<b>34,495,170</b>	<b>37,226,461</b>
<b>Financial Indicators</b>							
1) Increase/(Decrease) in Net Financial Assets		5,876,786	1,009,837	2,274,685	1,622,312	(2,490,929)	2,725,801
2) Increase/(Decrease) in Tangible Capital Assets		7,452,369	1,023,115	(142,275)	598,916	4,825,290	5,490
3) Increase/(Decrease) in Accumulated Surplus		13,329,155	2,032,952	2,132,410	2,221,228	2,334,361	2,731,291

**Table 4-2**  
**Statement of Operations: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast							
		2015	2016	2017	2018	2019	2020		
<b>Water Revenue</b>									
Base Charge Revenue		2,377,629	2,429,916	2,483,343	2,537,936	2,593,718	2,650,717		
Rate Based Revenue		3,286,790	3,390,454	3,497,380	3,607,670	3,721,430	3,838,769		
Earned Development Charges Revenue	3	62,465	67,275	75,193	79,821	84,545	89,269		
Other Revenue	6	196,158	206,656	235,139	258,127	279,911	314,260		
Total Revenues		5,923,042	6,094,301	6,291,055	6,483,554	6,679,604	7,378,652		
<b>Water Expenses</b>									
Operating Expenses	Sch. 4-1	3,333,300	3,335,600	3,418,000	3,524,000	3,590,400	3,680,700		
Interest on Debt	2	61,662	46,864	34,370	23,242	21,133	160,151		
Amortization	4	651,167	678,885	706,275	715,084	733,710	806,510		
Total Expenses		4,046,129	4,061,349	4,158,645	4,262,326	4,345,243	4,647,361		
<b>Annual Surplus/(Deficit)</b>		<b>1,876,913</b>	<b>2,032,952</b>	<b>2,132,410</b>	<b>2,221,228</b>	<b>2,334,361</b>	<b>2,731,291</b>		
Accumulated Surplus/(Deficit), beginning of year	5	23,897,306	25,774,219	27,807,171	29,939,581	32,160,809	34,495,170		
Accumulated Surplus/(Deficit), end of year		25,774,219	27,807,171	29,939,581	32,160,809	34,495,170	37,226,461		
<b>Note 5:</b>									
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>									
<b>Reserve Balances</b>									
Reserves: Development Charges		173,516	158,958	140,202	118,881	93,618	(428,558)		
Reserves: Capital/Other		2,108,276	2,818,650	4,746,101	6,301,508	7,775,692	10,099,852		
<b>Total Reserves Balance</b>		<b>2,281,792</b>	<b>2,977,608</b>	<b>4,886,303</b>	<b>6,420,389</b>	<b>7,869,310</b>	<b>9,671,294</b>		
Less: Debt Obligations and Deferred Revenue		(1,519,442)	(1,205,421)	(839,431)	(751,205)	(4,691,055)	(3,767,238)		
Add: Tangible Capital Assets	4	25,011,869	26,034,984	25,892,709	26,491,625	31,316,915	31,322,405		
<b>Total Ending Balance</b>		<b>25,774,219</b>	<b>27,807,171</b>	<b>29,939,581</b>	<b>32,160,809</b>	<b>34,495,170</b>	<b>37,226,461</b>		
<b>Financial Indicators</b>									
<b>Total Change</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>		
1) Expense to Revenue Ratio		68%	67%	66%	66%	65%	63%		
2) Increase/(Decrease) in Accumulated Surplus		1,876,913	2,032,952	2,132,410	2,221,228	2,334,361	2,731,291		

**Schedule 4-1**  
**Statement of Operating Expenses: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Operating Expenses</b>							
Water General		1,089,800	1,111,400	1,133,500	1,155,900	1,178,900	1,202,200
Water Section Payroll		30,300	30,700	31,000	31,400	31,800	32,200
Water Distribution		1,021,200	1,041,600	1,062,300	1,083,500	1,105,000	1,127,100
Water Treatment		1,054,000	1,090,000	1,127,400	1,166,400	1,206,900	1,249,200
Water Equipment		60,000	61,900	63,800	65,800	67,800	70,000
Non TCA - Expenses from Capital Budget	7	78,000	-	-	21,000	-	-
<b>TOTAL OPERATING EXPENSES</b>		<b>3,333,300</b>	<b>3,335,600</b>	<b>3,418,000</b>	<b>3,524,000</b>	<b>3,590,400</b>	<b>3,680,700</b>

**Table 4-3**  
**Statement of Changes in Net Financial Assets/Debt: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast					
		2015	2016	2017	2018	2019	2020
Annual Surplus/(Deficit)		1,876,913	2,032,952	2,132,410	2,221,228	2,334,361	2,731,291
Less: Acquisition of Tangible Capital Assets	4	(1,793,000)	(1,702,000)	(564,000)	(1,314,000)	(5,559,000)	(812,000)
Add: Amortization of Tangible Capital Assets	4	651,167	678,885	706,275	715,084	733,710	806,510
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(1,141,833)	(1,023,115)	142,275	(598,916)	(4,825,290)	(5,490)
Net Financial Assets/(Net Debt), beginning of year		735,080	1,009,837	2,274,685	1,622,312	(2,490,929)	2,725,801
Net Financial Assets/(Net Debt), end of year		27,270	762,350	1,772,187	4,046,872	5,669,184	3,178,255
		<b>762,350</b>	<b>1,772,187</b>	<b>4,046,872</b>	<b>5,669,184</b>	<b>3,178,255</b>	<b>5,904,056</b>
<b>Financial Indicators</b>							
1) Acquisition of Tangible Capital Assets (Cumulative)		1,793,000	3,495,000	4,059,000	5,373,000	10,932,000	11,744,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		2,528,080	5,239,917	8,078,602	11,014,914	14,082,985	17,620,786
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.41	1.50	1.99	2.05	1.29	1.50

**Table 4-4**  
**Statement of Cash Flow – Indirect Method: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Operating Transactions</b>							
Annual Surplus/Deficit		1,876,913	2,032,952	2,132,410	2,221,228	2,334,361	2,731,291
Add: Amortization of TCA's	4	651,167	678,885	706,275	715,084	733,710	806,510
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(62,465)	(67,275)	(75,193)	(79,821)	(84,545)	(574,906)
Add: Deferred Revenue Proceeds		51,687	52,717	56,437	58,501	59,282	52,731
Change in A/R (Increase)/Decrease		(13,090)	(13,889)	(14,279)	(14,685)	(15,097)	(15,527)
Change in A/P Increase/(Decrease)		8,995	9,185	9,426	9,723	9,998	10,330
Less: Interest Proceeds		(31,157)	(41,655)	(70,139)	(93,126)	(114,912)	(149,259)
Cash Provided by Operating Transactions		2,482,050	2,650,920	2,744,937	2,816,904	2,922,797	2,861,170
<b>Capital Transactions</b>							
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(1,793,000)	(1,702,000)	(564,000)	(1,314,000)	(5,559,000)	(812,000)
Cash Applied to Capital Transactions		(1,793,000)	(1,702,000)	(564,000)	(1,314,000)	(5,559,000)	(812,000)
<b>Investing Transactions</b>							
Proceeds from Investments		31,157	41,655	70,139	93,126	114,912	149,259
Cash Provided by (applied to) Investing Transactions		31,157	41,655	70,139	93,126	114,912	149,259
<b>Financing Transactions</b>							
Proceeds from Debt Issue	2	40,000	65,850	38,490	39,290	4,078,140	62,730
Less: Debt Repayment (Principal only)	2	(465,083)	(365,312)	(385,725)	(106,194)	(113,028)	(464,370)
Cash Applied to Financing Transactions		(425,083)	(299,462)	(347,235)	(66,904)	3,965,112	(401,640)
Increase in Cash and Cash Equivalents		295,124	691,113	1,903,841	1,529,126	1,443,821	1,796,789
Cash and Cash Equivalents, beginning of year	1	1,854,616	2,149,740	2,840,853	4,744,694	6,273,820	7,717,641
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>2,149,740</b>	<b>2,840,853</b>	<b>4,744,694</b>	<b>6,273,820</b>	<b>7,717,641</b>	<b>9,514,430</b>



## **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 City of Owen Sound, some of the items listed above have been estimated given that the City does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).

The assumptions used have been documented below:

1. Cash, Receivables and Payables

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

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

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

- a) Receivables: Based on historical levels of receivables as a percentage of annual revenue earned (source: general ledger summary of Waterworks Receivables); and
- b) Payables: Based on historical levels of payables as a percentage of annual expenses incurred (source: prior years audited financial statements).

2. Debt

Outstanding water related debt at the end of 2014 was \$1,251,508, with additional debt proceeds anticipated over the forecast period. Principal repayments for existing and new debt over the forecast period are scheduled as follows:

Year	Principal Payments
2015	465,083
2016	365,312
2017	385,725
2018	106,194
2019	113,028
2020	464,370
<b>Total</b>	<b>\$ 1,899,712</b>

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/Accounts Receivable-Other

Deferred revenue is 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.

In 2020, the balance of the water development charge reserve fund reflects a shortfall which is considered to be owing from the development community for financial planning purposes. Therefore a financial asset is identified as “Accounts Receivable-Other” on Table 4-1.

### 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. Vehicles
  - iv. Machinery
  - v. Information Technology
  - vi. Land
  - vii. Land Improvements
- Amortization is calculated based on the prior year’s annual amortization plus a provision for amortization applied to both anticipated tangible capital asset acquisitions and work-in-progress.
- Given the planned asset replacement forecast in the 2015 Rate Study, useful life on acquisitions is assumed to be equal to typical useful life estimates used in other municipalities for 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 City is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:

<b>Asset Historical Cost</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Opening Tangible Capital Asset Balance	51,531,446	53,221,977	54,811,618	55,336,469	56,582,314	62,045,610
Acquisitions	1,793,000	1,702,000	564,000	1,314,000	5,559,000	812,000
Disposals	102,469	112,359	39,149	68,155	95,704	90,098
<b>Closing Tangible Capital Asset Balance</b>	<b>53,221,977</b>	<b>54,811,618</b>	<b>55,336,469</b>	<b>56,582,314</b>	<b>62,045,610</b>	<b>62,767,512</b>
Opening Accumulated Amortization	27,661,410	28,210,108	28,776,634	29,443,760	30,090,689	30,728,695
Amortization Expense	651,167	678,885	706,275	715,084	733,710	806,510
Amortization on Disposal	102,469	112,359	39,149	68,155	95,704	90,098
<b>Ending Accumulated Amortization</b>	<b>28,210,108</b>	<b>28,776,634</b>	<b>29,443,760</b>	<b>30,090,689</b>	<b>30,728,695</b>	<b>31,445,107</b>
<b>Net Book Value</b>	<b>25,011,869</b>	<b>26,034,984</b>	<b>25,892,709</b>	<b>26,491,625</b>	<b>31,316,915</b>	<b>31,322,405</b>

## 5. Accumulated Surplus

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

<b>Wastewater</b>	<b>2015 Opening Accumulated Surplus</b>
<b>Reserve Balances</b>	
Reserves: Development Charges	184,294
Reserves: Capital/Other	1,798,278
<b>Total Reserves Balance</b>	<b>1,982,572</b>
Less: Debt Obligations and Deferred Revenue	(1,955,302)
Add: Tangible Capital Assets	23,870,036
<b>Total Opening Balance</b>	<b>23,897,306</b>

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

6. Other Revenue

Other revenue includes interest, frontage charges, equipment rental and other non-operating general revenues.

7. Operating Expenses

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

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

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

1. The financial plan must be approved by resolution of the municipality who owns the drinking water system or the governing body of the owner. (O.Reg. 453/07, Section 3 (1) 1)
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O.Reg. 453/07, Section 3 (1) 5)
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The owner of the drinking water system must provide proof satisfactory to the 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 and wastewater financial plan for the City of Owen Sound 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 2015 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The City of Owen Sound Water and Wastewater Financial Plan prepared by Watson & Associates Economists Ltd. dated March 31, 2015 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 and Wastewater 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 Financial Plan, the Council Resolution approving the Financial Plan, and the Water and Wastewater Rate Study underpinning 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 – 2015 Water and Wastewater Rate Study – Summary Tables**



## **Appendix A – 2015 Water and Wastewater Rate Study – Summary Tables**

- Page A-3 to A-8 Water Services - Capital Budget, Debenture Schedules, Reserve Schedules, Operating Budget and Proposed Rates
- Page A-9 to A-14 Wastewater Services - Capital Budget, Debenture Schedules, Reserve Schedules, Operating Budget and Proposed Rates

**Table A-1  
City of Owen Sound  
Water Service  
Capital Budget Forecast  
Inflated \$**

Description	Total	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Capital Expenditures</b>							
<b>Distribution</b>	-						
Water Meter Conversion and Calibrations	95,000	15,000	15,000	16,000	16,000	16,000	17,000
Hydrant Painting and Flow Rate Colour Coding for Fire Dept	-	-	-	-	-	-	-
Water System Modelling and Assessment : City Share	10,000	10,000	-	-	-	-	-
Engineering: Cathodic Protection Rehab	-	-	-	-	-	-	-
Spring Watermain Inplace Repair trial (one block)	102,000	-	102,000	-	-	-	-
Leak Detection Survey	41,000	20,000	-	-	21,000	-	-
Cross Connection Control Program	50,000	50,000	-	-	-	-	-
	-						
<b>Water Treatment Plant</b>	-						
Replace Other Older Actuated Valves	-	-	-	-	-	-	-
Analysers/Instruments/Metering Pumps	41,000	41,000	-	-	-	-	-
Filter Effluent Valves Filter 1 and 4 (Carry over from 2011)	-	-	-	-	-	-	-
DWQMS (incl Training)	20,000	20,000	-	-	-	-	-
WTP / BOOSTER Condition Assessment	-	-	-	-	-	-	-
Lone Worker Protection System	7,000	7,000	-	-	-	-	-
Replacement Chlorinators	-	-	-	-	-	-	-
Replacement Flocculators	-	-	-	-	-	-	-
Improvements related to energy efficiency	-	-	-	-	-	-	-
Isolation valve MHL Header, and Mag meter	-	-	-	-	-	-	-
Piping rehabilitation/maintenance WTP	-	-	-	-	-	-	-
Annual Capital Maintenance	252,000	40,000	41,000	42,000	42,000	43,000	44,000
Valve Actuator Replacement Program	240,000	38,000	39,000	40,000	40,000	41,000	42,000
Replace Critical Valve/Level Controls	80,000	80,000	-	-	-	-	-
Phone Upgrade to VOIP	-	-	-	-	-	-	-
WTP Share: WWTP/WTP IT Network	-	-	-	-	-	-	-
Building Rehabilitation WTP i/c doors etc	51,000	25,000	10,000	16,000	-	-	-
Major Pump Replacements WTP	60,000	40,000	20,000	-	-	-	-
Coagulant Chemical Pumps	-	-	-	-	-	-	-
Old Spring System Decommissioning	117,000	-	-	21,000	96,000	-	-
Upgrade differential pressure meters to mags	71,000	35,000	36,000	-	-	-	-
	-						
<b>Full Reconstruction</b>	-						
8th St E - 5th Ave E to 7th Ave E - Ryerson Park	512,000	512,000	-	-	-	-	-
3rd Ave E/Grey Rd. 5 - 22nd St E to E. Bayshore Rd.	437,000	437,000	-	-	-	-	-
6th Ave W - 21st St W northerly to 22nd St W & 22nd St W storm sewer - 6th Ave W to 7th Ave W	350,000	10,000	340,000	-	-	-	-
12th St E - 3rd Ave E to 4th Ave E	146,000	-	7,000	139,000	-	-	-
12th St W - 4th Ave W to 6th Ave W	389,000	-	-	35,000	354,000	-	-
9th Ave E - 21st St E to 23rd St E	317,000	-	-	-	28,000	289,000	-
	-						
<b>Grey County Road Reconstruction</b>	-						
2nd Ave E/GR 5 - 1st St SW to 1st St E - Watermain replacement & HP Road reconstruction.	281,000	-	281,000	-	-	-	-
2nd Ave W/GR 1 - 10th St W to 14th St W - Replace Water and Sewer Mains	478,000	-	-	-	478,000	-	-
3rd Ave E/GR 15 - 10th St E to 18th St E - Replace Water and Sewer Mains	866,000	-	-	-	-	866,000	-
	-						
<b>Growth Related:</b>	-						
Various Mechanical/Electrical Upgrades	439,000	-	-	-	-	-	439,000
Air Scour Backwash Filter Upgrade	306,000	-	306,000	-	-	-	-
SCADA Computer and Software Upgrade	-	-	-	-	-	-	-
#4 Filter Media Replacement	51,000	-	51,000	-	-	-	-
East Hill Booster Zone Water System pumping storage	-	-	-	-	-	-	-
Misc. Watermain Capital Reinvestment	1,345,000	150,000	230,000	234,000	239,000	244,000	248,000
Cathodic Protection Rehabilitation	504,000	300,000	204,000	-	-	-	-
Truck Main Valve Chamber Rehabilitation	126,000	20,000	20,000	21,000	21,000	22,000	22,000
	-						

Description	Total	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Sydenham Heights Area Specific</b>	-						
Trunk Watermain on 8th St E from Hospital to 28th Ave E	1,031,000	-	-	-	-	1,031,000	-
Trunk Watermain on 28th Ave E from 8th St E to 420m Northerly	641,000	-	-	-	-	641,000	-
Trunk Watermain on Rail Trail	367,000	-	-	-	-	367,000	-
Trunk Watermain between Van Doler (6) and Fenwick (7)	394,000	-	-	-	-	394,000	-
Booster Pumping Station Improvements*	242,000	-	-	-	-	242,000	-
Water Tower	1,363,000	-	-	-	-	1,363,000	-
<b>Studies:</b>	-						
Water & Wastewater Rate Study and Water Financial Plan	21,000	21,000	-	-	-	-	-
<b>Lifecycle:</b>	-						
East Hill Booster Pumping Station	-	-	-	-	-	-	-
Beattie Street Booster Pumping Station	-	-	-	-	-	-	-
Watermains	-	-	-	-	-	-	-
Water Valves	-	-	-	-	-	-	-
Fire Hydrants	-	-	-	-	-	-	-
<b>Total Capital Expenditures</b>	<b>11,843,000</b>	<b>1,871,000</b>	<b>1,702,000</b>	<b>564,000</b>	<b>1,335,000</b>	<b>5,559,000</b>	<b>812,000</b>
<b>Capital Financing</b>							
Provincial/Federal Grants	-	-	-	-	-	-	-
Development Charges Reserve Fund (City Wide)	-	-	-	-	-	-	-
Development Charges Reserve Fund (Sydenham)	-	-	-	-	-	-	-
Non-Growth Related Debenture Requirements	-	-	-	-	-	-	-
Growth Related Debenture Requirements (City Wide)	286,500	40,000	65,850	38,490	39,290	40,140	62,730
Growth Related Debenture Requirements (Sydenham Heights)	4,038,000	-	-	-	-	4,038,000	-
Lifecycle Reserve Fund	-	-	-	-	-	-	-
Water Reserve	7,518,500	1,831,000	1,636,150	525,510	1,295,710	1,480,860	749,270
Water Equipment Reserve	-	-	-	-	-	-	-
<b>Total Capital Financing</b>	<b>11,843,000</b>	<b>1,871,000</b>	<b>1,702,000</b>	<b>564,000</b>	<b>1,335,000</b>	<b>5,559,000</b>	<b>812,000</b>

**Table A-2**  
**City of Owen Sound**  
**Water Service**  
**City Wide - Schedule of Growth Related Debenture Repayments**  
**Inflated \$**

Debenture Year	Principal (Inflated)	Forecast					
		2015	2016	2017	2018	2019	2020
2014	519,500	62,465	62,465	62,465	62,465	62,465	62,465
2015	40,000		4,810	4,810	4,810	4,810	4,810
2016	65,850			7,918	7,918	7,918	7,918
2017	38,490				4,628	4,628	4,628
2018	39,290					4,724	4,724
2019	40,140						4,826
2020	62,730						
2021	-						
2022	-						
2023	-						
2024	-						
<b>Total Annual Debt Charges</b>	<b>806,000</b>	<b>62,465</b>	<b>67,275</b>	<b>75,193</b>	<b>79,821</b>	<b>84,545</b>	<b>89,372</b>

**Table A-3**  
**City of Owen Sound**  
**Water Service**  
**Sydenham Heights - Schedule of Growth Related Debenture Repayments**  
**Inflated \$**

Debenture Year	Principal (Inflated)	Forecast					
		2015	2016	2017	2018	2019	2020
2015	-		-	-	-	-	-
2016	-			-	-	-	-
2017	-				-	-	-
2018	-					-	-
2019	4,038,000						485,535
2020	-						
2021	-						
2022	-						
2023	-						
2024	-						
<b>Total Annual Debt Charges</b>	<b>4,038,000</b>	-	-	-	-	-	485,535

**Table A-4**  
**City of Owen Sound**  
**Water Service**  
**Water Reserves/ Reserve Funds Continuity**  
**Inflated \$**

Description	2015	2016	2017	2018	2019	2020
Opening Balance	1,414,159	1,672,720	2,330,886	4,205,346	5,706,966	7,126,558
Transfer from Operating	2,064,841	2,259,869	2,337,822	2,712,991	2,795,133	2,879,171
Transfer to Capital	1,831,000	1,636,150	525,510	1,295,710	1,480,860	749,270
Transfer to Operating	-	-	-	-	-	-
Closing Balance	1,648,000	2,296,439	4,143,198	5,622,627	7,021,240	9,256,459
Interest	24,720	34,447	62,148	84,339	105,319	138,847

**Table A-5**  
**City of Owen Sound**  
**Water Service**  
**Water Reserves/ Reserve Funds Continuity - Equipment**  
**Inflated \$**

Description	2015	2016	2017	2018	2019	2020
Opening Balance	384,119	435,555	487,764	540,755	594,541	649,135
Transfer from Operating	45,000	45,000	45,000	45,000	45,000	45,000
Transfer to Capital	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-
Closing Balance	429,119	480,555	532,764	585,755	639,541	694,135
Interest	6,437	7,208	7,991	8,786	9,593	10,412

**Table A-6**  
**City of Owen Sound**  
**Water Service**  
**City Wide - Water Development Charges Reserve Fund Continuity**  
**Inflated \$**

Description	2015	2016	2017	2018	2019	2020
Opening Balance	184,294	125,434	61,106	(9,146)	(83,736)	(164,093)
Development Charge Proceeds	1,752	2,044	5,076	6,468	6,614	6,749
Transfer to Capital	-	-	-	-	-	-
Transfer to Operating	62,465	67,275	75,193	79,821	84,545	89,372
Closing Balance	123,580	60,203	(9,011)	(82,499)	(161,668)	(246,715)
Interest	1,854	903	(135)	(1,237)	(2,425)	(3,701)
Required from Development Charges	40,000	65,850	38,490	39,290	40,140	62,730

**Table A-7**  
**Water Service**  
**Water Service**  
**Sydenham Heights - Water Development Charges Reserve Fund Continuity**  
**Inflated \$**

Description	2015	2016	2017	2018	2019	2020
Opening Balance	-	48,082	97,852	149,348	202,618	257,711
Development Charge Proceeds	47,371	48,324	49,289	50,276	51,284	52,314
Transfer to Capital	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	485,535
Closing Balance	47,371	96,406	147,141	199,624	253,902	(175,509)
Interest	711	1,446	2,207	2,994	3,809	(2,633)
Required from Development Charges	-	-	-	-	4,038,000	-

**Table A-8**  
**City of Owen Sound**  
**Water Services**  
**Operating Budget Forecast**  
**Inflated \$**

Description	Forecast					
	2015	2016	2017	2018	2019	2020
<b>Expenditures</b>						
<u>Operating Costs</u>						
<b>WATER GENERAL:</b>						
WAGES-FULL TIME	-	-	-	-	-	-
WATER DIRECT LABOUR	55,100	56,200	57,300	58,400	59,600	60,800
PAYROLL DOWNTIME BURDEN	15,700	16,000	16,300	16,600	16,900	17,200
PAYROLL BENEFIT OVERHEAD	14,900	15,200	15,500	15,800	16,100	16,400
CLOTHING & C. ALLOWANCE	600	600	600	600	600	600
PENSIONERS BENEFITS	12,800	13,100	13,400	13,700	14,000	14,300
CAR ALLOWANCES	1,500	1,500	1,500	1,500	1,500	1,500
TRAVEL EXPENSES	500	500	500	500	500	500
PROFESSIONAL DEVELOPMENT	2,600	2,700	2,800	2,900	3,000	3,100
JOB TRAINING COURSES	2,000	2,000	2,000	2,000	2,000	2,000
MEMBERSHIPS	500	500	500	500	500	500
POSTAGE/COURIER/SHIPPING	100	100	100	100	100	100
FORMS AND STATIONERY	300	300	300	300	300	300
PHOTOCOPY CHARGES	300	300	300	300	300	300
OFFICE SUPPLIES AND EXPENSES	300	300	300	300	300	300
ADVERTISING	300	300	300	300	300	300
MISCELLANEOUS EXPENSE	-	-	-	-	-	-
INTERNAL RECOVERY	-	-	-	-	-	-
TELEPHONES & LINE LEASES	500	500	500	500	500	500
INSURANCE	102,000	104,000	106,100	108,200	110,400	112,600
INSURANCE - DEDUCTABLE	5,100	5,200	5,300	5,400	5,500	5,600
WASTE TRANSFER TIPPING FEES	-	-	-	-	-	-
LEGAL FEES	2,000	2,000	2,000	2,000	2,000	2,000
AUDIT FEES	10,200	10,400	10,600	10,800	11,000	11,200
CONSULTANT FEES	6,100	6,200	6,300	6,400	6,500	6,600
SERVICE AGREEMENTS	10,200	10,400	10,600	10,800	11,000	11,200
FACILITY RENTAL EXPENSE	-	-	-	-	-	-
GENERAL LEVY - WATER BILLING	235,300	240,000	244,800	249,700	254,700	259,800
EMP EARNINGS REALLOCATION	610,900	623,100	635,600	648,300	661,300	674,500
<b>WATER SECTION PAYROLL:</b>						
WAGES-FULL TIME	561,000	572,200	583,600	595,300	607,200	619,300
WAGES-PARTTIME	10,200	10,400	10,600	10,800	11,000	11,200
WAGES-OVERTIME	30,600	31,200	31,800	32,400	33,000	33,700
WRKS DIRECT LABOUR CHARGE	-	-	-	-	-	-
WATER DIRECT LABOUR	14,500	14,800	15,100	15,400	15,700	16,000
WATER DIRECT LABOUR OFFSET	(586,500)	(598,200)	(610,200)	(622,400)	(634,800)	(647,500)
O/H VACATION PAID	45,900	46,800	47,700	48,700	49,700	50,700
O/H STATUTORY HOLIDAYS	25,500	26,000	26,500	27,000	27,500	28,100
O/H SICK DAYS PAID	15,300	15,600	15,900	16,200	16,500	16,800
O/H FUNERAL/ETC. TIME PD	1,500	1,500	1,500	1,500	1,500	1,500
UNION BUSINESS	800	800	800	800	800	800
TRAINING & SAFETY COURSE	10,200	10,400	10,600	10,800	11,000	11,200
STAND BY	10,200	10,400	10,600	10,800	11,000	11,200
PAYROLL DOWNTIME BURDEN	(153,000)	(156,100)	(159,200)	(162,400)	(165,600)	(168,900)
PAYROLL BENEFIT OVERHEAD	23,800	24,300	24,800	25,300	25,800	26,300

Description	Forecast					
	2015	2016	2017	2018	2019	2020
MEAL ALLOWANCE	800	800	800	800	800	800
CLOTHING & C. ALLOWANCE	5,100	5,200	5,300	5,400	5,500	5,600
PAYROLL ACCRUAL EXPENSE	-	-	-	-	-	-
CAR ALLOWANCES	600	600	600	600	600	600
TRAVEL EXPENSES	2,000	2,000	2,000	2,000	2,000	2,000
PROFESSIONAL DEVELOPMENT	10,200	10,400	10,600	10,800	11,000	11,200
MEMBERSHIPS	700	700	700	700	700	700
EQUIPMENT RENTAL CHARGE	900	900	900	900	900	900
<b>WATER DISTRIBUTION:</b>						
REVENUE	-	-	-	-	-	-
INSURANCE PROCEEDS	-	-	-	-	-	-
WAGES-FULL TIME	87,700	89,500	91,300	93,100	95,000	96,900
WRKS DIRECT LABOUR CHARGE	16,300	16,600	16,900	17,200	17,500	17,900
WATER DIRECT LABOUR	367,900	375,300	382,800	390,500	398,300	406,300
STAND BY	-	-	-	-	-	-
PAYROLL DOWNTIME BURDEN	115,400	117,700	120,100	122,500	125,000	127,500
PAYROLL BENEFIT OVERHEAD	103,700	105,800	107,900	110,100	112,300	114,500
MEAL ALLOWANCE	-	-	-	-	-	-
PAYROLL ACCRUAL EXPENSE	-	-	-	-	-	-
MATERIALS AND SUPPLIES	61,200	62,400	63,600	64,900	66,200	67,500
TELEPHONES & LINE LEASES	2,000	2,000	2,000	2,000	2,000	2,000
LICENCE	300	300	300	300	300	300
PARTS/MATERIAL	4,100	4,200	4,300	4,400	4,500	4,600
REPAIRS	2,000	2,000	2,000	2,000	2,000	2,000
NON-CAPITAL EQUIPMENT	10,200	10,400	10,600	10,800	11,000	11,200
INSURANCE	500	500	500	500	500	500
LIGHT & POWER	1,300	1,400	1,500	1,600	1,700	1,800
GRAVEL PURCHASES	11,200	11,400	11,600	11,800	12,000	12,200
ASPHALT PURCHASES	15,300	15,600	15,900	16,200	16,500	16,800
CONTRACT SERVICES	30,600	31,200	31,800	32,400	33,000	33,700
EQUIPMENT RENTAL CHARGE	166,000	169,300	172,700	176,200	179,700	183,300
EQUIPMENT LEASE RENTAL	25,500	26,000	26,500	27,000	27,500	28,100
<b>WATER TREATMENT:</b>						
WAGES-FULL TIME	87,700	89,500	91,300	93,100	95,000	96,900
WAGES-OVERTIME	-	-	-	-	-	-
WRKS DIRECT LABOUR CHARGE	-	-	-	-	-	-
WATER DIRECT LABOUR	146,500	149,400	152,400	155,400	158,500	161,700
STAND BY	-	-	-	-	-	-
PAYROLL DOWNTIME BURDEN	41,500	42,300	43,100	44,000	44,900	45,800
PAYROLL BENEFIT OVERHEAD	63,200	64,500	65,800	67,100	68,400	69,800
MEAL ALLOWANCE	-	-	-	-	-	-
PAYROLL ACCRUAL EXPENSE	-	-	-	-	-	-
PROFESSIONAL DEVELOPMENT	-	-	-	-	-	-
POSTAGE/COURIER/SHIPPING	800	800	800	800	800	800
OFFICE SUPPLIES AND EXPENSES	200	200	200	200	200	200
MATERIALS AND SUPPLIES	37,800	39,700	41,700	43,800	46,000	48,300
ADVERTISING	500	500	500	500	500	500
CHLORINE	23,100	24,300	25,500	26,800	28,100	29,500
P.A.C.	21,000	22,100	23,200	24,400	25,600	26,900
FLOURIDE	12,600	13,200	13,900	14,600	15,300	16,100
TEST CHEMICALS	5,300	5,600	5,900	6,200	6,500	6,800
TELEPHONES & LINE LEASES	9,200	9,400	9,600	9,800	10,000	10,200
FUEL	1,600	1,700	1,800	1,900	2,000	2,100
REPAIRS	10,200	10,400	10,600	10,800	11,000	11,200
INSURANCE	26,600	27,100	27,600	28,200	28,800	29,400
HEAT	-	-	-	-	-	-
LIGHT & POWER	393,800	413,500	434,200	455,900	478,700	502,600
MAINTENANCE-GROUNDS	3,100	3,200	3,300	3,400	3,500	3,600
MAINTENANCE EXPENSE	7,100	7,200	7,300	7,400	7,500	7,700
TAXES	55,100	56,200	57,300	58,400	59,600	60,800
CLEANING SUPPLIES	900	900	900	900	900	900
LEGAL FEES	1,000	1,000	1,000	1,000	1,000	1,000
CONTRACT SERVICES	12,200	12,400	12,600	12,900	13,200	13,500
TESTING	13,300	13,600	13,900	14,200	14,500	14,800
EQUIPMENT RENTAL CHARGE	-	-	-	-	-	-
LEASE PAYMENTS	3,600	3,700	3,800	3,900	4,000	4,100
EMP EARNINGS REALLOCATION	76,100	77,600	79,200	80,800	82,400	84,000



Description	Forecast					
	2015	2016	2017	2018	2019	2020
<b>WATER EQUIPMENT:</b>						
WRKS DIRECT LABOUR CHARGE	4,500	4,600	4,700	4,800	4,900	5,000
PAYROLL DOWNTIME BURDEN	1,600	1,600	1,600	1,600	1,600	1,600
PAYROLL BENEFIT OVERHEAD	1,200	1,200	1,200	1,200	1,200	1,200
PAYROLL ACCRUAL EXPENSE	-	-	-	-	-	-
MATERIALS AND SUPPLIES	500	500	500	500	500	500
TELEPHONES & LINE LEASES	3,100	3,200	3,300	3,400	3,500	3,600
LICENCE	1,000	1,000	1,000	1,000	1,000	1,000
FUEL	23,100	24,300	25,500	26,800	28,100	29,500
PARTS/MATERIAL	9,200	9,400	9,600	9,800	10,000	10,200
REPAIRS	7,100	7,200	7,300	7,400	7,500	7,700
INSURANCE	8,700	8,900	9,100	9,300	9,500	9,700
TRUCKS	-	-	-	-	-	-
Sub Total Operating	3,255,300	3,335,600	3,418,000	3,503,000	3,590,400	3,680,700
<b>Capital-Related</b>						
Existing Debt (Principal) - Growth Related						
Existing Debt (Interest) - Growth Related						
Existing Debt (Principal) - Growth Related - Sydenham Heights						
Existing Debt (Interest) - Growth Related - Sydenham Heights						
New Growth Related Debt (Principal)	44,283	49,242	56,579	61,840	67,354	73,133
New Growth Related Debt (Interest)	18,183	18,033	18,614	17,981	17,191	16,239
New Growth Related Debt (Principal) - Sydenham Heights	-	-	-	-	-	344,205
New Growth Related Debt (Interest) - Sydenham Heights	-	-	-	-	-	141,330
Existing Debt (Principal) - Non-Growth Related	420,800	316,070	329,145	44,354	45,674	47,033
Existing Debt (Interest) - Non-Growth Related	43,479	28,831	15,756	5,261	3,941	2,582
New Non-Growth Related Debt (Principal)	-	-	-	-	-	-
New Non-Growth Related Debt (Interest)	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-
Transfer to Equipment Reserve	45,000	45,000	45,000	45,000	45,000	45,000
Transfer to Capital Reserve	2,064,841	2,259,869	2,337,822	2,712,991	2,795,133	2,879,171
Sub Total Capital Related	2,636,585	2,717,046	2,802,917	2,887,427	2,974,294	3,548,693
Total Expenditures	5,891,885	6,052,646	6,220,917	6,390,427	6,564,694	7,229,393
<b>Revenues</b>						
Base Charge - City Wide	2,377,629	2,429,916	2,483,343	2,537,936	2,593,718	2,650,717
Water Frontage Charges	25,000	25,000	25,000	25,000	25,000	25,000
Equipment Rental Charge	100,000	100,000	100,000	100,000	100,000	100,000
Other Revenue	40,000	40,000	40,000	40,000	40,000	40,000
Contributions from D.C. Reserve Fund - City Wide	62,465	67,275	75,193	79,821	84,545	89,372
Contributions from D.C. Reserve Fund - Sydenham Heights	-	-	-	-	-	485,535
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-
Total Operating Revenue	2,605,095	2,662,191	2,723,536	2,782,757	2,843,264	3,390,624
Water Billing Recovery - Operating	3,286,790	3,390,454	3,497,380	3,607,670	3,721,430	3,838,769
Lifecycle Reserve Contribution (\$)						
<b>Water Billing Recovery - Total</b>	<b>3,286,790</b>	<b>3,390,454</b>	<b>3,497,380</b>	<b>3,607,670</b>	<b>3,721,430</b>	<b>3,838,769</b>

**Table A-9**  
**City of Owen Sound**  
**Water Services**  
**Water Rate Forecast**  
**Inflated \$**

Description	2015	2016	2017	2018	2019	2020
Total Water Billing Recovery	3,286,790	3,390,454	3,497,380	3,607,670	3,721,430	3,838,769
Total Consumption (m <sup>3</sup> )	2,303,892	2,307,492	2,311,092	2,314,692	2,318,292	2,321,892
<b>Constant Rate</b>	<b>1.43</b>	<b>1.47</b>	<b>1.51</b>	<b>1.56</b>	<b>1.61</b>	<b>1.65</b>
<b>Annual Percentage Change</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Increasing Block Structure</b>						
<i>Consumption Forecast By Block (m3)</i>						
Metered Customers (First 110m <sup>3</sup> )	1,459,980	1,463,580	1,467,180	1,470,780	1,474,380	1,477,980
Metered Customers (After 110m <sup>3</sup> )	843,912	843,912	843,912	843,912	843,912	843,912
Check Total Consumption	2,303,892	2,307,492	2,311,092	2,314,692	2,318,292	2,321,892
<b>Increasing Block Rates (\$/m<sup>3</sup>)</b>						
<b>Metered Customers (First 110m3)</b>	<b>1.365</b>	<b>1.406</b>	<b>1.448</b>	<b>1.491</b>	<b>1.536</b>	<b>1.582</b>
<b>Metered Customers (After 110m3)</b>	<b>1.534</b>	<b>1.580</b>	<b>1.627</b>	<b>1.676</b>	<b>1.726</b>	<b>1.778</b>
Check Revenue						
Metered Customers (First 110m3)	1,992,507	2,057,343	2,124,276	2,193,373	2,264,704	2,338,340
Metered Customers (After 110m3)	1,294,283	1,333,111	1,373,105	1,414,298	1,456,727	1,500,429
Check Total Revenue	3,286,790	3,390,454	3,497,380	3,607,670	3,721,430	3,838,769

**Table A-10**  
**City of Owen Sound**  
**Wastewater Service**  
**Capital Budget Forecast**  
 Inflated \$

Description	Total	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Capital Expenditures</b>							
<b>WWTP</b>							
Annual Capital Maintenance	378,000	60,000	61,000	62,000	64,000	65,000	66,000
Replace old WWTP Utility Tractor	-	-	-	-	-	-	-
<b>COLLECTION</b>							
Pump Station Annual Capital Maint.	126,000	20,000	20,000	21,000	21,000	22,000	22,000
Bypass retrofit 27th St West SPS	-	-	-	-	-	-	-
Relocate Storage WWTP	-	-	-	-	-	-	-
Sewer TV Inspection Annual Program	765,000	250,000	255,000	260,000	-	-	-
Sydenham Crescent SPS Replacement	488,000	80,000	408,000	-	-	-	-
Goodyear SPS Upgrade Class EA	80,000	80,000	-	-	-	-	-
Goodyear SPS Upgrade Construction	918,000	-	918,000	-	-	-	-
WW Operational Plan to QMS Standards	20,000	10,000	10,000	-	-	-	-
Improved Sewage Bypass Monitoring	20,000	20,000	-	-	-	-	-
<b>Full Reconstruction</b>							
8th St E - 5th Ave E to 7th Ave E - Ryerson Park	475,000	475,000	-	-	-	-	-
3rd Ave E/Grey Rd. 5 - 22nd St E to E. Bayshore Rd.	978,000	978,000	-	-	-	-	-
6th Ave W - 21st St W northerly to 22nd St W & 22nd St W sto	350,000	10,000	340,000	-	-	-	-
12th St E - 3rd Ave E to 4th Ave E	146,000	-	7,000	139,000	-	-	-
12th St W - 4th Ave W to 6th Ave W	389,000	-	-	35,000	354,000	-	-
9th Ave E - 21st St E to 23rd St E	317,000	-	-	-	28,000	289,000	-
<b>Grey County Road Reconstruction</b>							
2nd Ave W/GR 1 - 10th St W to 14th St W - Replace Water and Sewer Mains	468,000	-	-	468,000	-	-	-
3rd Ave E/GR 15 - 10th St E to 18th St E - Replace Water and Sewer Mains	849,000	-	-	-	849,000	-	-
<b>Growth Related:</b>							
WWTP Upgrade to Secondary Treatment	42,405,000	19,400,000	20,196,000	2,809,000	-	-	-
Collection System Capital Reinvestment	1,320,000	125,000	230,000	234,000	239,000	244,000	248,000
Storm Water Separation Program	1,577,000	250,000	255,000	260,000	265,000	271,000	276,000
<b>Sydenham Area Specific</b>							
Trunk Sanitary Sewers - North of 16th Street East	178,000	-	-	-	-	178,000	-
Trunk Sanitary Sewers - Telfer Creek 16th St to 8th St.	1,133,000	-	-	-	-	1,133,000	-
Trunk Sanitary Sewers - Telfer Creek from 8th St to Superior St.	1,136,000	-	-	-	-	1,136,000	-
Trunk Sanitary Sewers - East of Rail Trail 16th St to 8th St	1,082,000	-	-	-	-	1,082,000	-
<b>Studies:</b>							
Water & Wastewater Rate Study	11,000	11,000	-	-	-	-	-
<b>Lifecycle:</b>							
Wastewater Facilities	-	-	-	-	-	-	-
Sanitary Sewers	-	-	-	-	-	-	-
Manholes	-	-	-	-	-	-	-
<b>Total Capital Expenditures</b>	<b>55,609,000</b>	<b>21,769,000</b>	<b>22,700,000</b>	<b>4,288,000</b>	<b>1,820,000</b>	<b>4,420,000</b>	<b>612,000</b>
<b>Capital Financing</b>							
Provincial/Federal Grants*	28,330,000	12,993,333	13,464,000	1,872,667	-	-	-
Development Charges Reserve Fund (City Wide)	-	-	-	-	-	-	-
Development Charges Reserve Fund (Sydenham Heights)	-	-	-	-	-	-	-
Non-Growth Related Debenture Requirements	9,823,000	2,943,000	4,710,000	1,130,000	1,040,000	-	-
Growth Related Debenture Requirements (City Wide)	7,327,550	3,235,833	3,415,550	518,607	51,490	52,590	53,480
Growth Related Debenture Requirements (Sydenham Heights)	3,529,000	-	-	-	-	3,529,000	-
Operating Contributions	-	-	-	-	-	-	-
Lifecycle Reserve Fund	-	-	-	-	-	-	-
Wastewater Reserve	6,599,450	2,596,833	1,110,450	766,727	728,510	838,410	558,520
Wastewater Sewage Plant Owned Reserve	-	-	-	-	-	-	-
<b>Total Capital Financing</b>	<b>55,609,000</b>	<b>21,769,000</b>	<b>22,700,000</b>	<b>4,288,000</b>	<b>1,820,000</b>	<b>4,420,000</b>	<b>612,000</b>

Note: Grant funding is 2/3 the cost of the WWTP project

**Table A-11**  
**City of Owen Sound**  
**Wastewater Service**  
**Schedule of Non-Growth Related Debenture Repayments**  
 Inflated \$

Debenture Year	Principal (Inflated)	Forecast					
		2015	2016	2017	2018	2019	2020
2014	-	-	-	-	-	-	-
2015	2,943,000		353,870	353,870	353,870	353,870	353,870
2016	4,710,000			566,337	566,337	566,337	566,337
2017	1,130,000				135,873	135,873	135,873
2018	1,040,000					125,051	125,051
2019	-						-
2020	-						-
2021	-						-
2022	-						-
2023	-						-
2024	-						-
<b>Total Annual Debt Charges</b>	<b>9,823,000</b>	-	353,870	920,207	1,056,080	1,181,131	1,181,131

**Table A-12**  
**City of Owen Sound**  
**Wastewater Service**  
**Schedule of Growth Related Debenture Repayments**  
 Inflated \$

Debenture Year	Principal (Inflated)	Forecast					
		2015	2016	2017	2018	2019	2020
2014	732,500	88,077	88,077	88,077	88,077	88,077	88,077
2015	3,235,833		389,081	389,081	389,081	389,081	389,081
2016	3,415,550			410,690	410,690	410,690	410,690
2017	518,607				62,358	62,358	62,358
2018	51,490					6,191	6,191
2019	52,590						6,323
2020	53,480						-
2021	-						-
2022	-						-
2023	-						-
2024	-						-
<b>Total Annual Debt Charges</b>	<b>8,060,050</b>	88,077	477,158	887,848	950,206	956,397	962,721

**Table A-13**  
**Sydenham Crescent SPS Replacement**  
**Wastewater Service**  
**Schedule of Growth Related Debenture Repayments**  
 Inflated \$

Debenture Year	Principal (Inflated)	Forecast					
		2015	2016	2017	2018	2019	2020
2015	-						
2016	-						
2017	-						
2018	-						
2019	3,529,000						424,332
2020	-						
2021	-						
2022	-						
2023	-						
2024	-						
<b>Total Annual Debt Charges</b>	<b>3,529,000</b>	-	-	-	-	-	424,332

**Table A-14**  
**City of Owen Sound**  
**Wastewater Service**  
**Wastewater Reserves/ Reserve Funds Continuity**  
 Inflated \$

Description	2015	2016	2017	2018	2019	2020
Opening Balance	1,278,328	74,056	201,882	237,929	357,454	413,880
Transfer from Operating	1,391,467	1,235,292	799,258	842,752	888,720	1,065,963
Transfer to Capital	2,596,833	1,110,450	766,727	728,510	838,410	558,520
Transfer to Operating	-	-	-	-	-	-
Closing Balance	72,962	198,899	234,413	352,172	407,764	921,323
Interest	1,094	2,983	3,516	5,283	6,116	13,820

**Table A-15**  
**City of Owen Sound**  
**Wastewater Service**  
**Sewage Plant Owned - Wastewater Reserves/ Reserve Funds Continuity**  
 Inflated \$

Description	2015	2016	2017	2018	2019	2020
Opening Balance	187,625	231,040	275,105	319,832	365,229	411,308
Transfer from Operating	40,000	40,000	40,000	40,000	40,000	40,000
Transfer to Capital	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-
Closing Balance	227,625	271,040	315,105	359,832	405,229	451,308
Interest	3,414	4,066	4,727	5,397	6,078	6,770

**Table A-16**  
**City of Owen Sound**  
**Wastewater Service**  
**City Wide - Wastewater Development Charges Reserve Fund Continuity**  
 Inflated \$

Description	2015	2016	2017	2018	2019	2020
Opening Balance	553,457	477,695	6,770	(879,027)	(1,837,176)	(2,815,240)
Development Charge Proceeds	5,256	6,132	15,042	19,208	19,938	20,337
Transfer to Capital	-	-	-	-	-	-
Transfer to Operating	88,077	477,158	887,848	950,206	956,397	962,721
Closing Balance	470,636	6,670	(866,037)	(1,810,025)	(2,773,635)	(3,757,623)
Interest	7,060	100	(12,991)	(27,150)	(41,605)	(56,364)
Required from Development Charges	3,235,833	3,415,550	518,607	51,490	52,590	53,480

**Table A-17**  
**Wastewater Service**  
**Wastewater Service**  
**Sydenham Heights - Wastewater Development Charges Reserve Fund Continuity**  
 Inflated \$

Description	2015	2016	2017	2018	2019	2020
Opening Balance	-	41,846	85,154	129,972	176,327	224,266
Development Charge Proceeds	41,228	42,049	42,897	43,750	44,624	45,519
Transfer to Capital	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	424,332
Closing Balance	41,228	83,896	128,051	173,722	220,951	(154,547)
Interest	618	1,258	1,921	2,606	3,314	(2,318)
Required from Development Charges	-	-	-	-	3,529,000	-

**Table A-18**  
**City of Owen Sound**  
**Wastewater Service**  
**Wastewater Lifecycle Reserve Fund Continuity**  
 Inflated \$

Description	2015	2016	2017	2018	2019	2020
Opening Balance	-	-	-	-	-	-
Transfer from Operating	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Interest	-	-	-	-	-	-

**Table A-19**  
**City of Owen Sound**  
**Wastewater Services**  
**Operating Budget Forecast**  
 Inflated \$

Description	Forecast					
	2015	2016	2017	2018	2019	2020
<b>Expenditures</b>						
<b>Operating Costs</b>						
WASTE WATER GENERAL:						
WAGES-FULL TIME	103,000	105,100	107,200	109,300	111,500	113,700
PAYROLL BENEFIT OVERHEAD	27,800	28,400	29,000	29,600	30,200	30,800
PAYROLL ACCRUAL EXPENSE	800	800	800	800	800	800
PROFESSIONAL DEVELOPMENT	-	-	-	-	-	-
ADVERTISING	-	-	-	-	-	-
INSURANCE	102,000	104,000	106,100	108,200	110,400	112,600
INSURANCE - DEDUCTABLE	5,100	5,200	5,300	5,400	5,500	5,600
WASTE TRANSFER TIPPING FEES	-	-	-	-	-	-
LEGAL FEES	1,000	1,000	1,000	1,000	1,000	1,000
AUDIT FEES	10,200	10,400	10,600	10,800	11,000	11,200
CONSULTANT FEES	20,400	20,800	21,200	21,600	22,000	22,400
SERVICE AGREEMENTS	14,300	14,600	14,900	15,200	15,500	15,800
EMP EARNINGS REALLOCATION	524,700	535,200	545,900	556,800	567,900	579,300
INFO TECH ALLOCATION	16,500	16,800	17,100	17,400	17,700	18,100
COLLECTION SYSTEM:						
WRKS DIRECT LABOUR CHARGE	103,500	105,600	107,700	109,900	112,100	114,300
WASTE WATER DIRECT LABOUR	-	-	-	-	-	-
WATER DIRECT LABOUR	2,500	2,600	2,700	2,800	2,900	3,000
STAND BY	-	-	-	-	-	-
PAYROLL DOWNTIME BURDEN	57,000	58,100	59,300	60,500	61,700	62,900
PAYROLL BENEFIT OVERHEAD	28,600	29,200	29,800	30,400	31,000	31,600
MEAL ALLOWANCE	-	-	-	-	-	-
CLOTHING & C. ALLOWANCE	1,300	1,300	1,300	1,300	1,300	1,300
PAYROLL ACCRUAL EXPENSE	-	-	-	-	-	-
PROFESSIONAL DEVELOPMENT	2,000	2,000	2,000	2,000	2,000	2,000
MEMBERSHIPS	500	500	500	500	500	500
MATERIALS AND SUPPLIES	31,500	33,100	34,800	36,500	38,300	40,200
TELEPHONES & LINE LEASES	5,100	5,200	5,300	5,400	5,500	5,600
LIGHT & POWER	6,300	6,600	6,900	7,200	7,600	8,000
WATER	-	-	-	-	-	-
CONTRACTORS PAYMENTS	20,400	20,800	21,200	21,600	22,000	22,400
EQUIPMENT RENTAL CHARGE	169,600	173,000	176,500	180,000	183,600	187,300
EQUIPMENT LEASE RENTAL	500	500	500	500	500	500
SEWAGE PLANT:						
FULL TIME WAGES	224,400	228,900	233,500	238,200	243,000	247,900
WAGES - OVERTIME	15,300	15,600	15,900	16,200	16,500	16,800
WASTEWATER DIRECT LABOUR CHARGE	-	-	-	-	-	-
WASTE WATER DIRECT LABOUR OFFSET	-	-	-	-	-	-
WATER DIRECT LABOUR	-	-	-	-	-	-
O/H VACATION PAID	-	-	-	-	-	-
O/H STATUTORY HOLIDAYS	-	-	-	-	-	-
O/H SICK DAYS PAID	-	-	-	-	-	-
O/H FUNERAL/ETC. TIME PD	-	-	-	-	-	-
TRAINING & SAFETY COURSE	-	-	-	-	-	-
STAND BY	3,100	3,200	3,300	3,400	3,500	3,600
PAYROLL DOWNTIME BURDEN	-	-	-	-	-	-

Description	Forecast					
	2015	2016	2017	2018	2019	2020
PAYROLL BENEFIT OVERHEAD	61,400	62,600	63,900	65,200	66,500	67,800
CITY - REVENUE-PWNT WASTE-SEWAGE PLAN-MEAL ALLOWA	-	-	-	-	-	-
CLOTHING ALLOWANCE	1,000	1,000	1,000	1,000	1,000	1,000
PAYROLL ACCRUAL EXPENSE	-	-	-	-	-	-
TRAVEL EXPENSES	2,000	2,000	2,000	2,000	2,000	2,000
PROFESSIONAL DEVELOPMENT	7,100	7,200	7,300	7,400	7,500	7,700
JOB TRAINING COURSES	1,000	1,000	1,000	1,000	1,000	1,000
MEMBERSHIPS	500	500	500	500	500	500
POSTAGE	200	200	200	200	200	200
OFFICE SUPPLIES	300	300	300	300	300	300
MATERIALS AND SUPPLIES	8,400	8,800	9,200	9,700	10,200	10,700
FERRIC CHLORINE	168,000	176,400	185,200	194,500	204,200	214,400
HYPOCHLORITE	57,800	60,700	63,700	66,900	70,200	73,700
TELEPHONES & LINE LEASES	1,500	1,500	1,500	1,500	1,500	1,500
INSURANCE	30,600	31,200	31,800	32,400	33,000	33,700
HEAT	26,300	27,600	29,000	30,500	32,000	33,600
LIGHT & POWER	168,000	176,400	185,200	194,500	204,200	214,400
WATER	37,700	38,500	39,300	40,100	40,900	41,700
REPAIRS-MAINTENANCE BLDG	1,000	1,000	1,000	1,000	1,000	1,000
MAINTENANCE - GROUNDS	3,100	3,200	3,300	3,400	3,500	3,600
TAXES	56,100	57,200	58,300	59,500	60,700	61,900
CLEANING SUPPLIES	500	500	500	500	500	500
TIPPING FEES	8,200	8,400	8,600	8,800	9,000	9,200
CONSULTANT FEES	500	500	500	500	500	500
CONTRACT SERVICES	372,300	379,700	387,300	395,000	402,900	411,000
EQUIPMENT RENTAL CHARGE	-	-	-	-	-	-
EQUIPMENT LEASE RENTAL	-	-	-	-	-	-
EMP EARNINGS REALLOCATION	177,100	180,600	184,200	187,900	191,700	195,500
SEWAGE BILLING COSTS	158,100	161,300	164,500	167,800	171,200	174,600
EQUIPMENT:	-	-	-	-	-	-
WRKS DIRECT LABOUR CHARGE	300	300	300	300	300	300
PAYROLL DOWNTIME BURDEN	100	100	100	100	100	100
PAYROLL BENEFIT OVERHEAD	100	100	100	100	100	100
LICENCE	200	200	200	200	200	200
FUEL	7,400	7,800	8,200	8,600	9,000	9,500
OIL	3,200	3,400	3,600	3,800	4,000	4,200
PARTS/MATERIAL	4,700	4,900	5,100	5,400	5,700	6,000
REPAIRS	2,000	2,000	2,000	2,000	2,000	2,000
INSURANCE	1,500	1,500	1,500	1,500	1,500	1,500
<b>Sub Total Operating</b>	<b>2,865,600</b>	<b>2,937,100</b>	<b>3,010,700</b>	<b>3,086,600</b>	<b>3,164,600</b>	<b>3,245,100</b>
<b>Capital-Related</b>						
Existing Debt (Principal) - Growth Related - City Wide						
Existing Debt (Interest) - Growth Related - City Wide						
Existing Debt (Principal) - Growth Related - Sydenham Heights						
Existing Debt (Interest) - Growth Related - Sydenham Heights						
New Growth Related Debt (Principal) - City Wide	62,439	340,452	643,513	710,243	739,491	769,856
New Growth Related Debt (Interest) - City Wide	25,638	136,706	244,335	239,963	216,907	192,865
New Growth Related Debt (Principal) - Sydenham Heights	-	-	-	-	-	300,817
New Growth Related Debt (Interest) - Sydenham Heights	-	-	-	-	-	123,515
Existing Debt (Principal) - Non-Growth Related	877,355	837,113	867,651	854,897	855,498	854,357
Existing Debt (Interest) - Non-Growth Related	198,448	166,164	135,626	104,514	74,069	44,700
New Non-Growth Related Debt (Principal)	-	250,865	661,133	780,595	896,567	927,947
New Non-Growth Related Debt (Interest)	-	103,005	259,075	275,485	284,564	253,184
Transfer to Capital	-	-	-	-	-	-
Transfer to Wastewater Sewage Plant Owned Reserve	40,000	40,000	40,000	40,000	40,000	40,000
Transfer to Capital Reserve	1,391,467	1,235,292	799,258	842,752	888,720	1,065,963
<b>Sub Total Capital Related</b>	<b>2,595,347</b>	<b>3,109,598</b>	<b>3,650,590</b>	<b>3,848,449</b>	<b>3,995,815</b>	<b>4,573,203</b>
<b>Total Expenditures</b>	<b>5,460,947</b>	<b>6,046,698</b>	<b>6,661,290</b>	<b>6,935,049</b>	<b>7,160,415</b>	<b>7,818,303</b>
<b>Revenues</b>						
Base Charge	2,247,842	2,331,391	2,418,035	2,507,887	2,601,068	2,697,699
Other Revenue	7,000	7,000	7,000	7,000	7,000	7,000
EQUIPMENT RENTAL CHARGE	32,000	32,000	32,000	32,000	32,000	32,000
Contributions from D.C. Reserve Fund - City Wide	88,077	477,158	887,848	950,206	956,397	962,721
Contributions from D.C. Reserve Fund - Sydenham Heights	-	-	-	-	-	424,332
<b>Total Operating Revenue</b>	<b>2,374,919</b>	<b>2,847,549</b>	<b>3,344,883</b>	<b>3,497,094</b>	<b>3,596,465</b>	<b>4,123,752</b>
Wastewater Billing Recovery - Operating	3,086,028	3,199,149	3,316,408	3,437,956	3,563,949	3,694,551
<b>Wastewater Billing Recovery - Total</b>	<b>3,086,028</b>	<b>3,199,149</b>	<b>3,316,408</b>	<b>3,437,956</b>	<b>3,563,949</b>	<b>3,694,551</b>







## **Appendix B – Wastewater Financial Plan**



**Figure B-1  
Conversion Adjustments  
Statement of Operations (Wastewater)**

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	2,247,842			2,247,842	Base Charge Revenue
Rate Based Revenue	3,086,028			3,086,028	Rate Based Revenue
Transfers from Reserves	88,077	88,077			
Other Revenue	39,000		88,077	88,077	Earned Development Charges and Gas Tax Revenue
<b>Total Revenues</b>	<b>5,460,947</b>		12,997,842	<b>18,458,789</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	2,865,600	41,000		2,906,600	Operating Expenses
Capital					
Transfers to Reserves	1,431,467		1,431,467		
Debt Repayment (Principal & Interest)	1,163,880		939,794	224,086	Interest on Debt
		358,444		358,444	Amortization
<b>Total Expenditures</b>	<b>5,460,947</b>			<b>3,489,130</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>14,969,659</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			13,041,226	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>14,969,659</b>	<b>-</b>	<b>28,010,885</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>15,457,180</b>	<b>15,457,180</b>		

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

**Figure B-2  
Conversion Adjustments  
Statement of Financial Position (Wastewater)**

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	677,444			677,444	Cash
Accounts Receivable	474,991			474,991	Accounts Receivable
<b>Total Financial Assets</b>	<b>1,152,435</b>			<b>1,152,435</b>	<b>Total Financial Assets</b>
<b>LIABILITIES</b>					<b>LIABILITIES</b>
Accounts Payable & Accrued Liabilities	327,797			327,797	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	11,774,723			11,774,723	Debt (Principal only)
Deferred Revenue	519,542			519,542	Deferred Revenue
<b>Total Liabilities</b>	<b>12,622,062</b>			<b>12,622,062</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>(11,469,627)</b>			<b>(11,469,627)</b>	<b>Net Financial Assets/(Debt)</b>
		39,521,512	41,000	39,480,512	<b>Non-Financial Assets</b>
<b>Municipal Position</b>					Tangible Capital Assets
Wastewater Reserves	305,096				
Development Charge Reserve Fund	519,542				
Amounts to be Recovered	(12,294,265)		12,294,265		
<b>Total Municipal Position</b>	<b>(11,469,627)</b>		28,010,885	<b>28,010,885</b>	<b>Total Non-Financial Assets</b>
<b>TOTAL ADJUSTMENTS</b>		<b>40,346,150</b>	<b>40,346,150</b>		<b>Accumulated Surplus/(Deficit), end of year</b>

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

**Table B-1**  
**Statement of Financial Position: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	
<b>Financial Assets</b>								
Cash	1	677,444	412,382	-	-	-	-	-
Accounts Receivable	1	474,991	492,505	510,663	529,489	549,006	569,242	569,242
Accounts Receivable - Other	3	-	-	749,056	1,660,849	2,590,974	3,970,953	3,970,953
Total Financial Assets		1,152,435	904,887	1,259,719	2,190,338	3,139,980	4,540,095	4,540,095
<b>Liabilities</b>								
Bank Indebtedness		-	-	357,563	1,114,578	1,952,792	2,775,667	2,775,667
Accounts Payable & Accrued Liabilities	1	327,797	335,976	344,395	353,077	362,000	371,208	371,208
Debt (Principal only)	2	11,774,723	18,471,844	17,948,153	16,693,908	17,783,942	14,984,446	14,984,446
Deferred Revenue	3	519,542	91,924	-	-	-	-	-
Total Liabilities		12,622,062	18,899,744	18,650,111	18,161,563	20,098,734	18,131,321	18,131,321
<b>Net Financial Assets/(Debt)</b>		<b>(11,469,627)</b>	<b>(17,994,857)</b>	<b>(17,390,392)</b>	<b>(15,971,225)</b>	<b>(16,958,754)</b>	<b>(13,591,226)</b>	<b>(13,591,226)</b>
<b>Non-Financial Assets</b>								
Tangible Capital Assets	4	39,480,512	61,539,868	64,912,991	65,763,892	69,191,405	68,755,016	68,755,016
Total Non-Financial Assets		39,480,512	61,539,868	64,912,991	65,763,892	69,191,405	68,755,016	68,755,016
<b>Accumulated Surplus/(Deficit)</b>	5	<b>28,010,885</b>	<b>43,545,011</b>	<b>47,522,599</b>	<b>49,792,667</b>	<b>52,232,651</b>	<b>55,163,790</b>	<b>55,163,790</b>
<b>Financial Indicators</b>								
1) Increase/(Decrease) in Net Financial Assets		(8,521,496)	(6,525,230)	604,465	1,419,167	(987,529)	3,367,528	3,367,528
2) Increase/(Decrease) in Tangible Capital Assets		50,644,060	22,059,356	3,373,123	850,901	3,427,513	(436,389)	(436,389)
3) Increase/(Decrease) in Accumulated Surplus		42,122,564	15,534,126	3,977,588	2,270,068	2,439,984	2,931,139	2,931,139

**Table B-2**  
**Statement of Operations: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Wastewater Revenue</b>							
Base Charge Revenue		2,247,842	2,331,391	2,418,035	2,507,887	2,601,068	2,697,699
Rate Based Revenue		3,086,028	3,199,149	3,316,408	3,437,956	3,563,949	3,694,551
Earned Development Charges Revenue	3	88,077	477,158	887,848	950,206	956,397	1,387,053
Other Revenue	6	13,036,842	13,510,048	1,919,910	49,680	51,197	59,589
Total Revenues		18,458,789	19,517,746	8,542,201	6,945,729	7,172,611	7,838,892
<b>Wastewater Expenses</b>							
Operating Expenses	Sch. 4-1	2,906,600	2,947,100	3,010,700	3,086,600	3,164,600	3,245,100
Interest on Debt	2	224,086	405,876	639,036	619,962	575,540	614,264
Amortization	4	358,444	630,644	914,877	969,099	992,487	1,048,389
Total Expenses		3,489,130	3,983,620	4,564,613	4,675,661	4,732,627	4,907,753
<b>Annual Surplus/(Deficit)</b>		<b>14,969,659</b>	<b>15,534,126</b>	<b>3,977,588</b>	<b>2,270,068</b>	<b>2,439,984</b>	<b>2,931,139</b>
Accumulated Surplus/(Deficit), beginning of year	5	13,041,226	28,010,885	43,545,011	47,522,599	49,792,667	52,232,651
Accumulated Surplus/(Deficit), end of year		28,010,885	43,545,011	47,522,599	49,792,667	52,232,651	55,163,790
<b>Note 5:</b>							
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>							
<b>Reserve Balances</b>							
Reserves: Development Charges		519,542	91,924	(749,056)	(1,660,849)	(2,590,974)	(3,970,853)
Reserves: Capital/Other		305,096	476,987	557,761	722,683	825,188	1,393,220
<b>Total Reserves Balance</b>		<b>824,638</b>	<b>568,911</b>	<b>(191,295)</b>	<b>(938,166)</b>	<b>(1,765,786)</b>	<b>(2,577,633)</b>
Less: Debt Obligations and Deferred Revenue		(12,294,265)	(18,563,768)	(17,199,097)	(15,033,059)	(15,192,968)	(11,013,593)
Add: Tangible Capital Assets	4	39,480,512	61,539,868	64,912,991	65,763,892	69,191,405	68,755,016
<b>Total Ending Balance</b>		<b>28,010,885</b>	<b>43,545,011</b>	<b>47,522,599</b>	<b>49,792,667</b>	<b>52,232,651</b>	<b>55,163,790</b>
<b>Financial Indicators</b>							
1) Expense to Revenue Ratio		19%	20%	53%	67%	66%	63%
2) Increase/(Decrease) in Accumulated Surplus		14,969,659	15,534,126	3,977,588	2,270,068	2,439,984	2,931,139

**Schedule B-1**  
**Schedule of Operating Expenses: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	
<b>Operating Expenses</b>								
Wastewater General		825,800	842,300	859,100	876,100	893,500	911,300	
Collection System		428,800	438,500	448,500	458,600	469,000	479,600	
Sewage Plant		1,591,500	1,636,000	1,682,000	1,729,900	1,779,200	1,830,300	
Equipment		19,500	20,300	21,100	22,000	22,900	23,900	
Non TCA - Expenses from Capital Budget	7	41,000	10,000	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>		<b>2,906,600</b>	<b>2,947,100</b>	<b>3,010,700</b>	<b>3,086,600</b>	<b>3,164,600</b>	<b>3,245,100</b>	

**Table B-3**  
**Statement of Changes in Net Financial Assets/Debt: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	
Annual Surplus/(Deficit)		14,969,659	15,534,126	3,977,588	2,270,068	2,439,984	2,931,139	
Less: Acquisition of Tangible Capital Assets	4	(21,728,000)	(22,690,000)	(4,288,000)	(1,820,000)	(4,420,000)	(612,000)	
Add: Amortization of Tangible Capital Assets	4	358,444	630,644	914,877	969,099	992,487	1,048,389	
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(21,369,556)	(22,059,356)	(3,373,123)	(850,901)	(3,427,513)	436,389	
Net Financial Assets/(Net Debt), beginning of year		(6,399,897)	(6,525,230)	604,465	1,419,167	(987,529)	3,367,528	
Net Financial Assets/(Net Debt), end of year		(11,469,627)	(17,994,857)	(17,390,392)	(15,971,225)	(16,958,754)	(13,591,226)	
<b>Financial Indicators</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
1) Acquisition of Tangible Capital Assets (Cumulative)		21,728,000	44,418,000	48,706,000	50,526,000	54,946,000	55,558,000	
2) Annual Surplus/Deficit before Amortization (Cumulative)		15,328,103	31,492,873	36,385,338	39,624,505	43,056,976	47,036,504	
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.71	0.71	0.75	0.78	0.78	0.85	



**Table B-4**  
**Statement of Cash Flow – Indirect Method: Wastewater Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2015-2020**

	Notes	Forecast					
		2015	2016	2017	2018	2019	2020
<b>Operating Transactions</b>							
Annual Surplus/Deficit		14,969,659	15,534,126	3,977,588	2,270,068	2,439,984	2,931,139
Add: Amortization of TCA's	4	358,444	630,644	914,877	969,099	992,487	1,048,389
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(88,077)	(477,158)	(887,848)	(950,206)	(956,397)	(1,387,053)
Add: Deferred Revenue Proceeds		54,162	49,539	46,869	38,413	26,272	7,173
Change in A/R (Increase)/Decrease		(16,478)	(17,512)	(18,159)	(18,826)	(19,518)	(20,235)
Change in A/P Increase/(Decrease)		7,981	8,179	8,419	8,682	8,923	9,208
Less: Interest Proceeds		(4,509)	(7,049)	(8,243)	(10,680)	(12,195)	(20,589)
Cash Provided by Operating Transactions		15,281,182	15,720,769	4,033,503	2,306,550	2,479,556	2,568,032
<b>Capital Transactions</b>							
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(21,728,000)	(22,690,000)	(4,288,000)	(1,820,000)	(4,420,000)	(612,000)
Cash Applied to Capital Transactions		(21,728,000)	(22,690,000)	(4,288,000)	(1,820,000)	(4,420,000)	(612,000)
<b>Investing Transactions</b>							
Proceeds from Investments		4,509	7,049	8,243	10,680	12,195	20,589
Cash Provided by (applied to) Investing Transactions		4,509	7,049	8,243	10,680	12,195	20,589
<b>Financing Transactions</b>							
Proceeds from Debt Issue	2	6,178,834	8,125,550	1,648,606	1,091,490	3,581,590	53,480
Less: Debt Repayment (Principal only)	2	(939,794)	(1,428,430)	(2,172,297)	(2,345,735)	(2,491,555)	(2,852,976)
Cash Applied to Financing Transactions		5,239,040	6,697,120	(523,691)	(1,254,245)	1,090,035	(2,799,496)
Increase in Cash and Cash Equivalents		(1,203,269)	(265,062)	(769,945)	(757,015)	(838,214)	(822,875)
Cash and Cash Equivalents, beginning of year	1	1,880,713	677,444	412,382	(357,563)	(1,114,578)	(1,952,792)
<b>Cash and Cash Equivalents, end of year</b>	1	<b>677,444</b>	<b>412,382</b>	<b>(357,563)</b>	<b>(1,114,578)</b>	<b>(1,952,792)</b>	<b>(2,775,667)</b>

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## Wastewater

### 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
- C. Investing transactions that are acquisitions and disposal of investments
- E. Change in cash and cash equivalents during the year
- F. 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 City of Owen Sound, some of the items listed above have been estimated given that the City does not maintain all financial asset and liability data separately for wastewater. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses).

The assumptions used have been documented below:

1. Cash, Receivables and Payables

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

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

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

- a) Receivables: Based on historical levels of receivables as a percentage of annual revenue earned (source: general ledger summary of Waterworks Receivables); and
- b) Payables: Based on historical levels of payables as a percentage of annual expenses incurred (source: prior years audited financial statements).

2. Debt

Wastewater related outstanding debt at the end of 2014 was \$5,803,154 with additional debt proceeds anticipated over the forecast period. Further, Principal repayments for existing and new debt over the forecast period are scheduled as follows:

Year	Principal Payments
2015	939,794
2016	1,428,430
2017	2,172,297
2018	2,345,735
2019	2,491,555
2020	2,852,976
<b>Total</b>	<b>\$ 12,230,787</b>

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 wastewater 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.

For the years 2017-2020, the balance of the wastewater development charge reserve fund reflects a shortfall which is considered to be owing from the development community for financial planning purposes. Therefore a financial asset is identified as "Accounts Receivable-Other" on Table B-1.

### 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes wastewater related assets in the following categories:
  - i. Infrastructure
  - ii. Vehicles
  - iii. Equipment
- Amortization is calculated based on the prior year's annual amortization plus a provision for amortization applied to both anticipated tangible capital asset acquisitions and work-in-progress.
- Given the planned asset replacement forecast in the 2015 Rate Study, useful life on acquisitions is assumed to be equal to typical useful life estimates used in other municipalities for 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 balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2015	2016	2017	2018	2019	2020
Opening Tangible Capital Asset Balance	34,203,999	55,872,252	78,497,058	82,748,495	84,513,023	88,906,318
Acquisitions	21,728,000	22,690,000	4,288,000	1,820,000	4,420,000	612,000
Disposals	59,747	65,194	36,563	55,472	26,705	19,140
<b>Closing Tangible Capital Asset Balance</b>	<b>55,872,252</b>	<b>78,497,058</b>	<b>82,748,495</b>	<b>84,513,023</b>	<b>88,906,318</b>	<b>89,499,178</b>
Opening Accumulated Amortization	16,093,043	16,391,740	16,957,190	17,835,504	18,749,131	19,714,913
Amortization Expense	358,444	630,644	914,877	969,099	992,487	1,048,389
Amortization on Disposal	59,747	65,194	36,563	55,472	26,705	19,140
<b>Ending Accumulated Amortization</b>	<b>16,391,740</b>	<b>16,957,190</b>	<b>17,835,504</b>	<b>18,749,131</b>	<b>19,714,913</b>	<b>20,744,162</b>
<b>Net Book Value</b>	<b>39,480,512</b>	<b>61,539,868</b>	<b>64,912,991</b>	<b>65,763,892</b>	<b>69,191,405</b>	<b>68,755,016</b>

## 5. Accumulated Surplus

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

Wastewater	2015 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Development Charges	553,457
Reserves: Capital/Other	1,465,954
<b>Total Reserves Balance</b>	<b>2,019,411</b>
Less: Debt Obligations and Deferred Revenue	(7,089,141)
Add: Tangible Capital Assets	18,110,956
<b>Total Opening Balance</b>	<b>13,041,226</b>

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

## 6. Other Revenue

Other revenue includes anticipated capital grants, interest, equipment rental, and other non-operating general revenues.

## 7. Operating Expenses

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