

Township of Hamilton
Water
Ontario Regulation 453/07
Financial Plan

Financial Plan # 139-301A

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 **Planning for growth**

Contents

	Page
1. Introduction 1-1	
1.1 Study Purpose	1-1
1.2 Background.....	1-1
1.2.1 Financial Plan Defined	1-2
1.2.2 Financial Plan Requirements – New System	1-2
1.2.3 Financial Plan Requirements – Existing System.....	1-3
1.2.4 Financial Plan Requirements - General	1-4
1.2.5 Public Sector Accounting Board (P.S.A.B.) Requirements.....	1-4
2. Sustainable Financial Planning.....	2-1
2.1 Introduction	2-1
2.2 Sustainable Water and Sewage Systems Act.....	2-1
2.3 Water Opportunities Act, 2010 (Bill 72).....	2-2
2.4 Water Rate Study	2-3
3. Approach 3-1	
3.1 Overview.....	3-1
3.2 Conversion Process.....	3-1
3.2.1 Calculate Tangible Capital Asset Balances.....	3-1
3.2.2 Convert Statement of Operations.....	3-2
3.2.3 Convert Statement of Financial Position	3-4
3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt	3-4
3.2.5 Verification and Note Preparation	3-6
4. Financial Plan.....	4-1
4.1 Introduction	4-1
4.2 Water Financial Plan.....	4-1
4.2.1 Statement of Financial Position (Table 4-1)	4-1
4.2.2 Statement of Operations (Table 4-2).....	4-2
4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)...	4-3
4.2.4 Statement of Cash Flow (Table 4-4)	4-3
5. Process for Financial Plan Approval and Submission to the Province.....	5-1
6. Recommendations.....	6-1
Appendix A – 2015 Water Forecast – Summary Tables.....	1

List of Acronyms

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

1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Township of Hamilton (the Township) to prepare a Water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the Safe Drinking Water Act, 2002. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regards to the Township's Water system has been documented through Township staff prepared actual results for 2011 to 2014 as well as forecasted results for 2015 and 2016 (herein referred to as the 2015 Forecast). The objective of the report provided herein is to convert the findings of the 2015 Forecast into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

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

“No person shall,

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

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

1. Obtain a drinking water works permit;
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard;
3. Accreditation of the Operating Authority;

4. Prepare and provide a financial plan; and
5. Obtain permit to take water.

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

1.2.1 Financial Plan Defined

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

“financial plans’ means,

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

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

1.2.2 Financial Plan Requirements – New System

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

- Financial plans must be approved by Council resolution (or governing body) indicating that the drinking water system is financially viable;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing when the system first serves the public);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the Public Sector Accounting Board (P.S.A.B.) for each year in which the financial plans apply;

- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – Existing System

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

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the P.S.A.B.) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per the P.S.A.B.) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per the P.S.A.B.) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and

- Financial plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.4 Financial Plan Requirements - General

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

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

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

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the 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 assets as they can represent a significant portion of the Township'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**

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

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

Figure 1-2
Statement of Operations

OLD FORMAT (PRE-2009)

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

2009 AND FUTURE

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

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

2009 AND FUTURE

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

Figure 1-4
Statement of Cash Flow¹

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

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

2. Sustainable Financial Planning

2.1 Introduction

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

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of Water services should ultimately be used to meet the needs of those services.
- Principle #4: Lifecycle planning with mid-course corrections is preferable to planning over the short term, or not planning at all.
- Principle #5: An asset management plan is a key input to the development of a financial plan.
- Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
- Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.
- Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff and municipal Council.

2.2 Sustainable Water and Sewage Systems Act

The Sustainable Water and Sewage Systems Act (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for

municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister could have made regulations. It is noted that, the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010 (Bill 72)

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

The purposes of the Water Opportunities Act are to foster innovative water, wastewater and storm water technologies, services and practices; to create opportunities for economic development and clean-technology jobs; and to conserve and sustain water resources. To achieve this, Bill 72 provides for the creation of performance targets (financial, operational and maintenance related) which will vary by service type and location, and the required submission of conservation and sustainability plans for water, wastewater and 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.

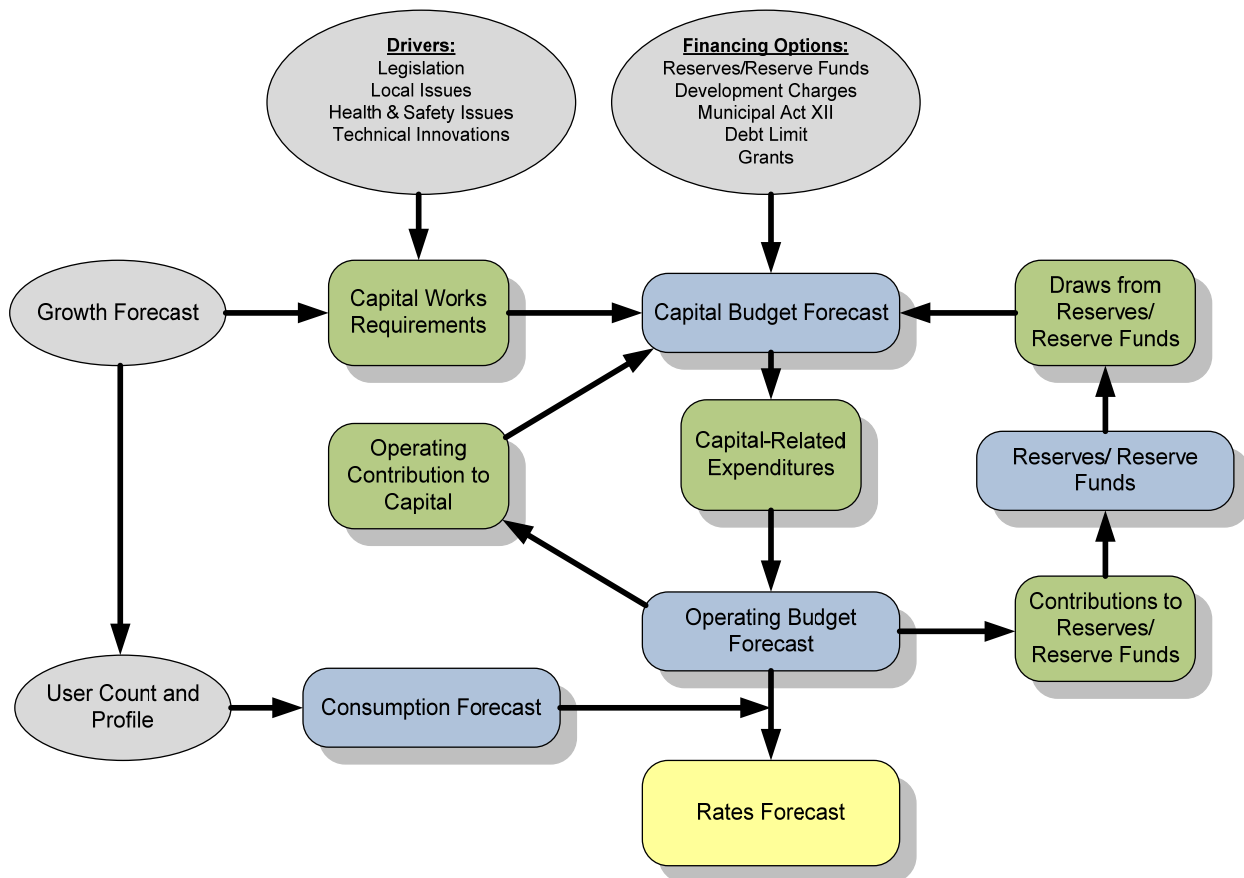
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

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

2.4 Water Rate Study

Watson assisted the Township with the completion of a Water Rate Study in 2012. 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 Rate Calculation Process



As a result of employing this process, the Rate Study provides a sound financial plan for municipalities 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 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.

It is suggested that an update to the 2012 Rate Study be completed in the near future. As this financial plan report predominantly looks at actual results, the Rate Study was only used to round out the forecast period within the 2015 Forecast.

The details of the financial plan arising from the 2015 Forecast are contained in Appendix A.

3. Approach

3.1 Overview

The 2015 Forecast has been prepared on a modified cash basis; therefore, a conversion was required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

3.2 Conversion Process

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

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

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the 2015 Forecast as well as part of the Township's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2015 Forecast, replacement cost is provided for each asset; however, historical cost (which is the original cost to purchase, develop or construct each asset) is required for financial reporting purposes. Once historical cost is established, the following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2015 Forecast. These estimates, however, only represent future assets that the Township anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no cost or partial cost to the Township). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

3.2.2 Convert Statement of Operations

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

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

Modified Cash Basis	Budget 2011	Adjustments		Full Accrual Budget 2011	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge and Rate Revenue	198,395			198,395	Base Charge and Rate Revenue
Transfers from Reserves	44,171	44,171			
Contributions from Ratepayers	113,700	113,700		-	Interest Earned on Long-term Accounts Receivable
Other Revenue	47,683			47,683	Other Revenue
Total Revenues	403,949			246,078	Total Revenues
Expenditures					Expenses
Operating	279,602			279,602	Operating Expenses
Capital					
Transfers to Reserves	124,347		124,347		
		108,518		108,518	Amortization
Total Expenditures	403,949			388,120	Total Expenses
Net Expenditures	-			(142,042)	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			6,867,574	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-		142,042	6,725,532	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		266,389	266,389		

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

3.2.3 Convert Statement of Financial Position

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

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

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

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

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

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

Modified Cash Basis	Budget 2011	Adjustments		Full Accrual Budget 2011	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Accounts Receivable	11,973			11,973	Accounts Receivable
Long-term Accounts Receivable	839,094			839,094	Long-term Accounts Receivable
<i>Total Financial Assets</i>	<i>851,067</i>			<i>851,067</i>	<i>Total Financial Assets</i>
LIABILITIES					Liabilities
Bank Indebtedness	686,028			686,028	Bank Indebtedness
Accounts Payable & Accrued Liabilities	36,515			36,515	Accounts Payable & Accrued Liabilities
<i>Total Liabilities</i>	<i>722,543</i>			<i>722,543</i>	<i>Total Liabilities</i>
Net Assets/(Debt)	128,524			128,524	Net Financial Assets/(Debt)
		6,597,008		6,597,008	Non-Financial Assets
				6,597,008	Tangible Capital Assets
					Total Non-Financial Assets
Municipal Position					
Water Reserves	(710,570)		710,570		
Total Municipal Position	128,524		6,725,532	6,725,532	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		7,436,102	7,436,102		

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 Township at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

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

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

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

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

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

4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Township's water systems. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows includes a forward look at the financial position of the Township's water systems. It is not an audited document² 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 Township'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 estimation 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 Township's water systems will be in a net financial asset position of approximately \$128,000. After 2015, the financial plan forecasts a fluctuating net financial asset position over the forecast period, reaching a low of (\$8,300) in 2013 and a high of \$191,000 in 2015. By the end of 2016, the Township's water system is projected to attain a net financial asset position of approximately \$185,000.

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 are imperative to water service delivery;

² 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; and
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to decrease by approximately \$538,000 over the forecast period. This indicates that the Township's anticipated use of existing assets will exceed its planned investments in tangible capital assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water systems for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and, in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues increasing from 158% in 2011 to 172% in 2012, decreasing to 76% by 2014, then increasing to 115% in 2015 and 133% in 2016. As a result, the Township's projected annual surplus/(deficit) position fluctuates from a balance of approximately (\$142,000) in 2011, to approximately (\$165,000) in 2013, improving to an annual surplus of just over \$113,000 in 2014, and then returning to an annual deficit position for the remainder of the forecast period. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions and reserve/reserve fund transfers.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan indicates a reduction of approximately \$516,000 from a 2010 accumulated surplus of just under \$6.9 million during the forecast period. This accumulated surplus, as indicated in Table 4-2, is

predominantly made up of reserve balances, as well as historical investments in tangible capital assets.

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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that the annual deficit exceeded tangible capital asset acquisitions (net of amortization) for 2011 to 2013 and 2016, resulting in a decrease in net financial assets in each of these years. In 2014 and 2015, annual surplus exceeded tangible capital assets acquisitions (net of amortization) resulting in net financial assets increasing in these years. This allows for a long-term plan of funding capital through accumulated surplus (i.e. reserves). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions, after an initial negative value of 5.78 in 2013, subsequently improving and ultimately attaining a value of 1.19 by 2016.³

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the 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 bank indebtedness position of the Township's water systems to improve from approximately \$770,000 at the beginning of 2011, to approximately \$247,000 by the end of 2016. For further discussions on projected cash balances, please refer to the Notes to the Financial Plan.

³ A desirable ratio is 1:1 or better.

Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2011-2016

	Notes	Actual				Budget	Forecast
		2011	2012	2013	2014	2015	2016
Financial Assets							
Accounts Receivable	1	11,973	14,645	18,469	18,862	19,263	19,673
Long-term Accounts Receivable	8	839,094	725,594	651,386	589,835	525,822	459,248
Total Financial Assets		851,067	740,239	669,855	608,697	545,085	478,921
Liabilities							
Bank Indebtedness		686,028	628,754	633,488	397,758	307,890	247,354
Accounts Payable & Accrued Liabilities	1	36,515	37,575	44,655	45,453	46,266	47,096
Total Liabilities		722,543	666,329	678,143	443,211	354,156	294,450
Net Financial Assets/(Debt)		128,524	73,910	(8,288)	165,486	190,929	184,471
Non-Financial Assets							
Tangible Capital Assets	4	6,597,008	6,488,490	6,405,101	6,344,620	6,268,785	6,167,432
Total Non-Financial Assets		6,597,008	6,488,490	6,405,101	6,344,620	6,268,785	6,167,432
Accumulated Surplus/(Deficit)	5	6,725,532	6,562,400	6,396,813	6,510,106	6,459,714	6,351,903

Financial Indicators	Total Change	2011	2012	2013	2014	2015	2016
1) Increase/(Decrease) in Net Financial Assets	22,423	(33,524)	(54,614)	(82,198)	173,774	25,443	(6,458)
2) Increase/(Decrease) in Tangible Capital Assets	(538,094)	(108,518)	(108,518)	(83,389)	(60,481)	(75,835)	(101,353)
3) Increase/(Decrease) in Accumulated Surplus	(515,671)	(142,042)	(163,132)	(165,587)	113,293	(50,392)	(107,811)

Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2011-2016

	Notes	Actual				Budget	Forecast
		2011	2012	2013	2014	2015	2016
Water Revenue							
Base Charge and Rate Revenue		198,395	203,340	223,991	356,476	290,000	289,387
Interest Earned on Long-term Accounts Receivable	8	-	-	28,423	27,506	19,954	17,590
Other Revenue	6	47,683	22,027	(18,085)	94,324	17,690	21,842
Total Revenues		246,078	225,367	234,329	478,306	327,644	328,819
Water Expenses							
Operating Expenses	Sch. 4-1	279,602	279,981	291,398	255,293	267,201	324,028
Amortization	4	108,518	108,518	108,518	109,720	110,835	112,602
Total Expenses		388,120	388,499	399,916	365,013	378,036	436,630
Annual Surplus/(Deficit)		(142,042)	(163,132)	(165,587)	113,293	(50,392)	(107,811)
Accumulated Surplus/(Deficit), beginning of year	5	6,867,574	6,725,532	6,562,400	6,396,813	6,510,106	6,459,714
Accumulated Surplus/(Deficit), end of year		6,725,532	6,562,400	6,396,813	6,510,106	6,459,714	6,351,903
Note 5:							
Accumulated Surplus/(Deficit) Reconciliation:		2011	2012	2013	2014	2015	2016
Reserve Balances							
Reserves: Capital/Other		(710,570)	(651,684)	(659,674)	(424,349)	(334,893)	(274,777)
Total Reserves Balance		(710,570)	(651,684)	(659,674)	(424,349)	(334,893)	(274,777)
Add: Long-term Accounts Receivable		839,094	725,594	651,386	589,835	525,822	459,248
Add: Tangible Capital Assets	4	6,597,008	6,488,490	6,405,101	6,344,620	6,268,785	6,167,432
Total Ending Balance		6,725,532	6,562,400	6,396,813	6,510,106	6,459,714	6,351,903
Financial Indicators							
	Total Change	2011	2012	2013	2014	2015	2016
1) Expense to Revenue Ratio		158%	172%	171%	76%	115%	133%
2) Increase/(Decrease) in Accumulated Surplus	(515,671)	(142,042)	(163,132)	(165,587)	113,293	(50,392)	(107,811)

Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2011-2016

	Notes	Actual				Budget	Forecast
		2011	2012	2013	2014	2015	2016
Operating Expenses							
Water Administration							
Salaries/Wages & Benefits		129,216	152,414	157,344	110,039	121,151	169,510
Mileage/Vehicle		4,186	3,274	3,524	3,868	4,000	4,505
Training Seminars		7,878	3,468	4,884	4,451	10,550	9,009
Dues/Memberships		1,272	1,632	1,307	871	900	1,408
Telephone/Pagers		6,011	7,060	6,255	5,203	6,000	6,757
Courier		140	45	26	18	200	225
Misc. Supplies		570	328	730	-	-	1,126
Answering Service		585	577	628	628	700	788
Contracted Services		12,366	23,637	14,136	21,239	15,000	14,640
Laboratory Supplies		3,354	3,100	3,671	4,193	4,000	-
Audit Fees		-	-	5,854	7,208	6,000	3,942
Legal Fees		-	-	-	-	1,500	845
Office Supplies		854	1,359	776	1,247	2,000	-
Camborne Water							
Holding Tank/Septic		981	216	712	169	500	1,239
Maintenance		15,298	1,963	7,783	5,703	7,000	7,883
Other		4,788	2,266	1,395	816	-	3,378
Hydro/Union Gas		5,233	6,173	6,184	6,622	7,500	6,194
Chemicals		999	1,052	972	-	1,200	1,239
Water Samples		4,485	3,904	3,606	3,514	3,500	4,617
Baltimore/Creighton Water							
Holding Tank/Septic		2,539	1,946	1,795	285	2,000	3,378
Maintenance		11,924	6,970	10,096	18,992	15,000	15,766
Other		14,620	5,619	10,037	-	-	11,262
Hydro		39,201	39,577	35,595	45,407	45,000	42,801
Chemicals		8,242	7,699	9,253	8,213	9,000	8,448
Water Samples		4,860	5,702	4,835	6,607	4,500	5,068
Non TCA - Expenses from Capital Budget	7	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		279,602	279,981	291,398	255,293	267,201	324,028

Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2011-2016

	Notes	Actual				Budget	Forecast
		2011	2012	2013	2014	2015	2016
Annual Surplus/(Deficit)		(142,042)	(163,132)	(165,587)	113,293	(50,392)	(107,811)
Less: Acquisition of Tangible Capital Assets	4	-	-	(25,129)	(49,239)	(35,000)	(11,249)
Add: Amortization of Tangible Capital Assets	4	108,518	108,518	108,518	109,720	110,835	112,602
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-
		108,518	108,518	83,389	60,481	75,835	101,353
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(33,524)	(54,614)	(82,198)	173,774	25,443	(6,458)
Net Financial Assets/(Net Debt), beginning of year		162,048	128,524	73,910	(8,288)	165,486	190,929
Net Financial Assets/(Net Debt), end of year		128,524	73,910	(8,288)	165,486	190,929	184,471

Financial Indicators	2011	2012	2013	2014	2015	2016
1) Acquisition of Tangible Capital Assets (Cumulative)	-	-	25,129	74,368	109,368	120,617
2) Annual Surplus/Deficit before Amortization (Cumulative)	(33,524)	(88,138)	(145,207)	77,806	138,249	143,040
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)	-	-	(5.78)	1.05	1.26	1.19

Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2011-2016

	Notes	Actual				Budget	Forecast
		2011	2012	2013	2014	2015	2016
Operating Transactions							
Annual Surplus/Deficit		(142,042)	(163,132)	(165,587)	113,293	(50,392)	(107,811)
Add: Amortization of TCA's	4	108,518	108,518	108,518	109,720	110,835	112,602
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(1,169)	(2,672)	(3,824)	(393)	(401)	(410)
Change in A/P Increase/(Decrease)		4,730	1,060	7,080	798	813	830
Less: Interest Proceeds		-	25,065	25,372	21,615	18,907	16,595
Cash Provided by Operating Transactions		(29,963)	(31,161)	(28,441)	245,033	79,762	21,806
Capital Transactions							
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	-	-	(25,129)	(49,239)	(35,000)	(11,249)
Cash Applied to Capital Transactions		-	-	(25,129)	(49,239)	(35,000)	(11,249)
Investing Transactions							
Proceeds from Investments		-	(25,065)	(25,372)	(21,615)	(18,907)	(16,595)
Less: Cash Used to Acquire Investments		-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		-	(25,065)	(25,372)	(21,615)	(18,907)	(16,595)
Financing Transactions							
Add: Long-term Accounts Receivable Proceeds (recovery of debt)	8	113,700	113,500	74,208	61,551	64,013	66,574
Cash Applied to Financing Transactions		113,700	113,500	74,208	61,551	64,013	66,574
Increase in Cash and Cash Equivalents		83,737	57,274	(4,734)	235,730	89,868	60,536
Cash and Cash Equivalents, beginning of year	1	(769,765)	(686,028)	(628,754)	(633,488)	(397,758)	(307,890)
Cash and Cash Equivalents, end of year	1	(686,028)	(628,754)	(633,488)	(397,758)	(307,890)	(247,354)

Water Notes to Financial Plan

The financial plan format, as outlined in Chapter 4, closely approximates the full accrual format used by municipalities (2009 onward) on their audited financial statements. The financial plan, however, is not an audited document and contains various estimates. In this regard, Section 3 (2) of O.Reg. 453/07 states the following:

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

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

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

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

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

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

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

1. Cash, Receivables and Payables

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

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

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

- a) Receivables: Based on historical levels of water accounts receivable as a percentage of water revenue earned (source: Township staff); and
 - b) Payables: Based on municipal-wide historical levels of accounts payable as a percentage of annual expenses incurred (source: prior years audited financial statements).
2. Debt

The Town had no outstanding water related debt at the end of 2014 and no debt proceeds are anticipated throughout the forecast period.

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

3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected.

The Township of Hamilton does not collect water development charges, therefore, deferred revenue is assumed to be zero over the forecast period.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water-related assets in the following categories:
 - i. Infrastructure; and
 - ii. Facilities.
- Amortization is calculated based on the straight-line approach.
- Given the planned asset replacement forecast in the 2015 Forecast, useful life on acquisitions is assumed to be equal to typical useful life estimates used in 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 disposals are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in subsection 3.2.1, are deemed to be insignificant/unknown during the forecast period and are, therefore, assumed to be \$0.
- The Township is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2011	2012	2013	2014	2015	2016
Opening Tangible Capital Asset Balance	7,872,495	7,872,495	7,872,495	7,888,916	7,936,806	7,971,806
Acquisitions	-	-	25,129	49,239	35,000	11,249
Disposals	-	-	8,708	1,349	-	378
Closing Tangible Capital Asset Balance	7,872,495	7,872,495	7,888,916	7,936,806	7,971,806	7,982,677
Opening Accumulated Amortization	1,166,969	1,275,487	1,384,005	1,483,815	1,592,186	1,703,021
Amortization Expense	108,518	108,518	108,518	109,720	110,835	112,602
Amortization on Disposal	-	-	8,708	1,349	-	378
Ending Accumulated Amortization	1,275,487	1,384,005	1,483,815	1,592,186	1,703,021	1,815,245
Net Book Value	6,597,008	6,488,490	6,405,101	6,344,620	6,268,785	6,167,432

5. Accumulated Surplus

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

Water	2011 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	(790,746)
Total Reserves Balance	(790,746)
Add: Long-term Accounts Receivable	952,794
Add: Tangible Capital Assets	6,705,526
Total Opening Balance	6,867,574

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

6. Other Revenue

Other revenue includes area charges, capital upgrade revenue, penalties 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.

8. Accounts Receivable - Other

The Township is receiving payments from landowners who benefitted from capital upgrades performed in the past. The amount of unpaid funds are presented on the statement of financial position as "Accounts Receivable – Other". Repayments received prior to 2013 are assumed to be related to principal only. Starting in 2013, imputed interest has been calculated on the repayments and included as a revenue item on the statement of operations.

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 financial plan for the Township of Hamilton 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 Township's budget or future updates to the Water Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Township of Hamilton Water Financial Plan prepared by Watson & Associates Economists Ltd. dated May 8, 2015 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan and the Council Resolution approving the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The Financial Plan and the Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii)

Appendix A – 2015 Water Forecast – Summary Tables

Table A-1
Hamilton Township
Water Services Capital Budget Forecast
2011 - 2016
 Inflated \$

Project Description		Total					
		2011	2012	2013	2014	2015	2016
Capital Expenditures							
Capital Upgrades	59,075	-	-	15,129	43,946	-	-
Baltimore Well De-Commissioning	20,000	-	-	-	-	20,000	-
Water Meter Reader	20,293	-	-	-	5,293	15,000	-
System-wide Requirements - Other Capital Needs	21,249	-	-	10,000	-	-	11,249
Total Capital Expenditures	120,617	-	-	25,129	49,239	35,000	11,249
Capital Financing							
Provincial Grants	-	-	-	-	-	-	-
Debt Requirements	-	-	-	-	-	-	-
Operating Contributions	71,459	-	-	15,971	44,239	-	11,249
Reserves	49,159	-	-	9,159	5,000	35,000	-
Total Financing	120,617	-	-	25,130	49,239	35,000	11,249

Table A-2
Hamilton Township
Water Services Debenture and Debt Charges
2011 - 2016
 Inflated \$

Debenture Year	(Inflated)	Principal					
		2011	2012	2013	2014	2015	2016
2010	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
Total Annual Debt Charges	-	-	-	-	-	-	-
Total Annual Debt Charges - Baltimore/CH	-	-	-	-	-	-	-
Total Annual Debt Charges - Camborne	-	-	-	-	-	-	-

Table A-3
Hamilton Township
Reserves & Reserve Fund Continuity Schedule
2011 - 2016
 Inflated \$

Camborne Water Reserves	Year					
	2011	2012	2013	2014	2015	2016
Opening Balance	(315,041)	(279,724)	(249,001)	(253,176)	(254,981)	(267,499)
Transfers from Operating - Area/Capital Charge Repayment	40,300	40,300	14,721	13,002	-	-
Transfers from Operating	1,583	-	-	20,459	2,833	-
Transfer to Operating	6,566	-	-	-	-	4,693
Transfer to Capital	-	-	9,159	5,000	2,230	-
Closing Balance	(279,724)	(239,424)	(243,439)	(245,174)	(257,211)	(272,192)
Interest	-	(9,577)	(9,738)	(9,807)	(10,288)	(10,888)

Baltimore/Creighton Heights Water Reserves	Year					
	2011	2012	2013	2014	2015	2016
Opening Balance	(475,705)	(430,846)	(402,683)	(406,497)	(343,878)	(300,496)
Transfers from Operating - Area/Capital Charge Repayment	73,400	43,651	11,820	75,845	87,710	71,682
Transfers from Operating	9,064	-	-	117,174	16,223	-
Transfer to Operating	37,605	-	-	-	-	26,875
Transfer to Capital	-	-	-	-	32,770	-
Closing Balance	(430,846)	(387,195)	(390,863)	(330,652)	(288,939)	(255,690)
Interest	-	(15,488)	(15,635)	(13,226)	(11,558)	(10,228)

Cobourg Serviced Area Water Reserves	Year					
	2011	2012	2013	2014	2015	2016
Opening Balance	-	-	-	-	36,878	76,415
Transfers from Operating	-	-	-	35,460	36,597	36,597
Closing Balance	-	-	-	35,460	73,476	113,012
Interest	-	-	-	1,418	2,939	4,520

COMBINED RESERVE FUND BALANCES	(710,570)	(651,684)	(659,674)	(561,981)	(491,581)	(431,465)
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Table A-4
Hamilton Township
Water Services Operating Budget Forecast
2011 - 2016
 Inflated \$

Description	Actual 2011	Actual (Adjusted)			Budget 2015	Forecast 2016
		2012	2013	2014		
Water Administration						
<i>Operating Expenditures</i>						
Salaries/Wages & Benefits	129,216	152,414	157,344	110,039	121,151	169,510
Mileage/Vehicle	4,186	3,274	3,524	3,868	4,000	4,505
Training Seminars	7,878	3,468	4,884	4,451	10,550	9,009
Dues/Memberships	1,272	1,632	1,307	871	900	1,408
Telephone/Pagers	6,011	7,060	6,255	5,203	6,000	6,757
Courier	140	45	26	18	200	225
Misc. Supplies	570	328	730	-	-	1,126
Answering Service	585	577	628	628	700	788
Contracted Services	12,366	23,637	14,136	21,239	15,000	14,640
Laboratory Supplies	3,354	3,100	3,671	4,193	4,000	-
Audit	-	-	5,854	7,208	6,000	3,942
Legal	-	-	-	-	1,500	845
Office Supplies	854	1,359	776	1,247	2,000	-
<i>Capital-Related Expenditures</i>						
Transfer to Capital	-	-	-	-	-	11,249
Transfer to Reserves	10,647	-	-	137,633	19,056	-
Subtotal - Water Administration	177,079	196,894	199,135	296,598	191,057	224,003
Camborne Water						
<i>Operating Expenditures</i>						
Holding Tank/Septic	981	216	712	169	500	1,239
Maintenance	15,298	1,963	7,783	5,703	7,000	7,883
Other	4,788	2,266	1,395	816	-	3,378
Hydro/Union Gas	5,233	6,173	6,184	6,622	7,500	6,194
Chemicals	999	1,052	972	-	1,200	1,239
Water Samples	4,485	3,904	3,606	3,514	3,500	4,617
<i>Capital-Related Expenditures</i>						
Transfer to Capital	-	-	-	-	-	-
Transfer to Reserves - Area/Capital Charge Repayment	40,300	40,300	14,721	13,002	-	-
Subtotal - Camborne Water	72,084	55,874	35,373	29,826	19,700	24,550
Baltimore/Creighton Water						
<i>Operating Expenditures</i>						
Holding Tank/Septic	2,539	1,946	1,795	285	2,000	3,378
Maintenance	11,924	6,970	10,096	18,992	15,000	15,766
Other	14,620	5,619	10,037	-	-	11,262
Hydro	39,201	39,577	35,595	45,407	45,000	42,801
Chemicals	8,242	7,699	9,253	8,213	9,000	8,448
Water Samples	4,860	5,702	4,835	6,607	4,500	5,068
<i>Capital-Related Expenditures</i>						
Transfer to Capital	-	-	-	-	-	-
Transfer to Reserves - Area/Capital Charge Repayment	73,400	43,651	11,820	75,845	87,710	71,682
Subtotal - Baltimore/Creighton Heights Water	154,786	111,164	83,431	155,349	163,210	158,405
Cobourg Serviced Area Water						
<i>Capital-Related Expenditures</i>						
Transfer to Capital	-	-	15,971	44,239	-	-
Transfer to Reserves	-	-	-	35,460	36,597	36,597
Subtotal - Capital Related Expenditures	-	-	15,971	79,699	36,597	36,597
TOTAL GROSS OPERATING EXPENDITURES	403,949	363,932	333,910	561,472	410,564	443,556
Operating Revenues						
Water Penalties - Camborne	343	571	609	2,271	-	-
Water Penalties - Baltimore/Creighton	2,937	2,148	3,243	-	-	-
Bulk Water Revenues - Baltimore/Creighton	408	663	875	-	-	1,840
Transfers from Reserves	-	-	-	-	-	-
Ontario Small Water Assistance Program	40,048	40,048	-	-	-	-
Source Water Protection Municipal Implementation Funding	-	-	-	75,000	-	-
Capital Upgrades - Camborne	40,300	40,300	11,820	13,212	12,482	12,482
Capital Upgrades - Creighton Heights	73,400	73,200	90,811	75,845	71,485	71,682
Capital Upgrades - Dungannon and Carleton	-	-	-	35,460	36,597	36,597
Shortfall - Transfer From Reserves	44,171	-	-	-	-	31,568
Other	3,947	3,662	2,561	3,208	-	-
TOTAL OPERATING REVENUES	205,554	160,592	109,919	204,996	120,564	154,169
WATER BILLING RECOVERY						
Camborne	26,064	43,320	34,765	34,991	50,000	50,790
Baltimore/Creighton Heights	172,331	160,020	189,226	321,485	240,000	238,597