



Water & Wastewater Financial Plan

O. Reg. 453/07 Financial Plan # 172-301

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TOWN OF CARLETON PLACE | JUNE 30, 2020

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1 INTRODUCTION

The Safe Drinking Water Act (S.D.W.A.), “the Act”, was passed in December 2002 to address the recommendations made by the Walkerton Inquiry Part II report and has been amended several times since. 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 a municipal drinking water licence.

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

- a) Obtain a drinking water works permit.
- b) Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
- c) Accreditation of the Operating Authority.
- d) Prepare and provide a financial plan.
- e) Obtain a permit to take water.

For licence renewals, the application must be accompanied by proof that the financial plan meets the prescribed requirements as per the Act s. 32(5)2. ii.

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

1.1 Financial Plan Requirements

Financial plans for *existing* water systems as prescribed by O.Reg. 453/07 must meet the following requirements:

- a) The financial plans must be approved by a resolution that is passed by the council of the municipality, if the owner of the drinking water system is a municipality.

- b) The financial plans must apply to a period of at least six years starting with the year that the current licence expires.
- c) For each year to which the financial plans apply, the financial plans must include the following:
 - i. Details of the proposed or projected financial position of the drinking water system itemized by,
 - ◊ total financial assets,
 - ◊ total liabilities,
 - ◊ net debt,
 - ◊ non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and
 - ◊ changes in tangible capital assets that are additions, donations, write downs and disposals.
 - ii. Details of the proposed or projected financial operations of the drinking water system itemized by,
 - ◊ total revenues, further itemized by water rates, user charges and other revenues,
 - ◊ total expenses, further itemized by amortization expenses, interest expenses and other expenses,
 - ◊ annual surplus or deficit, and
 - ◊ accumulated surplus or deficit.
 - iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,
 - ◊ operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,
 - ◊ capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,
 - ◊ investing transactions that are acquisitions and disposal of investments,
 - ◊ financing transactions that are proceeds from the issuance of debt and debt repayment,
 - ◊ changes in cash and cash equivalents during the year, and
 - ◊ cash and cash equivalents at the beginning and end of the year.
 - iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead

service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.

- d) The owner of the drinking water system must,
 - i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge.
 - ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and
 - iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
 - iv. provide a copy of the financial plans to the Ministry of Municipal Affairs and Housing.

1.2 Public Sector Accounting Board (PSAB) Requirements

The components of the financial statements indicated within 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.

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

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

1.3 Required Financial Statements

Statement of Financial Position (Balance Sheet): helps users of financial statements to assess the financial health of an entity. When analyzed over several accounting periods, balance sheets may assist in identifying underlying trends in the financial position of the entity. It is particularly helpful in determining the state of the entity's liquidity risk, financial risk, credit risk and business risk. When used in conjunction with other financial statements of the entity and the financial statements of its competitors, a

Statement of Financial Position may help to identify relationships and trends which are indicative of potential problems or areas for further improvement. Analysis of the statement of financial position could therefore assist the users of financial statements to predict the amount, timing and volatility of an entity's future earnings.

Statement of Operations (Income Statement): summarizes a company's revenues and expenses over the reporting period and calculates the surplus or deficit for the period.

Statement of Cash Flows: summarizes the amount of cash and cash equivalents entering and leaving a company. It measures how well an organization manages its cash position, meaning how well the company generates cash to pay its debt obligations and fund its operating expenses.

Statement of Changes in Net Financial Assets/Debt: explains the difference between the annual surplus or deficit and the change in net financial assets (debt); reports spending to acquire tangible capital assets and inventories of supplies; and reports disposal of tangible capital assets and the use of inventory. This statement 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.

1.4 Sustainable Financial Planning

Sustainability is defined as the ability to maintain a certain position over time. The Ministry of the Environment, Conservation and Parks released a guideline (“Towards Financially Sustainable Drinking-Water and Wastewater Systems”) that provides possible approaches to achieving sustainability. The guidelines provide the following principles to achieve sustainability:

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.

1.5 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 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.

1.6 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 stormwater 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 Council 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.

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

On June 4, 2015, the Province passed the Infrastructure for Jobs and Prosperity Act (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

The Town approved a Strategic Asset Management Policy as required under this Act in July 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates as necessary. The subsequent phases are as follows:

Phase 1 – Asset Management Plan (by July 1, 2021):

For core assets (roads, water & sewer) – Municipalities must have the following:

- ◊ Inventory of assets.
- ◊ Current levels of service measured by standard metrics; and
- ◊ Costs to maintain levels of service.

Phase 2 – Asset Management Plan (by July 1, 2023):

- ◊ Same steps as Phase 1 but for all assets.

Phase 3 – Asset Management Plan (by July 1, 2024):

Builds on Phases 1 and 2 by adding:

- ◊ Proposed levels of service; and
- ◊ Lifecycle management and Financial strategy.

O.Reg. 588/17 specifies that the municipality's asset management plan must include the following for each asset category:

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

Upon completion of a compliant asset management plan for water and sewer assets, the Town will need to consider any impacts to this financial plan.

1.8 Carleton Place Water and Sewer Budgeting

The Town's budget process is designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning. The process includes input from engineers, public works staff, financial staff, and Council.

As a result of employing this process, the current 10-year Water & Sewer Financial Plan approved in 2019 for the years 2019 to 2028 provides a sound financial plan for the Town's water and sewer systems by providing:

1. A detailed assessment of current and future capital needs including an analysis of potential funding sources.
2. An annual review and recommendation on rate structures that ensure revenues are equitable and sufficient to meet system needs.
3. Assurance that users pay for the services they are provided and that revenues are only used for the purpose of water and sewer services.
4. An annual comparison of the accuracy of financial projections with actual results thereby leading to improved planning in the future.

5. Through the process of developing this Financial Plan, the Town of Carleton Place set out to achieve the following:

- 💧 Financial sustainability.
- 💧 Provide safe drinking water.
- 💧 Enable the long-term plan for capital renewal to be realized.
- 💧 Achieve full cost recovery over the long term; and
- 💧 Maintain current service levels.

2 CREATING THE FINANCIAL PLAN

2.1 Operating Revenue Forecast

The Town of Carleton Place reviews and revises its 10-year Water and Sewer Financial Plan annually. As part of this process, water and sewer rates are approved. This financial plan proposes increases equal to the Consumer Price Index (CPI) over the entire planning period. For the purposes of this plan it was assumed that CPI would amount to 2% per year.

Water rates are established to provide full-cost recovery planning for the water and sewer systems. Carleton Place has resisted the implementation of water meters for residential consumers to mitigate the fluctuations in revenue resulting from decreased consumption over time. By using a flat rate system, we are better able to project our revenues and because many of our expenses are fixed, we can safely plan the future of our systems. Our industrial, commercial, and institutional consumers are metered and with the anticipated annual growth of 2% in our community, we do not foresee any significant changes in revenue. Sewer rates are set as 100% of water rates. The

The following table shows the Town’s 2020 water and sewer rates combined:

Description	Full Service	Full Service, No Outside Taps	Full Service, plus Swimming Pool
1 or 2 persons	\$935.20	\$837.76	\$1,066.24
3 to 5 persons	\$982.24	\$885.04	\$1,113.44
6 to 8 persons	\$1,030.00	\$933.04	\$1,161.04
9 or 10 persons	\$1,061.20	\$963.12	\$1,192.16
Additional person	\$22.16	\$22.16	\$22.16

Table 1: 2020 Approved Water and Sewer Rates

The following chart shows combined water and sewer rates as estimated over the planning period. For illustration purposes, only the rates for the 1 or 2 persons, Full-Service category are shown:

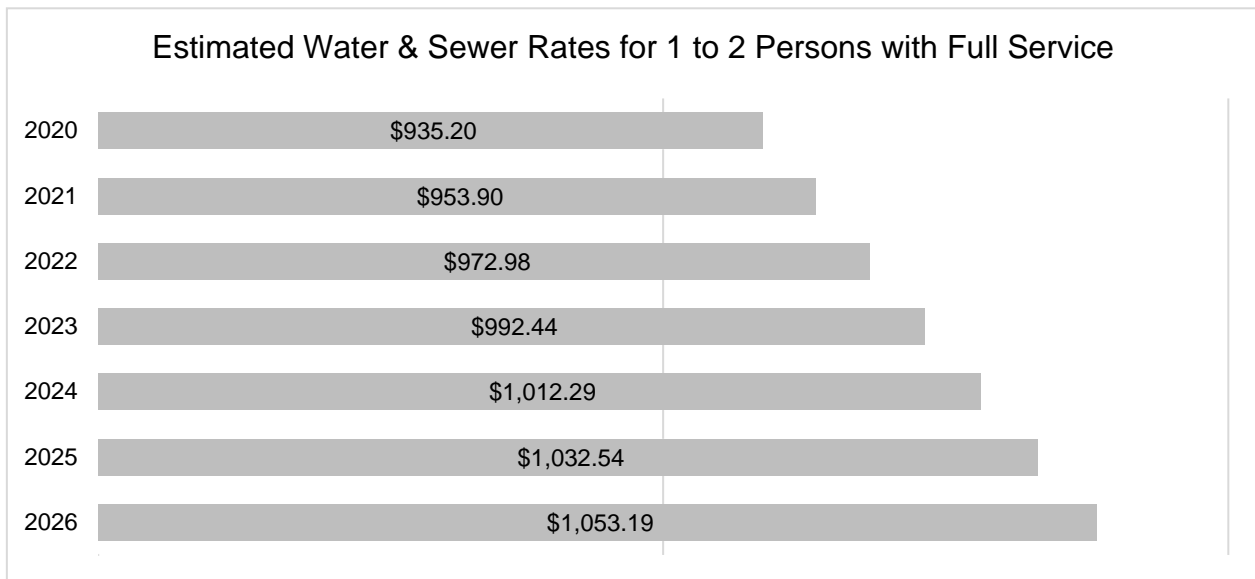


Chart 1: Estimated Water & Sewer Rates 2020 to 2026

2.2 Operating Expenditure Forecast

Through the achievement of our Operational Plan, we will continue to provide safe drinking water in the short and long term along with wastewater systems within the Town of Carleton Place. Operating expenses can be generally defined as recurring expenses associated with providing a service. They are straightforward and are typically outlays that need to be made to keep the operation running on a day-to-day basis. In general, operating expenses are easily identifiable, measurable, and can be readily verified (or audited) as they are based on actual cash outlays and liabilities. As this plan extends over many fiscal years, operating expenditures must be projected based on estimation of service costs over time.

This estimation/projection considers the following parameters:

- 💧 Future customer demands
- 💧 Projected repair and maintenance costs
- 💧 Input commodity costs (such as power supply and treatment chemicals)
- 💧 Contractual agreements

The Town's key operating expenses currently include personnel costs, materials and supplies, utilities, and administration costs. Annual operating expenses are estimated

at \$4,338,668 for the 2020 fiscal year, operating expenses are projected to increase at an inflationary rate of 2.0% each year.

2.3 Capital Forecast

Carleton Place Drinking Water System consists of approximately:

- ✓ 60.89 km of watermains
- ✓ 760 valves
- ✓ 377 hydrants
- ✓ 1 Water Elevated Storage Facility (3200 cubic meter capacity)
- ✓ 1 Water Treatment Plant

These integrated infrastructure assets provide safe drinking water to the Town's residential, commercial, industrial and institutional customers.

To establish its long-term needs, the Town of Carleton Place developed a capital project forecast for the planning period. Included in this model are several growth-related capital projects necessary to accommodate new growth including beginning work on expanding both the water treatment and sewer treatment plants. Although the work will not be fully completed by the end of this planning period, \$11.9 million will be required over the planning period.

Many years ago, staff and Council members made a commitment to continually improve the Town's underground infrastructure. The benefits of that decision are now realized with relatively little needing replacement over the planning period with the total estimated cost of underground infrastructure replacement being \$4.8 million during this period. Additionally, during the planning period, \$2.7 million is required to refurbish the water tower and \$6.9 million is required for work on the Town's pumping stations.

Funding required for capital works during the reporting period are shown in the table below:

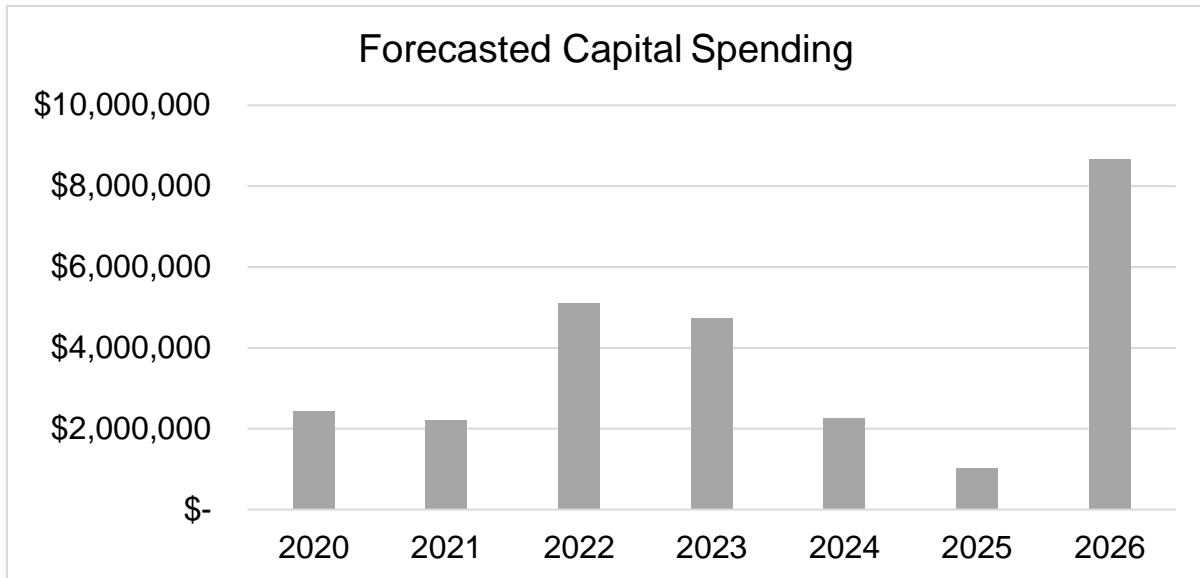


Chart 2: Forecasted Capital Spending 2020 to 2026

2.4 Debt

Debt management is the ability to repay debt over time, including both principal payments and interest charges. Funding for the Town’s major capital improvements is commonly financed by issuing debt. All debts currently owed were incurred to fund the direct capital costs for improvements made to the water and sewer systems.

The principal payments and interest costs on existing water and sewer infrastructure debt currently averages \$390,000 per year over the reporting period; the debt owing of \$2.3 million is projected to increase towards the end of the planning period as costs are incurred towards the expansion of both the water treatment plant and the sewage treatment plant. The total repayment of all current debt is projected to be completed by 2026 however in 2028, a new loan will be obtained to cover the costs of the plant expansions. The plan at 2026 has the debt balance projected at \$9.7 million.

The following table details projected debt over the planning period:

	2020 Payments	2021 Payments	2022 Payments	2023 Payments	2024 Payments	2025 Payments	2026 Payments
Highway 7 Servicing							
Principal	94,296	-	-	-	-	-	-
Interest	2,704	-	-	-	-	-	-
Centrifuge							
Principal	266,950	276,534	286,461	296,745	307,399	318,434	-
Interest	62,916	53,332	43,405	33,121	22,467	11,432	-
Unfinanced Capital							
Principal	122,718	121,395	121,395	121,395	-	-	-
Total Payments							
Principal	483,964	397,929	407,856	418,140	307,399	318,434	-
Interest	65,620	53,332	43,405	33,121	22,467	11,432	-
Total Payments	549,584	451,261	451,261	451,261	329,866	329,866	-
New Debt - Unfinanced Capital							
Sewage & Water Plant Expansions	30,000	-	230,000	400,000	100,000	400,000	8,147,480
Debt Balance	1,879,758	1,481,829	1,303,973	1,285,833	1,078,434	1,160,000	9,307,480

Table 2: Projected Debt 2020 to 2026

2.5 Conversion to Accrual Accounting

The above forecasts are prepared using modified cash basis budgets and therefore need to be converted 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 section outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

The conversion from the existing modified cash basis budget and 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. Statement of Financial Position
4. Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

2.5.1 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 and sewer assets, an inventory has already been compiled and summarized for the purposes of the Town's annual PSAB 3150 compliance process. As required, for PSAB 3150 reporting purposes, the asset inventory listing includes historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each asset and any anticipated salvage value. The following calculations are made to determine net book value:

- a. Accumulated amortization up to the year prior to the first forecast year.
- b. Amortization expense on existing assets for each year of the forecast period.
- c. Acquisition of new assets for each year of the forecast period.
- d. 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 plan. However, these estimates only represent future assets that the Town anticipates purchasing or constructing without consideration for future assets that are contributed by developers and other parties (at no or partial cost to the Town). These contributed assets will form part of the infrastructure going forward in terms of the sustainability of the system and despite their non-monetary nature. Future financial plans 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. Appendix 5-1: Statement of Capital Assets at the end of this report shows detailed calculations.

2.5.2 Convert Statement of Operations

The Statement of Operations summarizes the revenues and expenses generated by the sewer and water system for a given period. The projected Statement of Operations includes the revenues less the expenses, arriving at the excess or net revenues over expenses. The annual surplus/deficit measures whether the revenues generated are sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted.

A wide range of adjustments will be considered, dependent on the size and complexity of the system, in order to convert from the cash to full accrual basis. For example, debt repayment costs relating to the principal payment portion only needs to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis. Appendix 5-2: Statement of Operations at the end of this report shows the Statement of Operations that has been converted to be compliant with PSAB requirements.

2.5.3 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. 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 Town 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.

The first important indicator in determining the actual financial position of the water and sewer system is net financial assets, which is defined as the difference between

financial assets and liabilities. This value is used to determine the system’s “future revenue requirement”.

A net financial asset position occurs when financial assets are greater than liabilities implying that the system has the resources to finance future operations. Conversely, a net (debt) position implies that the system’s future revenues must finance past transactions as well as future operations. The two major components in this calculation are the cash set aside in reserves and the debt that the municipality holds. At the end of 2019, the net asset position of the Town amounts to \$17,847,285. During the forecast period to 2026, the net asset position is forecasted to amount to \$7,539,252. The table below the net financial assets in each year of the plan.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2020	2021	2022	2023	2024	2025	2026
	\$	\$	\$	\$	\$	\$	\$
ANNUAL SURPLUS	3,624,433	1,660,915	2,036,046	2,592,022	1,693,795	1,732,393	1,796,647
Amortization of tangible capital assets	1,321,782	1,361,957	1,399,040	1,480,160	1,552,255	1,588,262	1,598,597
Acquisition of tangible capital assets	(2,440,500)	(2,225,000)	(5,097,200)	(4,725,680)	(2,260,449)	(1,020,098)	(8,658,440)
	(1,118,718)	(863,043)	(3,698,160)	(3,245,520)	(708,194)	568,164	(7,059,843)
NET INCREASE (DECREASE) IN NET FINANCIAL ASSETS	2,505,714	797,872	(1,662,114)	(653,498)	985,601	2,300,557	(5,263,196)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	17,847,285	20,352,999	21,150,871	19,488,757	18,835,259	19,820,860	22,121,417
NET FINANCIAL ASSETS, END OF YEAR	20,352,999	21,150,871	19,488,757	18,835,259	19,820,860	22,121,417	16,858,221

Table 3: Statement of Change in Net Financial Assets

Another important indicator on the Statement of Financial Position is the tangible capital asset balance (Non-Financial Assets). Communities are presently facing major challenges in financing deferred maintenance, renewal, and replacement of aging capital assets. As the existing capital asset base ages and population grows, increased demands for new capital assets will place further pressures on the ability of local government to sustain those services. Information about the state of existing infrastructure, the lifecycle cost of its use, and the ultimate planning necessary for its replacement at the end of its lifecycle must be at the forefront of decision-making.

In general terms, an increase in the tangible capital asset balance indicates that assets have been acquired while a decrease in the tangible capital asset balance indicates a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization. Our current amortization rates reflect an estimated 60-year life cycle for underground infrastructure assets.

During the planning period, the net assets will grow by approximately \$15 million as shown in the following table.

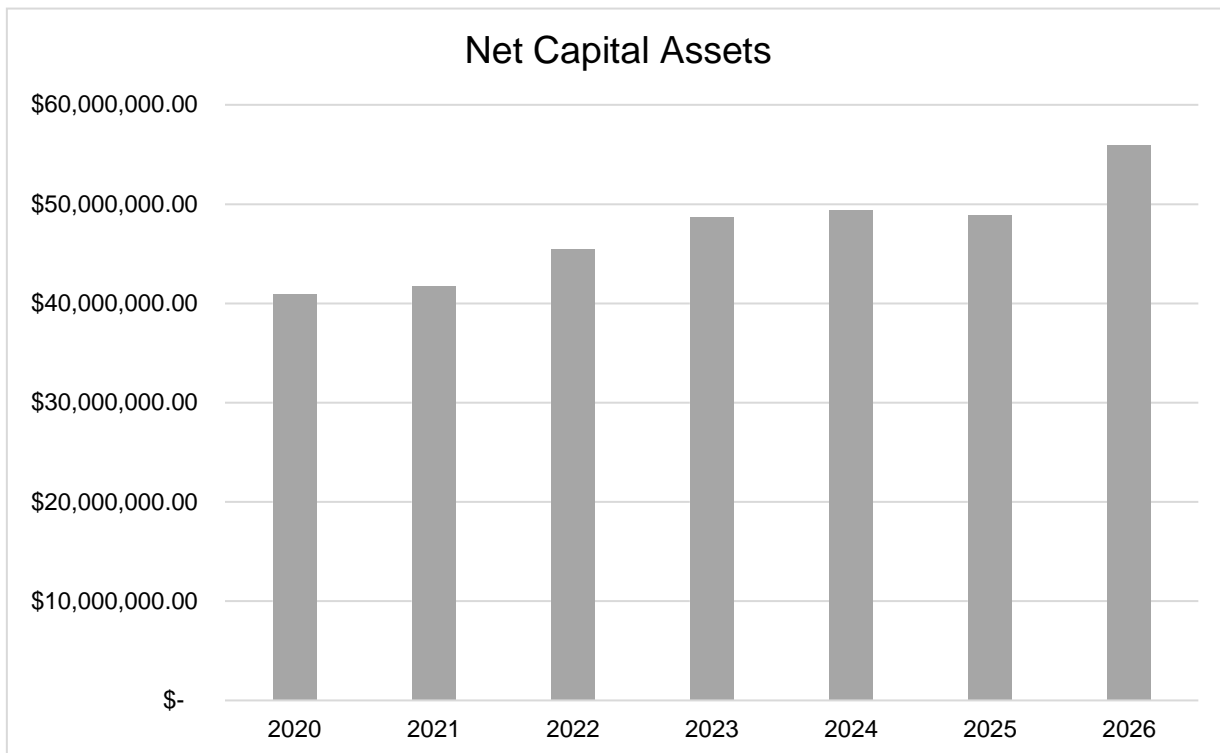


Chart 3: Forecasted Net Capital Assets 2020 to 2026

The third important indicator on this statement is accumulated surplus/deficit. It is essentially the accumulation of excess revenue over expenses over time. An accumulated surplus indicates that the available net resources are sufficient to provide for future needs. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing, or rate increases are required to finance annual system costs. Surpluses, which are accumulated as reserves, will be available for major growth-related capital projects slated to be completed after 2021. An additional water reservoir is to be constructed in 2025, engineering has shown a requirement to expand the sewage treatment plant in 2027 and there is a requirement to build a forcemain between the water plant and sewage plant in 2021. The full Statement of Financial Position is shown in Appendix 5-3.

2.5.4 Statement of Cash Flow

The Statement of Cash Flow summarizes how the water and sewer 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 Appendix 5-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash and accrual-based reporting.

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 Town's water and sewer systems to improve from a balance of approximately \$14 million at the beginning of 2020, to just over \$22 million by the end of 2026. The chart below shows the growth of the Town's cash balance at the end of each year for the planning period.

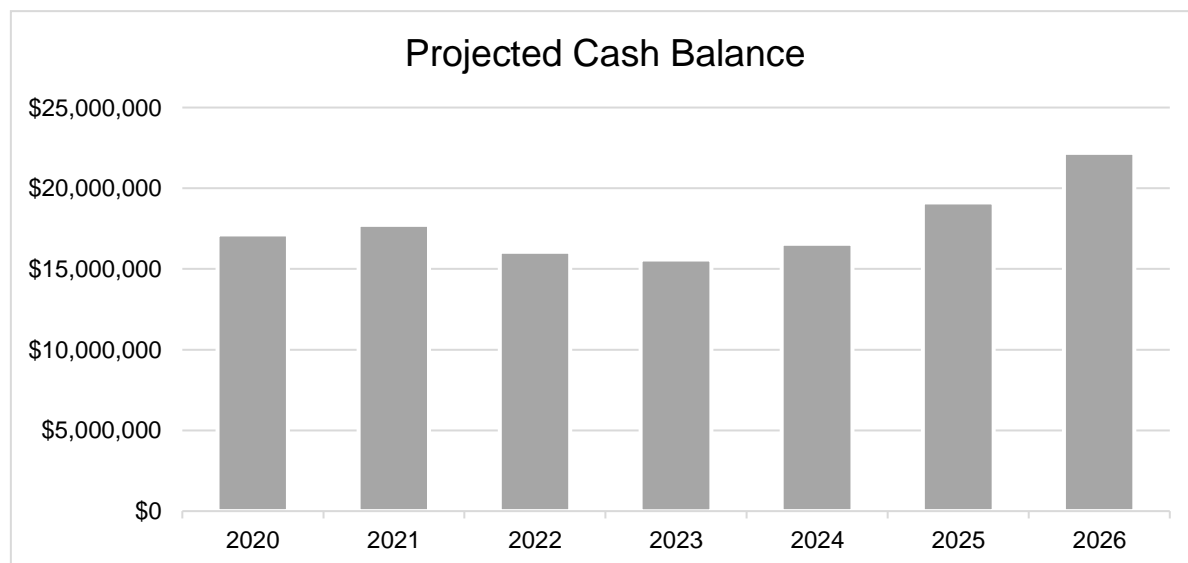


Chart 4: Projected Cash Balance at December 31st, 2020 to 2026

2.5.5 Notes to Financial Plan

This financial plan format closely approximates the full accrual format used by municipalities 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:

- Sub-subparagraphs 4 i A, B and C of subsection (1)
- 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:

- ◊ Total financial assets (i.e. cash and receivables);
- ◊ Total liabilities (i.e. payables, debt and deferred revenue);
- ◊ 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:

- ◊ Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges
- ◊ Investing transactions that are acquisitions and disposal of investments
- ◊ Change in cash and cash equivalents during the year
- ◊ 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 Town, some of the items listed above have been estimated given that the Town 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).

3 SUMMARY

3.1 Current Status

The Town of Carleton Place has benefited from the foresight of the previous administrations to implement long-term planning in the form of a robust infrastructure that is in place today. Subsequent management has continued this exercise, realizing

that Carleton Place is a desirable growth centre and having in place the infrastructure to accommodate growth is essential. Long-term planning has been instrumental in developing a comprehensive understanding of the Town's infrastructure and creating a financial structure that puts in place resources to deal with major projects with less reliance on debt funding.

3.2 Integration with other Initiatives

The Town is currently working on improving its Asset Management plan and integration with this and other planning tools including but not limited to, the annual budget for all departments, the annually updated 10-year financial plan, the development charges by-law and strategic asset management policy.

3.3 Process for Financial Plan Approval and Submission to the Province

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

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

4 STAFF RECOMMENDATION

This report presents the water financial plan for the Town 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 current 10-year Financial, and Asset Management Plans. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations.

It is recommended that:

1. The Town of Carleton Place Financial Plan dated June 30, 2020 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated June 30, 2020 be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3(1)6)).
4. The resolution of Council approving the Financial Plan be submitted to the Ministry of Environment, Conservation and Parks (MECP), satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32(5)2.ii.).

5 APPENDICES

**APPENDIX 5.1
TOWN OF CARLETON PLACE
UNAUDITED STATEMENT OF CAPITAL ASSETS**

	2020	2021	2022	2023	2024	2025	2026
ORIGINAL COSTS							
Water & Sewage Plants	24,205,927	24,546,427	24,896,427	25,256,427	25,626,427	26,006,427	26,396,427
Water Tower	1,930,910	1,930,910	1,930,910	4,640,630	4,640,630	4,640,630	4,640,630
Pumping Stations	741,010	1,741,010	2,716,010	3,691,010	6,966,690	7,637,140	7,637,140
Underground Water & Sewer	47,947,285	49,017,285	49,917,285	50,739,765	51,419,765	52,529,764	52,759,862
Assets Under Construction	-	30,000	30,000	260,000	660,000	760,000	1,160,000
	74,825,132	77,265,632	79,490,632	84,587,832	89,313,512	91,573,961	92,594,059
ADDITIONS							
Water & Sewage Plants	340,500	350,000	360,000	370,000	380,000	390,000	390,000
Water Tower	-	-	2,709,720	-	-	-	-
Pumping Stations	1,000,000	975,000	975,000	3,275,680	670,450	-	80,960
Underground Water & Sewer	1,070,000	900,000	822,480	680,000	1,109,999	230,098	40,000
Assets Under Construction	30,000	-	230,000	400,000	100,000	400,000	8,147,480
	2,440,500	2,225,000	5,097,200	4,725,680	2,260,449	1,020,098	8,658,440
TOTAL CAPITAL COSTS	77,265,632	79,490,632	84,587,832	89,313,512	91,573,961	92,594,059	101,252,499
ACCUMULATED AMORTIZATION							
Water & Sewage Plants	8,629,303	9,032,153	9,440,678	9,855,036	10,275,395	10,701,920	11,134,778
Water Tower	1,070,197	1,112,104	1,154,011	1,195,918	1,282,987	1,370,056	1,457,125
Pumping Stations	6,062,980	6,164,863	6,283,412	6,418,211	6,569,261	6,774,905	6,991,723
Underground Water & Sewer	19,273,390	20,048,532	20,841,507	21,649,483	22,471,166	23,304,183	24,155,699
	35,035,870	36,357,652	37,719,608	39,118,648	40,598,808	42,151,063	43,739,325
AMORTIZATION							
Water & Sewage Plants	402,850	408,525	414,358	420,358	426,525	432,858	439,358
Water Tower	41,907	41,907	41,907	87,069	87,069	87,069	87,069
Pumping Stations	101,883	118,549	134,799	151,049	205,644	216,818	216,818
Underground Water & Sewer	775,142	792,975	807,975	821,683	833,017	851,517	855,352
	1,321,782	1,361,957	1,399,040	1,480,160	1,552,255	1,588,262	1,598,597
ENDING ACCUMULATED AMORTIZATION	36,357,652	37,719,608	39,118,648	40,598,808	42,151,063	43,739,325	45,337,922
NET CAPITAL ASSETS	40,907,980	41,771,024	45,469,184	48,714,704	49,422,898	48,854,734	55,914,577

**APPENDIX 5.2
TOWN OF CARLETON PLACE
STATEMENT OF OPERATIONS
FORECAST**

	2020	2021	2022	2023	2024	2025	2026
	\$	\$	\$	\$	\$	\$	\$
REVENUES							
Water & Sewer Billings	(4,670,000)	(4,813,400)	(4,959,668)	(5,108,861)	(5,261,039)	(5,416,259)	(5,574,585)
Hydrant Rental	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Development Charges	(964,112)	(964,112)	(964,112)	(964,112)	(964,112)	(964,112)	(964,112)
Surcharge on Commercial Bills	(303,450)	(309,519)	(315,709)	(322,024)	(328,464)	(335,033)	(341,734)
Developer Contributions	(2,000,000)	-	(338,000)	(900,680)	-	-	-
TOTAL REVENUES	(7,962,562)	(6,112,031)	(6,602,489)	(7,320,677)	(6,578,615)	(6,740,404)	(6,905,431)
EXPENDITURES							
Wastewater Plant Operations	1,043,674	1,064,547	1,085,838	1,107,555	1,129,706	1,152,300	1,175,346
Management Fee - OCWA	176,900	182,207	187,673	193,303	199,103	205,076	211,228
Administration Allocation	127,000	129,540	132,131	134,773	137,469	140,218	143,023
Property Taxes	32,700	33,354	34,021	34,702	35,396	36,103	36,826
Wastewater Distribution Operations	167,000	176,185	185,875	196,098	206,884	218,262	230,267
Custom Work	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Amortization	528,713	544,783	559,616	592,064	620,902	635,305	639,439
Interest	65,620	53,332	43,405	33,121	22,467	11,432	-
Total Wastewater Expenditures	2,144,107	2,186,448	2,231,060	2,294,117	2,354,426	2,401,197	2,438,628
Water Plant Operations	631,654	644,287	657,173	670,316	683,722	697,397	711,345
Management Fee - OCWA	107,100	110,313	113,622	117,031	120,542	124,158	127,883
Administration Allocation	127,000	129,540	132,131	134,773	137,469	140,218	143,023
Property Taxes	32,700	33,354	34,021	34,702	35,396	36,103	36,826
Water Distribution Operations	500,000	527,500	556,513	587,120	619,412	653,480	689,422
Custom Work	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Amortization	793,069	817,174	839,424	888,096	931,353	952,957	959,158
Interest	-	-	-	-	-	-	-
Total Water Expenditures	2,194,023	2,264,668	2,335,383	2,434,538	2,530,394	2,606,814	2,670,156
TOTAL EXPENSES	4,338,129	4,451,116	4,566,443	4,728,655	4,884,820	5,008,011	5,108,784
ANNUAL SURPLUS	3,624,433	1,660,915	2,036,046	2,592,022	1,693,795	1,732,393	1,796,647
MUNICIPAL EQUITY, BEGINNING OF YEAR	57,674,047	61,298,480	62,959,395	64,995,441	67,587,463	69,281,258	71,013,651
MUNICIPAL EQUITY, END OF YEAR	61,298,480	62,959,395	64,995,441	67,587,463	69,281,258	71,013,651	72,810,298

**APPENDIX 5.3
TOWN OF CARLETON PLACE
UNAUDITED STATEMENT OF FINANCIAL
POSITION**

	2020	2021	2022	2023	2024	2025	2026
	\$	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS							
Cash	17,129,046	17,716,494	16,064,029	15,579,896	16,545,603	19,115,231	22,187,020
Accounts Receivable	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Long Term Receivables	5,363,711	5,176,206	4,988,701	4,801,196	4,613,691	4,426,186	4,238,681
	22,842,757	23,242,700	21,402,730	20,731,092	21,509,294	23,891,417	26,775,701
LIABILITIES							
Long-term Debt	1,879,758	1,481,829	1,303,973	1,285,833	1,078,434	1,160,000	9,307,480
Other Liabilities	610,000	610,000	610,000	610,000	610,000	610,000	610,000
	2,489,758	2,091,829	1,913,973	1,895,833	1,688,434	1,770,000	9,917,480
NET FINANCIAL ASSETS	20,352,999	21,150,871	19,488,757	18,835,259	19,820,860	22,121,417	16,858,221
NON FINANCIAL ASSETS							
Tangible Capital Assets	40,907,980	41,771,024	45,469,184	48,714,704	49,422,898	48,854,734	55,914,577
Inventory	37,500	37,500	37,500	37,500	37,500	37,500	37,500
	40,945,480	41,808,524	45,506,684	48,752,204	49,460,398	48,892,234	55,952,077
MUNICIPAL EQUITY	61,298,480	62,959,395	64,995,441	67,587,463	69,281,258	71,013,651	72,810,298

**APPENDIX 5.4
TOWN OF CARLETON PLACE
STATEMENT OF CASH FLOWS**

For the year ended December 31	2020	2021	2022	2023	2024	2025	2026
	\$	\$	\$	\$	\$	\$	\$
OPERATING ACTIVITIES							
Annual surplus for the year	3,624,433	1,660,915	2,036,046	2,592,022	1,693,795	1,732,393	1,796,647
Amortization	1,321,782	1,361,957	1,399,040	1,480,160	1,552,255	1,588,262	1,598,597
Working Capital from Operations	4,946,214	3,022,872	3,435,086	4,072,182	3,246,050	3,320,655	3,395,244
CAPITAL TRANSACTIONS							
Acquisition of tangible capital assets	(2,440,500)	(2,225,000)	(5,097,200)	(4,725,680)	(2,260,449)	(1,020,098)	(8,658,440)
Disposal of tangible capital assets	-	-	-	-	-	-	-
Net investment in tangible capital assets	(2,440,500)	(2,225,000)	(5,097,200)	(4,725,680)	(2,260,449)	(1,020,098)	(8,658,440)
INVESTING ACTIVITIES							
Long term mortgage receivable advanced	(2,000,000)	-	-	-	-	-	-
Repayment of long term mortgage receivable	3,000,000	187,505	187,505	187,505	187,505	187,505	187,505
Net cash from investing activities	1,000,000	187,505	187,505	187,505	187,505	187,505	187,505
FINANCING TRANSACTIONS							
Debt issued for Town purposes	30,000	-	230,000	400,000	100,000	400,000	8,147,480
Debt principal repayments	(483,964)	(397,929)	(407,856)	(418,140)	(307,399)	(318,434)	-
Net cash from financing activities	(453,964)	(397,929)	(177,856)	(18,140)	(207,399)	81,566	8,147,480
NET INCREASE (DECREASE) IN CASH	3,051,750	587,448	(1,652,465)	(484,133)	965,707	2,569,628	3,071,789
CASH, BEGINNING OF YEAR	14,077,296	17,129,046	17,716,494	16,064,029	15,579,896	16,545,603	19,115,231
CASH, END OF YEAR	17,129,046	17,716,494	16,064,029	15,579,896	16,545,603	19,115,231	22,187,020