

Prepared By:



City of Hamilton

Hamilton Water Financial Plan:
Water Financial Plan and Financial Statements

GMBP File: 622141

July 14, 2023



Hamilton



July 14, 2023
Our File: 622141

City of Hamilton
Hamilton Water
120 King Street West, 9th Floor
Hamilton, Ontario L8P 4V2

Attn: Mr. George Giovinazzo

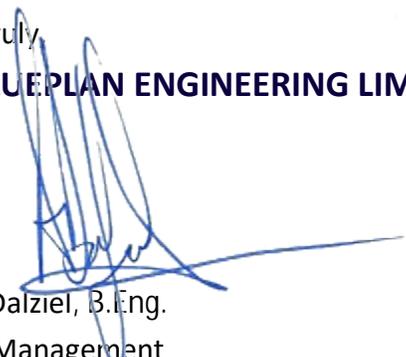
Re: City of Hamilton – Water Financial Plan Development – Category 32

Dear Mr. Giovinazzo

GM BluePlan Engineering Limited is pleased to present the draft of our interim report for the project in question. The enclosed report outlines the water system Financial Plan and Financial Statements as mandated by Regulation 453/07 - Financial Plans made under the Safe Drinking Water Act, 2002.

Yours truly,

GM BLUEPLAN ENGINEERING LIMITED



Andy Dalziel, B.Eng.
Asset Management

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1.0 Introduction

The City of Hamilton retained GM BluePlan (GMBP) in 2022 to prepare a 10-year Financial Plan with associated Financial Statements to comply with regulatory requirements defined within the Drinking Water Quality Management System (DWQMS) and specifically outlined in Regulation 453/07 - Financial Plans made under the Safe Drinking Water Act, 2002 (SDWA).

This interim report provides a Financial Plan and Financial Statements for the water system to support the City's application for updated drinking water licenses as per Regulation 453/07 and documents the approach and sources of information used to generate the Financial Statements.

2.0 Background

Regulation 453/07 - Financial Plans made under the Safe Drinking Water Act, 2002 mandates that a Financial Plan be prepared to obtain a municipal drinking water license. The Financial Plan required as part of Regulation 453/07 is represented as a series of financial statements for a minimum period of 6 years.

Regulation 588/17 – Asset Management Planning for Municipal Infrastructure made under the Infrastructure for Jobs and Prosperity Act, 2015 was implemented on January 1, 2018. The regulation required municipalities to develop a strategic asset management plan for core municipal assets which were defined as water, wastewater, stormwater, roads, engineered structures (bridges & culverts); in addition, asset management plans must be developed for all other municipal assets by 2024.

The City's Corporate Asset Management (CAM) office released the first iteration of the Corporate Asset Management Plan, in June 2022. This Asset Management Plan complies with O.Reg. 588/17 by setting out the current levels of service for the City's core asset portfolio and establishing a benchmark for these assets against which opportunities for continuous improvement can be identified for future iterations of the plan. The asset management plan for the City's water assets

(water, wastewater and stormwater) can be found on the City's website ([Waterworks Asset Management Plan](#)). The asset management plan includes a 10-year financial plan which outlines the costs associated with the operation, maintenance, and renewal of the City's water assets; the assumptions used in the development of this plan were incorporated within the analysis for this report.

The most significant practical differences between the Financial Plan mandated through Regulation 453/07 and the financial planning that is required to support Regulation 588/17 are summarized as follows:

- Regulation 453/07 Financial Plans are not required to align with the current or desired level of service (LOS).
- Regulation 453/07 requires that Financial Plans are presented as three financial statements. Regulation 588/17 does not prescribe the specific financial statements that must be used, instead, it allows for a more flexible approach in utilizing financial planning processes to support the creation of an asset management plan that attains the targeted LOS.

3.0 Regulatory Requirement Overview

The approach to completing the 10-year financial plan and the development of financial statements for water and wastewater systems aligns with the requirements of O.Reg. 453/07 - Financial Plans. The following summarizes the requirements of O.Reg. 453/07 as they apply to the City's existing water system.

- The preparation and approval of a financial plan is required in order to make an application for the renewal of a municipal drinking water license.
- The financial plan must be approved by a resolution that is passed by City council.
- The financial plan must apply to a period of at least six (6) years.

- The first year to which the financial plans must apply must be the year in which the drinking water system’s existing municipal drinking water license would otherwise expire.
- The financial plan must include details of the proposed or projected financial position of the drinking water system itemized by:
 - Total financial assets;
 - Total liabilities;
 - Net financial assets;
 - 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.
- The financial plan must include details of the proposed or projected financial position 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.
- The financial plan must include 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.
- The financial plan must include details of the extent to which the information described above relates directly to the replacement of lead service pipes.
 - Financial plans must be made available to members of the public on the City's website or by request at no charge.
 - Notice must be provided advising the public of the availability of the financial plans.
 - A copy of the financial plan must be provided to the Ministry of Municipal Affairs and Housing.

In accordance with SDWA regulations, the Financial Plan will be represented in the following Financial Statements:

1. Statement of Financial Position (Balance Sheet)

This statement highlights four key figures that describe the financial position of the City's water system at the reporting date, including the cash resources, liabilities, non-financial assets and accumulated surplus or deficit.

In support of this Statement of Financial Position, two additional statements were prepared. The financial statements listed below illustrate the change in one of these four key aspects of the water system's financial position.

2. Statement of Operations (Income Statement)

3. Statement of Cash Flow

These statements coincide with the Financial Plan requirements for water systems licensing based on the specific requirements of Section 4(iii) of Regulation 453/07. Further descriptions of these statements are included in Section 5 - Financial Statements of this report.

As noted above, a minimum reporting period of 6 years is required for the statements under the regulation. The information developed in this plan includes these financial statements covering a period of 10 years. This is consistent with and supports the City's budget process which covers a 10-year period.

4.0 Sources of Information

The City's financial data and business processes were reviewed by members of the consulting team to determine the availability of information required to develop the 10-year Financial Plan and the Financial Statements. City staff were engaged throughout the project to inform any assumptions or interpretation of data required to develop the 10-year Financial Plan and Financial Statements. Table 1 lists the assumptions used in the model to develop the financial statements.

Table 1: Assumptions

Assumption	Source
Fixed and variable water rate increases proposed in the 2023 budget were used, provided in Table 2. It should be noted that these are for water assets only and the combined water and wastewater rates are slightly different.	<ul style="list-style-type: none"> • 2023 Rate Budget Book
Operating expenditures increases of 4% per annum until 2025 were used and then 3% per annum was used onward.	<ul style="list-style-type: none"> • 2023 Rate Budget Book • Agreed during workshops
The residential and ICI demands of 16.2m ³ /connection/month and 216.7m ³ /connection/month were used respectively.	<ul style="list-style-type: none"> • Consumption data and forecasted revenues
Residential demand was declining at -0.870% per year with a growth factor of 1.371% to meet 2031 population targets.	<ul style="list-style-type: none"> • Consumption data and forecasted revenues for demand • Master Plan and A Place to Grow for growth targets
ICI demand was declining at -1.717% per year with a growth factor of 1.371% to meet 2031 population targets.	<ul style="list-style-type: none"> • Consumption data and 2023 Rate Budget Book for demand • Master Plan and A Place to Grow for growth targets
The City provided the long-term debt repayment schedule on existing long-term debt. New loans followed the same rules regarding serviceability of debt.	<ul style="list-style-type: none"> • 2023 Rate Budget Book • Debt Repayment Schedule

Table 2: 2023 Budgeted Rate Increases

	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rate Increase	9.9%	9.9%	9.8%	9.7%	10.2%	9.5%	9.7%	10.6%	10.2%

Table 3 summarizes the information that was used to generate the 10-year Financial Plan for the water system.

Table 3: Information sources used to develop the financial statements.

Input	Source of Data
Base Financial Data	<ul style="list-style-type: none"> 2023 Rate Budget Book
Current Demands and Future Demand Estimates	<ul style="list-style-type: none"> DC Report and Bylaws for dwelling and ICI forecast A Place to Grow: Growth plan for the Greater Golden Horseshoe report was used for 2051 population target 2023 Rate Budget Book for water consumption demand
Water Rates	<ul style="list-style-type: none"> 2023 Rate Budget Book for the fixed and volumetric rates
Revenues	<ul style="list-style-type: none"> 2023 Rate Budget Book for the non-metered revenues
Operations and Maintenance Costs	<ul style="list-style-type: none"> 2023 Rate Budget Book for the operating expenses
Development Charges Information	<ul style="list-style-type: none"> DC Report and Bylaws 2023 Rates DC Reserve Forecast spreadsheet
Capital Plan	<ul style="list-style-type: none"> 2023 Rate Budget Book
Amortization Data	<ul style="list-style-type: none"> 2022-2051 Amortization for Water, Wastewater & Stormwater spreadsheet
Project Funding Sources	<ul style="list-style-type: none"> 2023 Rate Budget Book
Debt Service Information	<ul style="list-style-type: none"> Rate Existing Debt spreadsheet

5.0 Financial Statements

This section describes and presents the three Financial Statements that comprise the 10-year Financial Plan for the water system.

The Financial Position Statement (Balance Sheet) highlights four key figures that describe the financial position of the water system at the reporting date. These are:

- The cash resources are cash and cash equivalents.
- The net financial assets are calculated as the difference between financial assets and liabilities.
- The non-financial assets are assets that are, by nature, normally for use in service provision and include purchased, constructed, developed or leased tangible capital assets, inventories of supplies and prepaid expenses.
- The accumulated surplus or deficit is calculated as the sum of the net financial assets and non-financial assets. This indicator represents the equity in the water system.

The two remaining statements illustrates the change in one of these aspects of the water system's financial position.

- The *statement of operations* reports the surplus or deficit from operations in the accounting period. The statement displays the cost of water services provided in the period, the revenues recognized in the period and the difference between them. It measures, in monetary terms, the extent to which an organization has maintained its net assets in the period.
- The *statement of cash flow* reports the change in cash and cash equivalents in the accounting period, and how the water system financed its activities in the period and met its cash requirements.

The following financial statements representing the 10-year Financial Plan for the Water System are included below:

- 1) Statement of Financial Position
- 2) Statement of Operations
- 3) Statement of Cash Flow

In addition, a Glossary of Terms follows the Financial Statements providing further explanations of the meaning and interpretation of specific categories or line-item terms in the statements. These should be read in conjunction with the respective statements.

It should be noted that the estimate of total fixed assets in these financial statements are based on historical costs, i.e. the actual project expenditures that were made in previous years. This approach is the conventional and PSAB-approved treatment of fixed assets in municipal accounting. It differs markedly from how the costs of investments in fixed assets are estimated in asset management plans. The Asset Management Plan (AMP) costs must reflect the value of existing fixed assets based on how much it will cost to replace them in the future in order to provide accurate information for planning of future capital budgets, in other words these costs account for inflation. For this reason, the estimate of fixed assets owned by the City that is reported in the AMP will be greater than the value of fixed assets reported on the City's balance sheet; the former accounts for inflating construction costs while the later does not.

1. Statement of Financial Position for the Water System

**City of Hamilton - Water Infrastructure Statement
 of Financial Position
 As at December 31 (in thousands of dollars)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
Financial assets										
Cash and cash equivalents	\$ 123,045	\$ 94,978	\$ 106,103	\$ 123,111	\$ 93,932	\$ 102,026	\$ 137,215	\$ 211,059	\$ 315,167	\$ 448,882
Accounts receivable - rate revenues	\$ 10,412	\$ 11,467	\$ 12,629	\$ 13,892	\$ 15,276	\$ 16,870	\$ 18,515	\$ 20,356	\$ 22,559	\$ 24,877
Accounts receivable - other revenue sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 133,457	\$ 106,444	\$ 118,731	\$ 137,003	\$ 109,207	\$ 118,895	\$ 155,729	\$ 231,414	\$ 337,726	\$ 473,759
Liabilities										
Accounts payable - wages	\$ 234	\$ 244	\$ 253	\$ 264	\$ 269	\$ 278	\$ 286	\$ 295	\$ 304	\$ 313
Accounts payable - other payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DC reserve (Deferred revenue)	\$ 39,223	\$ 34,088	\$ 37,352	\$ 24,523	\$ 5,270	\$ -	\$ -	\$ -	\$ -	\$ -
Short term debt	\$ 9,486	\$ 10,789	\$ 12,146	\$ 11,353	\$ 10,570	\$ 10,811	\$ 9,700	\$ 9,961	\$ 8,663	\$ 8,946
Long term debt	\$ 65,761	\$ 78,866	\$ 90,613	\$ 103,154	\$ 92,584	\$ 81,773	\$ 72,074	\$ 62,113	\$ 53,449	\$ 44,503
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 114,704	\$ 123,986	\$ 140,365	\$ 139,293	\$ 108,693	\$ 92,862	\$ 82,059	\$ 72,369	\$ 62,417	\$ 53,762
Net Financial Assets (Liabilities)	\$ 18,754	\$ (17,542)	\$ (21,633)	\$ (2,290)	\$ 514	\$ 26,034	\$ 73,670	\$ 159,046	\$ 275,309	\$ 419,997
Non-financial assets										
Tangible capital assets										
TCA used in production	\$ 1,314,211	\$ 1,440,260	\$ 1,575,786	\$ 1,724,317	\$ 1,824,028	\$ 1,933,878	\$ 2,072,722	\$ 2,142,526	\$ 2,206,755	\$ 2,590,618
Work in progress	\$ 67,404	\$ 99,276	\$ 88,209	\$ 69,566	\$ 139,066	\$ 194,711	\$ 208,112	\$ 262,421	\$ 316,753	\$ 49,759
Less accumulated amortization	\$ (448,032)	\$ (479,485)	\$ (515,726)	\$ (554,483)	\$ (594,758)	\$ (635,817)	\$ (679,028)	\$ (719,803)	\$ (759,786)	\$ (806,581)
Total TCA	\$ 933,582	\$ 1,060,050	\$ 1,148,268	\$ 1,239,400	\$ 1,368,337	\$ 1,492,772	\$ 1,601,805	\$ 1,685,143	\$ 1,763,721	\$ 1,833,797
Inventories of supplies	\$ 235	\$ 245	\$ 254	\$ 265	\$ 271	\$ 279	\$ 287	\$ 296	\$ 305	\$ 314
Prepaid expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 933,817	\$ 1,060,295	\$ 1,148,523	\$ 1,239,665	\$ 1,368,607	\$ 1,493,051	\$ 1,602,093	\$ 1,685,440	\$ 1,764,027	\$ 1,834,111
Accumulated surplus	\$ 952,571	\$ 1,042,753	\$ 1,126,890	\$ 1,237,375	\$ 1,369,121	\$ 1,519,084	\$ 1,675,763	\$ 1,844,486	\$ 2,039,335	\$ 2,254,108

2. Statement of Operations for the Water System

**City of Hamilton - Water Infrastructure Statement
of Financial Position
As at December 31 (in thousands of dollars)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
Revenues										
Rate revenues	\$ 124,948	\$ 137,598	\$ 151,545	\$ 166,710	\$ 183,307	\$ 202,436	\$ 222,179	\$ 244,270	\$ 270,710	\$ 298,525
Capital levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earned DC revenue	\$ 30,248	\$ 31,514	\$ 23,114	\$ 39,208	\$ 45,631	\$ 46,287	\$ 36,277	\$ 24,671	\$ 24,392	\$ 23,939
Other revenues	\$ 11,928	\$ 14,672	\$ 10,896	\$ 11,575	\$ 12,286	\$ 13,131	\$ 13,962	\$ 14,846	\$ 15,857	\$ 17,002
Total Revenues	\$ 167,124	\$ 183,784	\$ 185,555	\$ 217,492	\$ 241,225	\$ 261,854	\$ 272,418	\$ 283,787	\$ 310,959	\$ 339,466
Operating Expenses										
Divisional Administration & Support	\$ 5,623	\$ 5,848	\$ 6,081	\$ 6,325	\$ 6,467	\$ 6,665	\$ 6,869	\$ 7,080	\$ 7,297	\$ 7,507
Woodward Upgrades	\$ 941	\$ 979	\$ 1,018	\$ 1,059	\$ 1,082	\$ 1,116	\$ 1,150	\$ 1,185	\$ 1,221	\$ 1,257
Customer Service & Community Outreach	\$ 3,504	\$ 3,653	\$ 3,800	\$ 3,952	\$ 4,031	\$ 4,154	\$ 4,282	\$ 4,413	\$ 4,548	\$ 4,679
Compliance & Regulations	\$ 1,809	\$ 1,890	\$ 1,966	\$ 2,045	\$ 2,081	\$ 2,145	\$ 2,210	\$ 2,278	\$ 2,348	\$ 2,416
Water Distribution & Wastewater Collection	\$ 15,394	\$ 16,049	\$ 16,691	\$ 17,359	\$ 17,705	\$ 18,248	\$ 18,807	\$ 19,385	\$ 19,977	\$ 20,553
Plant Operations	\$ 17,284	\$ 17,988	\$ 18,708	\$ 19,456	\$ 19,879	\$ 20,488	\$ 21,117	\$ 21,765	\$ 22,430	\$ 23,077
Plant Maintenance	\$ 6,282	\$ 6,533	\$ 6,794	\$ 7,066	\$ 7,225	\$ 7,446	\$ 7,674	\$ 7,910	\$ 8,152	\$ 8,387
Capital Planning & Delivery	\$ 2,388	\$ 2,484	\$ 2,583	\$ 2,686	\$ 2,747	\$ 2,831	\$ 2,918	\$ 3,007	\$ 3,099	\$ 3,188
Watershed Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater Abatement Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 56,481	\$ 58,810	\$ 61,162	\$ 63,608	\$ 64,960	\$ 66,950	\$ 69,004	\$ 71,122	\$ 73,297	\$ 75,410
Net Operating Revenue	\$ 110,643	\$ 124,974	\$ 124,393	\$ 153,884	\$ 176,264	\$ 194,904	\$ 203,414	\$ 212,664	\$ 237,662	\$ 264,055
Less amortisation of tangible assets	\$ (29,932)	\$ (31,453)	\$ (36,241)	\$ (38,757)	\$ (40,275)	\$ (41,059)	\$ (43,211)	\$ (40,775)	\$ (39,983)	\$ (46,794)
Earnings Before Interest	\$ 80,711	\$ 93,521	\$ 88,153	\$ 115,127	\$ 135,989	\$ 153,845	\$ 160,203	\$ 171,889	\$ 197,679	\$ 217,261
Less Interest on short term loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less Interest on long term debt	\$ (2,608)	\$ (3,339)	\$ (4,016)	\$ (4,642)	\$ (4,243)	\$ (3,882)	\$ (3,524)	\$ (3,167)	\$ (2,829)	\$ (2,489)
Annual Surplus (Deficit)	\$ 78,103	\$ 90,182	\$ 84,137	\$ 110,485	\$ 131,747	\$ 149,963	\$ 156,679	\$ 168,723	\$ 194,850	\$ 214,772
Accumulated Surplus at beginning of year	\$ 874,468	\$ 952,571	\$ 1,042,753	\$ 1,126,890	\$ 1,237,375	\$ 1,369,121	\$ 1,519,084	\$ 1,675,763	\$ 1,844,486	\$ 2,039,335
Accumulated Surplus at end of year	\$ 952,571	\$ 1,042,753	\$ 1,126,890	\$ 1,237,375	\$ 1,369,121	\$ 1,519,084	\$ 1,675,763	\$ 1,844,486	\$ 2,039,335	\$ 2,254,108

3. Statement of Cash Flow for the Water System

City of Hamilton - Water Infrastructure Statement of Financial Position
As at December 31 (in thousands of dollars)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
Cash from operations										
Earnings before interest expenses	\$ 80,711	\$ 93,521	\$ 88,153	\$ 115,127	\$ 135,989	\$ 153,845	\$ 160,203	\$ 171,889	\$ 197,679	\$ 217,261
Plus amortisation of tangible capital assets	\$ 29,932	\$ 31,453	\$ 36,241	\$ 38,757	\$ 40,275	\$ 41,059	\$ 43,211	\$ 40,775	\$ 39,983	\$ 46,794
Total	\$ 110,643	\$ 124,974	\$ 124,393	\$ 153,884	\$ 176,264	\$ 194,904	\$ 203,414	\$ 212,664	\$ 237,662	\$ 264,055
Cash from the Movement of Balance Sheet Account										
Accounts payable - increase/(decrease)	\$ -	\$ 9	\$ 10	\$ 10	\$ 6	\$ 8	\$ 9	\$ 9	\$ 9	\$ 9
Pensions and other employee benefits - increase/(decrease)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable - (increase)/decrease	\$ (1,644)	\$ (1,054)	\$ (1,162)	\$ (1,264)	\$ (1,383)	\$ (1,594)	\$ (1,645)	\$ (1,841)	\$ (2,203)	\$ (2,318)
Inventory - (increase)/decrease	\$ -	\$ (9)	\$ (10)	\$ (10)	\$ (6)	\$ (8)	\$ (9)	\$ (9)	\$ (9)	\$ (9)
Prepaid expenses - (increase)/decrease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DC reserve	\$ (3,869)	\$ (5,135)	\$ 3,264	\$ (12,829)	\$ (19,253)	\$ (5,270)	\$ -	\$ -	\$ -	\$ -
Total	\$ (5,514)	\$ (6,189)	\$ 2,102	\$ (14,093)	\$ (20,636)	\$ (6,864)	\$ (1,645)	\$ (1,841)	\$ (2,203)	\$ (2,318)
Proceeds of New Debt										
Short term loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long term loans	\$ 31,894	\$ 23,894	\$ 23,894	\$ 23,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 31,894	\$ 23,894	\$ 23,894	\$ 23,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Finance										
Interest costs	\$ (2,608)	\$ (3,339)	\$ (4,016)	\$ (4,642)	\$ (4,243)	\$ (3,882)	\$ (3,524)	\$ (3,167)	\$ (2,829)	\$ (2,489)
Repayment of short-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repayment of long-term debt	\$ (8,244)	\$ (9,486)	\$ (10,789)	\$ (12,146)	\$ (11,353)	\$ (10,570)	\$ (10,811)	\$ (9,700)	\$ (9,961)	\$ (8,663)
Total	\$ (10,852)	\$ (12,825)	\$ (14,806)	\$ (16,788)	\$ (15,596)	\$ (14,452)	\$ (14,335)	\$ (12,866)	\$ (12,789)	\$ (11,152)
Cash used to finance tangible asset investments										
New project investments	\$ (116,724)	\$ (157,922)	\$ (124,459)	\$ (129,889)	\$ (169,212)	\$ (165,494)	\$ (152,245)	\$ (124,113)	\$ (118,561)	\$ (116,870)
Total	\$ (116,724)	\$ (157,922)	\$ (124,459)	\$ (129,889)	\$ (169,212)	\$ (165,494)	\$ (152,245)	\$ (124,113)	\$ (118,561)	\$ (116,870)
Cash Surplus (Deficit)	\$ 9,447	\$ (28,067)	\$ 11,125	\$ 17,008	\$ (29,179)	\$ 8,094	\$ 35,189	\$ 73,844	\$ 104,108	\$ 133,715
Cash and cash equivalents, start of year	\$ 113,598	\$ 123,045	\$ 94,978	\$ 106,103	\$ 123,111	\$ 93,932	\$ 102,026	\$ 137,215	\$ 211,059	\$ 315,167
Cash and cash equivalents, end of year	\$ 123,045	\$ 94,978	\$ 106,103	\$ 123,111	\$ 93,932	\$ 102,026	\$ 137,215	\$ 211,059	\$ 315,167	\$ 448,882

6.0 Summary and Conclusions

The intent of this interim report was to provide a Financial Plan for the City's water system to meet the regulatory requirement under the Safe Drinking Water Act, Regulation 453/07 - Financial Plans. The Financial Statements in this report have been developed using readily available information. Where information was not available reasonable assumptions were made to fill any gaps.

The Financial Statements indicate that suitable financial resources are allocated to the system over the next 10 years based on the planned capital expenditures and the cost to operate the system.

7.0 Glossary of Terms

7.1 Statement of Financial Position

Financial Assets - assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash, investments, accounts receivable, etc.

Physical assets (such as inventories of supplies, tangible capital assets), and leased assets are not financial assets. Control of such assets creates an opportunity to produce or supply goods and services, rent to others, use for administrative purposes or for the development, construction or repair of other tangible capital assets. Control of such assets does not give rise to a present right to receive cash or another financial asset.

Assets, such as prepaid expenses, for which the future economic benefit is the receipt of goods or services rather than the right to receive cash or another financial asset, are not financial assets. Similarly, certain deferred liabilities are not financial liabilities when the outflow of economic benefits associated with them is in the nature of goods or services rather than a contractual obligation to pay cash or another financial asset.

Liabilities - present obligations of a local government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. Liabilities have three essential characteristics:

- They embody a duty or responsibility to others, leaving a local government little or no discretion to avoid settlement of the obligation;
- The duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand;
- The transactions or events obligating the local government have already occurred.

Net Financial Assets - a term used to describe the first indicator of a government's financial position. The net financial assets of a government represent the net financial resources available to the government. The two dimensions of the government's financial position are combined to calculate this second indicator of a government's financial position, called its accumulated surplus.

Net financial assets are measured as the difference between a government's financial assets and its liabilities. This difference bears directly on the government's ability to finance its activities and meet its liabilities and contractual obligations. Net debt, representing a situation where net financial assets are negative, provides a measure of the future revenues required to pay for past transactions and events. The extent of a government's net financial assets and the financial ability of the government to service its debt is an important test of the sustainability of that government.

A government's net financial assets is an important indicator of a government's financial position, highlighting the financial affordability of future government service provision. A net debt position represents a "lien" on the ability of the government to apply financial resources and future revenues to provide services. Non-financial assets are added to net financial assets to calculate the other indicator of a government's financial position — its accumulated surplus or deficit. Non-financial assets are "prepaid service potential". Reporting a government's

recognized non-financial resources as part of its financial position provides information necessary for a more complete understanding of a government's debt position, financial position and future operating requirements.

Non-financial Assets - tangible capital assets and other assets such as prepaid expenses and inventories of supplies. Non-financial assets are acquired, constructed or developed assets that are normally employed to deliver local government services, may be consumed in the normal course of operations and are not for sale in the normal course of operations.

Certain non-financial resources are, however, not given accounting recognition in government financial statements. For example, all government intangibles, and all natural resources and Crown lands that have not been purchased by the government, are not given accounting recognition in government financial statements.

Accumulated Surplus or Deficit - calculated as the sum of the net financial assets of the government and its non-financial assets. This indicator represents the net assets, or equity, of the government. The accumulated surplus or deficit of a government, or its net assets, is the residual interest in its assets after deducting its liabilities.

7.2 Statement of Operations

Revenues - including gains, can arise from: taxation; the sale of goods; the rendering of services; the use by others of local government economic resources yielding rent, interest, royalties or dividends; or receipt of contributions such as grants, donations and bequests. Revenues do not include borrowings, such as proceeds from debt issues or transfers from other local governmental units in a local government reporting entity.

Expenses - including losses, are decreases in economic resources, either by way of outflows or reductions of assets or incurrence of liabilities, resulting from the operations, transactions and events of the accounting period. Expenses include transfer payments due where no value is received directly in return. Expenses include the cost of economic resources consumed in, and identifiable with, the operations of the accounting period. For example, the cost of tangible

capital assets is amortized to expenses as the assets are used in delivering local government programs. Expenses do not include debt repayments or transfers to other local governmental units in a local government reporting entity.

Surplus - a term used to describe the difference between the revenues and expenses in the period.

7.3 Statement of Cash Flows

The statement of cash flow should report how a government generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period.

The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period.

The statement of cash flow should report cash flows during the period classified by:

- Operating
- Capital
- Investing
- Financing activities