
FINANCIAL PLAN – WATER AND WASTEWATER SYSTEMS

The Corporation of the City of Temiskaming Shores – Financial Plan No. 218-301A

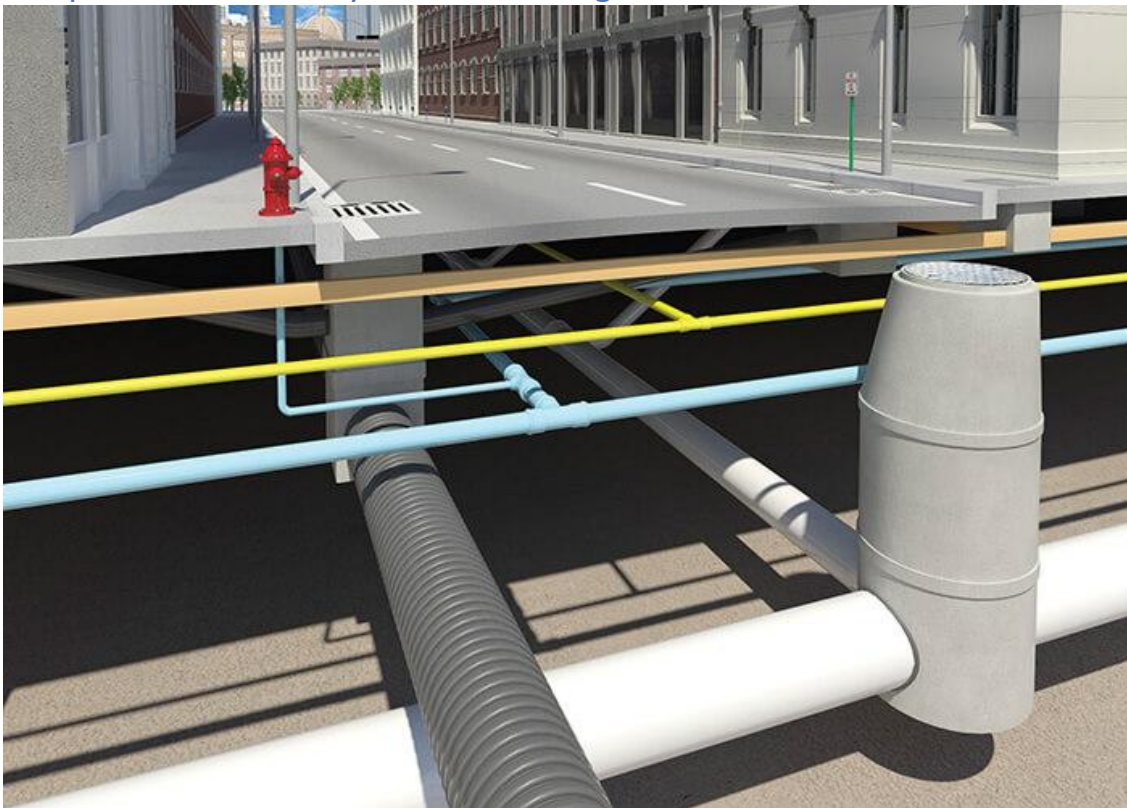


Table of Contents

| | |
|--|----|
| Purpose..... | 2 |
| Financial Plan Requirements | 2 |
| City of Temiskaming Shores Municipal Drinking Water and Wastewater System Description..... | 3 |
| Water Treatment and Distribution..... | 3 |
| Wastewater Treatment and Collection..... | 3 |
| Sustainable Financial Planning | 3 |
| Introduction..... | 3 |
| Approach | 6 |
| Introduction..... | 6 |
| Overview..... | 6 |
| Tangible Capital Asset Balances | 6 |
| Statement of Operations and Accumulated Surplus..... | 7 |
| Statement of Financial Position | 7 |
| Statement of Cash Flow..... | 7 |
| Verification..... | 8 |
| Capital Plan..... | 8 |
| Financial Plan | 9 |
| Introduction..... | 9 |
| Projected Statement of Financial Position..... | 9 |
| <i>Table 1: Project Statement of Financial Position.....</i> | 10 |
| Projected Statement of Operations and Accumulated Surplus..... | 11 |
| <i>Table 2: Projected Statement of Operations and Accumulated Surplus</i> | 12 |
| <i>Table 3: Projected Liabilities and Accumulated Surplus</i> | 13 |
| Projected Statement of Cash Flows | 14 |
| <i>Table 4: Projected Statement of Cash Flows</i> | 15 |
| Projected Schedule of Tangible Capital Assets | 16 |
| <i>Table 5: Projected Scheduled of Tangible Capital Assets.....</i> | 17 |
| Summary | 20 |

Purpose

The City of Temiskaming Shores' staff prepared the Water and Wastewater Financial Plan as part of the five elements the Ministry requires to issue a municipal drinking water license as per the Safe Drinking Water Act, 2002. These elements include:

1. **A drinking-water works permit (DWWP):** A permit to establish or alter a drinking-water system.
2. **An accepted operational plan:** The Drinking-Water Quality Management Standard (DWQMS) will be the standard upon which operational plans will be based. The plan will document an operating authority's quality management system (QMS).
3. **An accredited operating authority:** A third-party audit of an operating authority's QMS will be the basis for accreditation.
4. **A Financial Plan:** This must be prepared in accordance with the prescribed requirements in the Financial Plans Regulation, including an indication that the drinking water system is viable.
5. **A permit to take water (PTTW):** Requirements as outlined in the Ontario Water Resources Act.

The City's Financial Plan is prepared in accordance with the Ministry of the Environment Financial Plans Regulation (O. Reg. 453/07).

Financial Plan Requirements

The Ontario Regulation 453/07 provides details with regards to the Financial Plans for existing water systems. The requirements for existing systems are summarized as follows:

- Must indicate financial viability of the system and be approved by resolution of Council
- Must apply to a period of at least six years (commencing the year of license expiry)
- Details of the proposed or projected financial position and financial operations
- Details of the proposed or projected gross cash receipts and gross cash payments
- 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
- Made available to the public through publication on the internet
- Submitted to the Ministry of Municipal Affairs and Housing

The City of Temiskaming Shores Municipal Drinking Water and Wastewater System Description

Water Treatment and Distribution

The City of Temiskaming Shores currently owns two distinct Water Treatment and three Distribution systems. The three systems serve the three former municipalities that amalgamated on January 1, 2004, being Dymond Township, the Town of New Liskeard and the Town of Haileybury.

The Water Treatment facilities are currently operated, maintained, and managed under agreement with the Ontario Clean Water Agency (OCWA). Storage reservoirs, even though considered as part of the distribution system, are also maintained under the agreement with OCWA. The Public Works Environmental Division is responsible to manage and maintain approximately 110 km's of distribution piping with approximately 4,800 service connections.

Wastewater Treatment and Collection

The City of Temiskaming Shores provides a complex collection and wastewater treatment system for its residents. There are two (2) wastewater aerated lagoons and one (1) mechanical sewage treatment plant. The three treatment facilities are currently operated and maintained through a contract with the Ontario Clean Water Agency (OCWA). OCWA is also responsible for the various sanitary lift stations located throughout the municipality. The Public Works Environmental Division is responsible for the operation and maintenance of over 87 km's of collection piping with approximately 4,800 service connections.

The Environmental Division provides regular and preventative maintenance programs including sewer flushing, manhole purging, adjustments and repairs, catch basin adjustments and cleaning and underground locates.

Sustainable Financial Planning

Introduction

The "Towards Financial Sustainable Drinking - Water and Wastewater Systems" guide provides some guiding principles to develop Financial Plans.

Achieving financial sustainability in Ontario's municipal water and wastewater sector is a long-term goal. Systems are aging, there is a growing amount of deferred maintenance, and many assets are nearing, or even beyond, the end of their useful lives and in need of replacement.

Financial sustainability is needed to ensure that Ontarians continue to enjoy clean and safe drinking water, that water and wastewater services are reliable in the long term, and that environmental protection is maintained.

The following principles have been considered in the context of City of Temiskaming Shores' Water and Wastewater Systems Financial Plan.

Principle #1 - An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

Through the development of the City's Asset Management Plan, the information gathered on linear water, wastewater, roads and other assets has provided invaluable information that supports an integrated approach to renewal of these assets. Annually, Council adopts a Water and Sewer Rates by-law. The principles associated with the establishment of these rates were used in the final projections set out in this Financial Plan.

Principle #2 - Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.

The City of Temiskaming Shores water and wastewater systems are self-sustaining with all revenues directed to the systems operation and capital requirements. As part of the procedure to set the yearly water and wastewater rates, the City's process includes the consideration of operating costs, requirements of existing assets and debenture obligations.

Principle #3 - Lifecycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.

The asset inventory that has been compiled is updated continuously as conditions change. Over the next few years, the City will be developing an assessment process for all its water and wastewater inventory and facilities through the development of City's Asset Management Plan. The aim is to determine the appropriate level of detail for the facility assets, as well as compile the level of detail for the assets including asset conditions, life expectancies and valuations. With the purchase of appropriate asset management software, the tracking and management of assets will allow for appropriate decision making.

Principle #4 - An asset management plan is a key input to the development of a financial plan.

On May 21st, 2019, Council for the City of Temiskaming Shores adopted an Asset Management Policy through By-law No. 2019-063. The policy was developed based on the release of Ontario Regulation 588/17 requiring that each municipality prepare a strategic asset management policy by July 1st, 2019. The regulation requires that by July 1st 2024 a full Asset Management Plan (AMP) is in place. The development of the plan is broken out into three phases. Phase 1 (by July 1, 2021) includes establishing the

inventory for core assets, current levels of service and costs to maintain the service levels. Phase 2 (by July 1, 2023) builds out Phase 1 to include all assets. Phase 3 (by July 1, 2024) builds on Phase 1 and 2 by including proposed levels of service, lifecycle management and financial planning.

The City of Temiskaming Shores is well positioned to complete all requirements by the target dates set to ensure that the AMP is fully functional and meets the needs of the City. In addition, the development of this financial plan will be in line with, and become a part of, the financial strategies outlined in the AMP.

Principle #5 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.

The rate structures proposed are a result of the Sustainable Financial Plan to provide reliable services that meet or exceed environmental protection standards while providing a reasonable amount of capital dollars for future rehabilitation and replacement needs.

Principle #6 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.

Council acknowledges the benefits of user pay and improved conservation. On a yearly basis, Council adopts a Water and Sewer Rates by-law ensuring that the environmental operational needs are met. In 2021, Council approved the rehabilitation and enhancement of the City's current Industrial, Commercial and Institutional Water Meter Program.

Principle #7 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.

The City of Temiskaming Shores staff continually monitors actual operational and capital programs throughout any given year.

The City's annual budget process addresses the full cost principals towards sustainable financial planning.

Principal #8 Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

This Financial Plan has been developed and prepared internally as a joint effort by various departmental staff utilizing information provided from the following internal reports:

- 2021 City of Temiskaming Shores Operating Budget
- 2021 City of Temiskaming Shores Capital Forecast
- City of Temiskaming Shores Asset Management Plan

Approach

Introduction

The Financial Plan has been developed in accordance with Ontario Regulation 453/07 and will cover the time period ending December 31, 2020 through to December 31, 2031. The 2020 Council approved detail budget has been used as a starting point to prepare the Water and Wastewater System Financial Plan. The budget was prepared on a modified cash basis and therefore conversions to a full accrual financial plan was required for the purposes of this report. The following sections outlines the conversion process.

Overview

The Financial Plan is intended to be a living document and has been developed in accordance with inventory data outlined within the City's Asset Management Plan and capital forecasting for the Water and Wastewater Systems.

On a yearly basis the plan will be utilized and reviewed through the development of annual budgets and the Water and Sewer Rates By-law approved by Council. Every five (5) years an in-depth review and expansion of the plan will be conducted which will require a resolution from Council to ensure requirements within Ontario Regulation 453/07 are met.

Provincial and Federal funding opportunities are a large part of the City's capability to have major capital projects completed within the Water and Wastewater Systems. As a result of not being aware of when funding opportunities will be available, this component has not been included in the plan. Should the City be successful in obtaining Provincial and/or Federal funding, the necessary adjustments to the plan would be made at that time.

The City of Temiskaming Shores commitment is to maintain self-sufficient Water and Wastewater Systems in where all revenues are directed to the systems operation and capital needs. To assist with meeting this commitment, the City will thrive to ensure that no less than ten percent (10%) of Water and Wastewater Systems operating expenses is continually available in reserves.

The Financial Plan will be made available to the public as required by Ontario Regulation 453/07. Notification of availability will be done through local media platforms.

Tangible Capital Asset Balances

As part of the PSAB 3150 process, municipalities are required to calculate their tangible capital assets (TCA) balances; this process incorporates the existing assets only. For the Water and Wastewater System Financial Plan, the calculation of the TCA balances new and replacement assets needs to be included along with the disposal of replaced assets.

Future asset needs were assessed and estimated within the 2020 Budget. As additional information becomes available future water and wastewater system financial plans will be adjusted as required.

For all assets, existing and planned, the following formula has been used to calculate the tangible capital asset balances for each year of the forecast period for this financial plan.

- Historical Costs (to end of prior year)
- Plus – Acquisition Cost of New Assets
- Plus – Gain on Disposal(s)
- Less – Accumulated Amortization to the of prior year
- Les – Current Year Amortization
- Less – Loss on Disposal(s)
- Net Book Value

The TCA balances are reported on the Statement of Financial Position and Schedule of Tangible Capital Assets.

Statement of Operations and Accumulated Surplus

To convert the Statement of Operations from a modified cash to full accrual basis a number of adjustments are required.

- Debt Repayment
 - The principal portion of the payment needs to be removed under the accrual basis
 - The principal payments are reported on the Statement of Financial Position
- Transfers to and from Reserves
 - These transfers are represented by changes in cash and cash equivalents and accumulated surplus
- Tangible Capital Asset related Transactions
 - Amortization and gains/losses on disposals are reported on the Statement of Operations in order to include the costs related to their operating activities over their useful lives

Statement of Financial Position

As outlined in PS1200, the opening balances for the remaining accounts have been recorded and classified.

Statement of Cash Flow

The Statement of Cash Flow summarizes how the City financed its activities. The statement relies on the Statement of Financial Position, the Statement of Operations and other available data.

Verification

The Financial Plan is a summary of the water and wastewater systems operations approved by Council for the current budget year (2020) with projected expenditures to 2031.

The Projected Statement of Operations and Accumulated Surplus included in the Water and Wastewater System Financial Plan includes the day-to-day operations of maintaining and administering the water and wastewater systems.

The revenue assumptions include projected growth in customer base across the systems and 2% rate increases on standardized rate structures.

The expenditure projections include overhead and operating costs with an inflation adjustment of 2%.

Capital Plan

The City's long term capital plan has been reflected in the Projected Statement of Cash Flows. This plan incorporates the addition of new water and wastewater supply and distribution assets to allow for future growth of the systems and provides for the replacement of the deteriorating infrastructure for linear assets.

Beginning in 2008, the Province required municipalities to record and report their tangible capital assets on their balance sheets and amortize their historical values in accordance with the Public Sector Accounting Standard – PSAB 3150. Additionally, the Province encouraged municipalities to use their asset inventories to strategically plan future replacements and improvements using an AMP framework.

Financial Plan

Introduction

This Financial Plan includes Projected Financial Statements for the Water and Wastewater Systems for the periods ending from December 31, 2019 projected to December 31, 2031.

As required these statements are prepared in accordance with the Public Sector Accounting Standards. It is important to note that the financial statements included are projected based on assumptions determined by financial and operations managers of the water and wastewater systems. These statements are not audited and contain various estimates as described in the Summary of Significant Accounting Policies. Actual financial results will vary from the projections here and the differences may be material.

Projected Statement of Financial Position

The Statement of Financial Position includes multiple financial indicators for financial sustainability. The first indicator provides an indication of the systems revenue requirements. A system with net financial assets greater than its liabilities implies that the system is able to fund its future needs. Conversely, a system with higher liabilities than financial assets over multiple years would indicate that the system will need to increase revenues to remain viable over the long-term.

Table 1 indicates that in 2020 the system has slightly more revenues than liabilities, however over the entire financial plan period of 2021-2031 the systems will increase its net financial assets overall by over \$11.2 million dollars.

The second indicator provides the change in Tangible Capital Assets. An increase in TCAs indicates the City plans to invest in tangible capital assets greater than the anticipated use of existing assets over the forecast period. A decrease in TCAs could occur due to asset disposal, use of assets or write-downs. In turn a decrease would indicate limited investment by the City in its water and wastewater assets. Table 1 indicates that in each year of forecast from 2021 to 2031 the City plans to invest less than use. The anticipated decrease in TCAs is approximately \$7.8 million dollars.

Table 1: Project Statement of Financial Position

| PROJECTED STATEMENT OF FINANCIAL POSITION | | | | | | | | | | | | | |
|--|----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| AS AT DECEMBER 31, 2019, PROJECTED 2020 TO 2031 | | | | | | | | | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| | Actuals | Approved | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected |
| FINANCIAL ASSETS | | | | | | | | | | | | | |
| Cash & Cash Equivalents | 1,516,972 | 1,016,205 | 1,553,656 | 1,965,487 | 2,458,872 | 3,008,179 | 3,709,545 | 4,484,659 | 5,346,457 | 6,322,298 | 7,369,315 | 8,460,152 | 9,441,323 |
| | 1,516,972 | 1,016,205 | 1,553,656 | 1,965,487 | 2,458,872 | 3,008,179 | 3,709,545 | 4,484,659 | 5,346,457 | 6,322,298 | 7,369,315 | 8,460,152 | 9,441,323 |
| LIABILITIES | | | | | | | | | | | | | |
| Debentures (Principal) | 5,825,481 | 5,301,273 | 4,773,726 | 4,246,568 | 3,752,191 | 3,265,458 | 2,881,116 | 2,524,572 | 2,209,524 | 1,963,867 | 1,745,660 | 1,527,452 | 1,187,400 |
| | 5,825,481 | 5,301,273 | 4,773,726 | 4,246,568 | 3,752,191 | 3,265,458 | 2,881,116 | 2,524,572 | 2,209,524 | 1,963,867 | 1,745,660 | 1,527,452 | 1,187,400 |
| NET FINANCIAL ASSETS (DEBT) | - 4,308,509 | - 4,285,068 | - 3,220,070 | - 2,281,082 | - 1,293,319 | - 257,280 | 828,429 | 1,960,088 | 3,136,933 | 4,358,431 | 5,623,655 | 6,932,699 | 8,253,923 |
| NON-FINANCIAL ASSETS | | | | | | | | | | | | | |
| Tangible Capital Assets | 42,246,746 | 42,059,281 | 41,099,164 | 40,305,746 | 39,503,376 | 38,693,049 | 37,875,470 | 37,060,820 | 36,354,361 | 35,646,729 | 34,929,679 | 34,208,377 | 33,477,076 |
| TOTAL NON-FINANCIAL ASSETS | 42,246,746 | 42,059,281 | 41,099,164 | 40,305,746 | 39,503,376 | 38,693,049 | 37,875,470 | 37,060,820 | 36,354,361 | 35,646,729 | 34,929,679 | 34,208,377 | 33,477,076 |
| ACCUMULATED SURPLUS | 37,938,237 | 37,774,214 | 37,879,095 | 38,024,664 | 38,210,057 | 38,435,770 | 38,703,898 | 39,020,907 | 39,491,294 | 40,005,160 | 40,553,334 | 41,141,077 | 41,730,999 |
| Financial Indicators: | Total Change | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Increase/(Decrease) in Net Financial Indicators | 11,241,208 | 23,441 | 1,064,998 | 938,988 | 987,762 | 1,036,040 | 1,085,708 | 1,131,659 | 1,176,845 | 1,221,498 | 1,265,224 | 1,309,044 | 1,321,224 |
| Increase/(Decrease) in Tangible Capital Assets | - 8,038,368 | - 187,464 | - 960,117 | - 793,418 | - 802,370 | - 810,327 | - 817,579 | - 814,650 | - 706,459 | - 707,632 | - 717,050 | - 721,301 | - 731,301 |
| increase/(Decrease) in Accumulated Surplus | 3,202,840 | - 164,023 | 104,881 | 145,570 | 185,393 | 225,713 | 268,129 | 317,009 | 470,387 | 513,866 | 548,174 | 587,743 | 589,923 |

Projected Statement of Operations and Accumulated Surplus

This statement summarizes the revenues and expenditures created by the water and wastewater systems. Where revenues exceed expenses, this indicates that the system is generating sufficient revenues to cover the cost of operating and maintaining the systems. Conversely where expenses exceed revenues the system is not generating enough revenues to operate and maintain the systems.

Table 2 illustrates the City's ratio fluctuates between 97.9% to 90.2% with the annual surplus varying between \$104 thousand to \$587 thousand over the forecast period. It is imperative that a system generates an annual surplus to ensure that funding is available for non-expense costs included tangible capital asset acquisitions, reserve transfers and debenture principal payments.

Accumulated surplus deficit is also an indicator of a systems available resources. An accumulated deficit indicates that resources are insufficient to support the needs of the systems moving forward. Table 2 and Table 3, indicates that the City anticipates adding approximately \$3.2 million to its accumulated surplus over the financial plan period.

Table 2: Projected Statement of Operations and Accumulated Surplus

| PROJECTED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS | | | | | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>AS AT DECEMBER 31, 2019, PROJECTED 2020 TO 2031</i> | | | | | | | | | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| | Actuals | Approved | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected |
| REVENUES | | | | | | | | | | | | | |
| Water Revenues | 2,634,555 | 2,690,650 | 2,729,240 | 2,783,825 | 2,839,501 | 2,896,291 | 2,954,217 | 3,013,301 | 3,073,568 | 3,135,039 | 3,197,740 | 3,261,694 | 3,326,928 |
| Sewer Revenues | 2,219,208 | 2,265,765 | 2,298,145 | 2,344,108 | 2,390,990 | 2,438,810 | 2,487,586 | 2,537,338 | 2,588,085 | 2,639,846 | 2,692,643 | 2,746,496 | 2,801,426 |
| Other Revenues | 309,159 | 63,356 | 12,224 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 |
| | <u>5,162,922</u> | <u>5,019,771</u> | <u>5,039,609</u> | <u>5,140,933</u> | <u>5,243,491</u> | <u>5,348,101</u> | <u>5,454,803</u> | <u>5,563,639</u> | <u>5,674,652</u> | <u>5,787,885</u> | <u>5,903,383</u> | <u>6,021,190</u> | <u>6,141,354</u> |
| EXPENSES | | | | | | | | | | | | | |
| Operations | 3,686,838 | 3,705,836 | 3,476,789 | 3,546,325 | 3,617,251 | 3,689,596 | 3,763,388 | 3,838,656 | 3,915,429 | 3,993,738 | 4,073,612 | 4,155,085 | 4,238,186 |
| Interest | 207,000 | 190,494 | 172,822 | 155,620 | 138,478 | 122,465 | 105,707 | 93,324 | 82,378 | 72,649 | 64,546 | 57,062 | 81,944 |
| Amortization | 1,286,398 | 1,287,464 | 1,285,117 | 1,293,418 | 1,302,370 | 1,310,327 | 1,317,579 | 1,314,650 | 1,206,459 | 1,207,632 | 1,217,050 | 1,221,301 | 1,231,301 |
| Loss on Disposal of TCA | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | <u>5,180,236</u> | <u>5,183,794</u> | <u>4,934,728</u> | <u>4,995,363</u> | <u>5,058,099</u> | <u>5,122,389</u> | <u>5,186,674</u> | <u>5,246,631</u> | <u>5,204,265</u> | <u>5,274,019</u> | <u>5,355,209</u> | <u>5,433,448</u> | <u>5,551,432</u> |
| EXCESS REVENUES OVER EXPENSES | <u>- 17,314</u> | <u>- 164,023</u> | <u>104,881</u> | <u>145,570</u> | <u>185,393</u> | <u>225,713</u> | <u>268,129</u> | <u>317,009</u> | <u>470,387</u> | <u>513,866</u> | <u>548,174</u> | <u>587,743</u> | <u>589,923</u> |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | <u>37,955,551</u> | <u>37,938,237</u> | <u>37,774,214</u> | <u>37,879,095</u> | <u>38,024,664</u> | <u>38,210,057</u> | <u>38,435,770</u> | <u>38,703,898</u> | <u>39,020,907</u> | <u>39,491,294</u> | <u>40,005,160</u> | <u>40,553,334</u> | <u>41,141,077</u> |
| ACCUMULATED SURPLUS, END OF YEAR | <u>37,938,237</u> | <u>37,774,214</u> | <u>37,879,095</u> | <u>38,024,664</u> | <u>38,210,057</u> | <u>38,435,770</u> | <u>38,703,898</u> | <u>39,020,907</u> | <u>39,491,294</u> | <u>40,005,160</u> | <u>40,553,334</u> | <u>41,141,077</u> | <u>41,730,999</u> |
| Financial Indicators: | Total Change | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Expense to Revenue Ratio | | 103.3% | 97.9% | 97.2% | 96.5% | 95.8% | 95.1% | 94.3% | 91.7% | 91.1% | 90.7% | 90.2% | 90.4% |
| Increase/(Decrease) in Accumulated Surplus | 3,202,840 | - 164,023 | 104,881 | 145,570 | 185,393 | 225,713 | 268,129 | 317,009 | 470,387 | 513,866 | 548,174 | 587,743 | 589,923 |

Table 3: Projected Liabilities and Accumulated Surplus

| LIABILITIES AND ACCUMULATED SURPLUS | | | | | | | | | | | | | |
|--|---------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| AS AT DECEMBER 31, 2019, PROJECTED 2020 TO 2031 | | | | | | | | | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| | Actuals | Approved | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected |
| LIABILITIES | | | | | | | | | | | | | |
| Total Debentures | | | | | | | | | | | | | |
| Opening Balance | 6,345,536 | 5,825,481 | 5,301,273 | 4,773,726 | 4,246,568 | 3,752,191 | 3,265,458 | 2,881,116 | 2,524,572 | 2,209,524 | 1,963,867 | 1,745,660 | 1,527,452 |
| New Debentures | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debt Repayment | - 520,055 | - 524,208 | - 527,547 | - 527,158 | - 494,377 | - 486,733 | - 384,342 | - 356,545 | - 315,047 | - 245,657 | - 218,207 | - 218,207 | - 340,052 |
| Total Change in Debt Position | 5,825,481 | 5,301,273 | 4,773,726 | 4,246,568 | 3,752,191 | 3,265,458 | 2,881,116 | 2,524,572 | 2,209,524 | 1,963,867 | 1,745,660 | 1,527,452 | 1,187,400 |
| ACCUMULATED SURPLUS | | | | | | | | | | | | | |
| Net Investment in Tangible Capital Assets | 42,246,746 | 42,059,281 | 41,099,164 | 40,305,746 | 39,503,376 | 38,693,049 | 37,875,470 | 37,060,820 | 36,354,361 | 35,646,729 | 34,929,679 | 34,208,377 | 33,477,076 |
| Reserve/Reserve Funds | 1,516,972 | 1,016,205 | 1,553,656 | 1,965,487 | 2,458,872 | 3,008,179 | 3,709,545 | 4,484,659 | 5,346,457 | 6,322,298 | 7,369,315 | 8,460,152 | 9,441,323 |
| | 43,763,718 | 43,075,487 | 42,652,821 | 42,271,233 | 41,962,248 | 41,701,228 | 41,585,015 | 41,545,479 | 41,700,818 | 41,969,027 | 42,298,994 | 42,668,529 | 42,918,399 |
| Financial Indicators: | Total Change | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Annual Surplus/(Deficit) | - 1,095,189 | - 688,231 | - 422,666 | - 381,588 | - 308,985 | - 261,020 | - 116,213 | - 39,536 | 155,340 | 268,209 | 329,967 | 369,535 | 249,870 |

Projected Statement of Cash Flows

This statement summarizes how the water and wastewater systems are expected to generate and use cash resources during the financial plan period. The statement of cash flows focuses on the cash aspects of the activities of a water and wastewater system; it is the link between the cash based and accrual-based accounting.

Table 4 illustrates that the financial plan anticipates the cash position of the water and wastewater system increase by approximately \$7 million over the period. It is noted that in 2020 the financial plan indicates a reduction of cash and cash equivalents; however, an increase occurs in all other years of the financial plan. The increase indicates that the cash generated will be used to fund tangible capital asset purchases and building reserves over the period.

Table 4: Projected Statement of Cash Flows

| PROJECTED CASH FLOW STATEMENT | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------|----------------|----------|----------------|----------|----------------|----------|----------------|----------|----------------|
| AS AT DECEMBER 31, 2019, PROJECTED 2020 TO 2031 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | | | | | | | | | | | | | |
| | Actuals | Approved | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | | | | | | | | | | | | | |
| OPERATING | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Excess Revenues over Expenses | - | 17,314 | - | 164,023 | 104,881 | 145,570 | 185,393 | 225,713 | 268,129 | 317,009 | 470,387 | 513,866 | 548,174 | 587,743 | 589,923 | | | | | | | | | | | |
| Amortization | 1,286,398 | 1,287,464 | 1,285,117 | 1,293,418 | 1,302,370 | 1,310,327 | 1,317,579 | 1,314,650 | 1,206,459 | 1,207,632 | 1,217,050 | 1,221,301 | 1,221,301 | 1,231,301 | 1,231,301 | | | | | | | | | | | |
| (Gain)/Loss on Disposal of Tangible Capital Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | | | | | | | | |
| Net Change from Operations | 1,269,084 | 1,123,441 | 1,389,998 | 1,438,988 | 1,487,762 | 1,536,040 | 1,585,708 | 1,631,659 | 1,676,845 | 1,721,498 | 1,765,224 | 1,809,044 | 1,821,224 | 1,821,224 | 1,821,224 | | | | | | | | | | | |
| CAPITAL | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tangible Capital Assets Purchases | - | 224,946 | - | 1,100,000 | - | 325,000 | - | 500,000 | - | 500,000 | - | 500,000 | - | 500,000 | - | 500,000 | | | | | | | | | | |
| FINANCING | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Long Term Debt Issued | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | | | | | | | |
| Long Term Debt Principal Payments | - | 520,055 | - | 524,208 | - | 527,547 | - | 527,158 | - | 494,377 | - | 486,733 | - | 384,342 | - | 356,545 | - | 315,047 | - | 245,657 | - | 218,207 | - | 218,207 | - | 340,052 |
| Net Change from Financing Activities | - | 520,055 | - | 524,208 | - | 527,547 | - | 527,158 | - | 494,377 | - | 486,733 | - | 384,342 | - | 356,545 | - | 315,047 | - | 245,657 | - | 218,207 | - | 218,207 | - | 340,052 |
| Net Increase/(Decrease) in Cash | 524,083 | - | 500,767 | 537,451 | 411,830 | 493,385 | 549,307 | 701,366 | 775,114 | 861,798 | 975,841 | 1,047,017 | 1,090,837 | 981,172 | 981,172 | | | | | | | | | | | |
| Cash & Cash Equivalent, Beginning of Year | 992,889 | 1,516,972 | 1,016,205 | 1,553,656 | 1,965,486 | 2,458,872 | 3,008,178 | 3,709,544 | 4,484,659 | 5,346,457 | 6,322,298 | 7,369,315 | 8,460,151 | 8,460,151 | 8,460,151 | | | | | | | | | | | |
| Cash & Cash Equivalent, End of Year | 1,516,972 | 1,016,205 | 1,553,656 | 1,965,486 | 2,458,872 | 3,008,178 | 3,709,544 | 4,484,659 | 5,346,457 | 6,322,298 | 7,369,315 | 8,460,151 | 9,441,323 | 9,441,323 | 9,441,323 | | | | | | | | | | | |

Projected Schedule of Tangible Capital Assets

The opening tangible capital asset balances are presented in the City's audited 2019 Consolidated Financial Statements. The planned future TCA additions have been added based on 2020 capital plan and forecasts, it was assumed that assets would be acquired/constructed within the year of the planned expenditure. Projects listed as work-in-progress at the end of 2019 were assumed to be completed in 2020.

TCA additions are amortized using the straight-line method over 50 years for water and wastewater assets in accordance with our Tangible Capital Asset Policy.

Table 5: Projected Scheduled of Tangible Capital Assets

**PROJECTED SCHEDULE OF TANGIBLE CAPITAL ASSETS
AS AT DECEMBER 31, 2019, PROJECTED 2020 TO 2031**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actuals | Approved | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected | Projected |
| WATER TREATMENT - TANGIBLE CAPITAL ASSETS | | | | | | | | | | | | | |
| Historical Cost | | | | | | | | | | | | | |
| Opening Balance | 11,108,388 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 |
| Additions | 144,503 | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 1,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 | 11,252,891 |
| Accumulated Amortization | | | | | | | | | | | | | |
| Opening Balance | 2,448,892 | 2,727,384 | 2,985,341 | 3,234,449 | 3,483,558 | 3,732,667 | 3,981,775 | 4,230,884 | 4,478,993 | 4,725,702 | 4,966,290 | 5,206,878 | 5,447,466 |
| Amortization Expense | 278,492 | 257,956 | 249,109 | 249,109 | 249,109 | 249,109 | 249,109 | 248,109 | 246,709 | 240,588 | 240,588 | 240,588 | 240,588 |
| Amortization on Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 2,727,384 | 2,985,341 | 3,234,449 | 3,483,558 | 3,732,667 | 3,981,775 | 4,230,884 | 4,478,993 | 4,725,702 | 4,966,290 | 5,206,878 | 5,447,466 | 5,688,053 |
| Net Book Value | 8,525,506 | 8,267,550 | 8,018,442 | 7,769,333 | 7,520,224 | 7,271,116 | 7,022,007 | 6,773,898 | 6,527,189 | 6,286,601 | 6,046,013 | 5,805,425 | 5,564,838 |
| WATER DISTRUBITION - TANGIBLE CAPITAL ASSETS | | | | | | | | | | | | | |
| Historical Cost | | | | | | | | | | | | | |
| Opening Balance | 15,482,655 | 15,482,655 | 16,582,655 | 16,682,655 | 16,932,655 | 17,182,655 | 17,432,655 | 17,682,655 | 17,932,655 | 18,182,655 | 18,432,655 | 18,682,655 | 18,932,655 |
| Additions | - | 1,100,000 | 100,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 15,482,655 | 16,582,655 | 16,682,655 | 16,932,655 | 17,182,655 | 17,432,655 | 17,682,655 | 17,932,655 | 18,182,655 | 18,432,655 | 18,682,655 | 18,932,655 | 19,182,655 |
| Accumulated Amortization | | | | | | | | | | | | | |
| Opening Balance | 3,693,994 | 3,983,012 | 4,293,087 | 4,605,163 | 4,921,505 | 5,242,144 | 5,567,092 | 5,895,697 | 6,227,944 | 6,564,904 | 6,904,758 | 7,249,030 | 7,598,302 |
| Amortization Expense | 289,018 | 310,075 | 312,075 | 316,342 | 320,639 | 324,948 | 328,605 | 332,247 | 336,960 | 339,854 | 344,272 | 349,272 | 354,272 |
| Amortization on Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 3,983,012 | 4,293,087 | 4,605,163 | 4,921,505 | 5,242,144 | 5,567,092 | 5,895,697 | 6,227,944 | 6,564,904 | 6,904,758 | 7,249,030 | 7,598,302 | 7,952,573 |

City of Temiskaming Shores
Water and Wastewater Systems Financial Plan No. 218-301A

| | | | | | | | | | | | | | |
|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Net Book Value | 11,499,643 | 12,289,567 | 12,077,492 | 12,011,150 | 11,940,510 | 11,865,563 | 11,786,958 | 11,704,711 | 11,617,751 | 11,527,896 | 11,433,625 | 11,334,353 | 11,230,081 |
|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|

WASTEWATER TREATMENT & DISPOSAL - TANGIBLE CAPITAL ASSETS

| | | | | | | | | | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Historical Cost | | | | | | | | | | | | | |
| Opening Balance | 6,333,009 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 |
| Additions | 80,443 | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 | 6,413,452 |
| Accumulated Amortization | | | | | | | | | | | | | |
| Opening Balance | 3,563,540 | 3,763,982 | 3,965,900 | 4,167,817 | 4,369,734 | 4,571,652 | 4,773,569 | 4,975,486 | 5,167,016 | 5,244,287 | 5,321,558 | 5,398,828 | 5,476,099 |
| Amortization Expense | 200,443 | 201,917 | 201,917 | 201,917 | 201,917 | 201,917 | 201,917 | 191,530 | 77,271 | 77,271 | 77,271 | 77,271 | 77,271 |
| Amortization on Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 3,763,982 | 3,965,900 | 4,167,817 | 4,369,734 | 4,571,652 | 4,773,569 | 4,975,486 | 5,167,016 | 5,244,287 | 5,321,558 | 5,398,828 | 5,476,099 | 5,553,370 |
| Net Book Value | 2,649,470 | 2,447,552 | 2,245,635 | 2,043,718 | 1,841,800 | 1,639,883 | 1,437,966 | 1,246,436 | 1,169,165 | 1,091,894 | 1,014,624 | 937,353 | 860,082 |

WASTEWATER COLLECION - TANGIBLE CAPITAL ASSETS

| | | | | | | | | | | | | | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Historical Cost | | | | | | | | | | | | | |
| Opening Balance | 26,282,558 | 26,282,558 | 26,282,558 | 26,507,558 | 26,757,558 | 27,007,558 | 27,257,558 | 27,507,558 | 27,757,558 | 28,007,558 | 28,257,558 | 28,507,558 | 28,757,558 |
| Additions | - | - | 225,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 26,282,558 | 26,282,558 | 26,507,558 | 26,757,558 | 27,007,558 | 27,257,558 | 27,507,558 | 27,757,558 | 28,007,558 | 28,257,558 | 28,507,558 | 28,757,558 | 29,007,558 |
| Accumulated Amortization | | | | | | | | | | | | | |
| Opening Balance | 6,191,986 | 6,710,431 | 7,227,947 | 7,749,962 | 8,276,012 | 8,806,717 | 9,341,070 | 9,879,018 | 10,421,782 | 10,967,301 | 11,517,221 | 12,072,141 | 12,626,312 |
| Amortization Expense | 518,445 | 517,515 | 522,015 | 526,050 | 530,705 | 534,353 | 537,948 | 542,764 | 545,519 | 549,920 | 554,920 | 554,171 | 559,171 |
| Amortization on Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance | 6,710,431 | 7,227,947 | 7,749,962 | 8,276,012 | 8,806,717 | 9,341,070 | 9,879,018 | 10,421,782 | 10,967,301 | 11,517,221 | 12,072,141 | 12,626,312 | 13,185,483 |
| Net Book Value | 19,572,126 | 19,054,611 | 18,757,596 | 18,481,546 | 18,200,841 | 17,916,488 | 17,628,540 | 17,335,776 | 17,040,257 | 16,740,337 | 16,435,417 | 16,131,246 | 15,822,075 |

City of Temiskaming Shores
Water and Wastewater Systems Financial Plan No. 218-301A

| Financial Indicators: | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|--|---------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Acquisition of Tangible Capital Assets (Cumulative) | 224,946 | 1,100,000 | 325,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |

Summary

Council and Staff for the City of Temiskaming Shores recognize the importance of providing safe drinking water and adequate wastewater services to their residents. As a result, Council and Staff are committed to achieve the following:

- Ensure that safe drinking water and adequate wastewater services be provided to the residents of Temiskaming Shores;
- Provide economical and affordable water and wastewater services;
- Ensure financial viability;
- Continuation of maintaining self sufficient Water and Wastewater Systems;
- Meet all requirements associated with Provincial and Federal Regulations.