

WATER FINANCIAL PLAN

Town of New Tecumseth

Licence # 123-101

Licence # 123-102

HEMSON Consulting Ltd

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I INTRODUCTION

The Town of New Tecumseth provides potable water to approximately 25,000 customers through its Tottenham and Alliston water supply systems. The fee structure for water service in the Town includes a consumption charge for each cubic metre of water consumed. The Town recovers its costs through user fees charged to its customers on the basis of a full cost recovery system.

In the Fall of 2012, Hemson completed a Water Financial Plan for the Town consistent with the requirements of the *Safe Drinking Water Act* (the *SDWA*) and its associated regulation *Ontario Regulation 453/07 (O.Reg 453/07)*. The plan was prepared as part of a five submission requirement process for obtaining a municipal drinking water licence under the *SDWA*. The Town's Drinking Water Licence is set to expire in early 2016 and is required to be updated which therefore initiated this study process. It should be noted that this exercise has not been undertaken to calculate/determine the utility rates required over the long-term. Annual budgeting exercises to determine the in-year utility rates required to fund expenditures will supersede any revenue forecasts outlined in this document.

The updated Water Financial Plan will be prepared consistent with requirements of the *Safe Drinking Water Act* (the *SDWA*) and its associated regulation *Ontario Regulation 453/07*. The Water Financial Plan is part of the process required for the Town to renew its municipal drinking water license under the *SDWA*. The preparation of a financial plan requires a thorough analysis of operating and capital needs, as well as consideration of available funding sources.

The financial plan includes specific statements such as: statement of operations, statement of financial position, and statement of cash flow. In addition, a statement of net financial assets/debt has been prepared. Although this statement is not required under *O.Reg 453/07*, it does provide further information about the financial performance of the Town's water system. Section two of the report explains each statement in greater detail.

The financial plan is prepared for a seven-year period from 2016-2022. For the purpose of this report, 2016 will be used as the reference year.

II BACKGROUND

In September 2012, the Town of New Tecumseth approved a Water Financial Plan as one of the submission requirements necessary in obtaining a municipal drinking water licence under the *Safe Drinking Water Act, 2002 (SDWA)*. The Town is now required to update the financial plan to renew their drinking water license. This Water Financial Plan applies to all areas of the Town serviced by water.

Financial Plans are defined in section 30(1) of the *SDWA* as follows:

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

At this time, Bill 175 (*Sustainable Water and Sewage Systems Act, 2002*) is not in force however, the specific requirements of s.30 (1) part b are outlined in *O.Reg. 453/07*.

The *SDWA* and *O. Reg. 453/07* include the following general requirements for a financial plan:

- mandatory for all municipal water systems and recommended for wastewater systems;
- include a planning horizon of at least six years (commencing when the system first serves the public, for new systems);
- completed and approved by the later of July 1, 2010 and the date that is six months after the first licence is issued;
- may be amended and additional information may be included beyond what is prescribed, as necessary; and
- be approved by Council resolution indicating that the drinking water system is financially viable.

As noted, in September 2012 the Council of the Town of New Tecumseth approved the Water Financial Plan and passed resolution #2012-242 deeming the water systems to be financially viable. The Town is now required to update the financial

plan to renew their drinking water license. The financial plan requirement for a licence renewal generally mirrors the requirements to obtain a licence for a new system under the *SDWA*. In accordance with the regulation, this financial plan will apply to the first year to which the drinking water system's existing municipal drinking water licence would expire (in 2016).

In addition to the above noted general requirements, the following specific statements are required in the financial plan:

Statement of Operations

This statement includes details on the projected financial operations itemized by total revenues, total expenses, annual surplus/deficit, and the cumulative surplus/deficit for each year in which the financial plan applies. An annual surplus represents funds available to the Town to fund non operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve and reserve funds. The Statement of Operations is discussed in more detail later in this report and is shown as Table 1.

Statement of Financial Position

This statement includes details on the financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets. In recording the tangible capital assets, the Town is able to account for their ability to provide for future benefits. A net financial asset position on this statement indicates whether the water or wastewater system has the financial resources required to fund its future operations. The Statement of Financial Position is discussed in more detail later in this report and is shown as Table 2.

Statement of Cash Flow

This statement provides information on the generation and use of cash resources. The gross cash receipts/payments are itemized by: operating; capital; investing and financial transactions. By itemizing the cash receipts and payments by category allows the reader to understand where the cash is being generated (i.e. Operating water rates), and how the cash is being used (i.e. Capital and operating expenses).

Statement of Net Financial Assets/Debt

While this statement is not required under *O.Reg 453/07*, it does provide further information about the financial performance of the Town's water systems. The Statement of Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

It should be noted the amounts in each of the prescribed tables are unaudited for planning purposes and the actual results may differ from the figures outlined in this plan. The remainder of the study sets out the information and analysis upon which the statements were prepared.

Section III includes a discussion on the key inputs and documents used to develop the financial plan consistent with the governing legislation.

Section IV includes the Statement of Operations, Statement of Financial Position, Statement of Cash Flows, and Statement of Change in Net Financial Assets/Debt that form the Water Financial Plan.

Section V includes the Notes and Assumptions to the financial plan. Assumptions used in the preparation of the statements are included in this section.

III KEY INPUTS

This chapter discusses the key inputs and documents used to develop the financial plan consistent with the governing legislation. The costs, revenues and assumptions used in preparing the financial projections are based on the Town's data such as the 2016 operating budget and capital plan, year-end reserve continuity schedules and other relevant information provided by staff. The five key financial inputs discussed below drive the prescribed statements outlined in Section II and are described in more detail in Section IV of this report.

1. Expenditure and Revenue Forecast

The expenditure and revenue forecast is based upon the information obtained from the Town's 2016 operating budget and capital plan. This plan includes a forecast of operating expenditures and revenues to 2022. The Town recovers most of its costs through user fees charged to its customers that include a variable rate charged for each cubic metre of water consumed. The forecast of expenditures and revenues is shown in Appendix A as Table 1.

Some main assumptions used to derive the operating and revenue projections are as follows:

- Expenditures will increase annually as follows:
 - Water Purchases - 5% per annum;
 - Salaries, Wages and Benefits - 2% per annum; and
 - Other Operating and Maintenance Costs - 2% per annum.
- Non-metered water revenues will increase at a rate of 2% per annum.
- Annual metered water billings are projected to increase at a rate of 3% per annum.

2. Capital Expenditures

The Town's capital budget forecast used in preparing the financial plan is outlined in Appendix A, Table 2. This table identifies the cumulative cost for all in-year capital projects over the planning period and identifies the annual funding sources as outlined by Town staff and Council. It should be noted that four additional non-growth related projects have been identified by staff, although the exact timing and cost of the works is still unknown. Therefore, these projects have been excluded from this analysis, although should be considered for completion/acquisition at a later date:

- 1) SCADA Upgrades;

- 2) Backup generator for Tottenham Well #4 & 5;
- 3) water meter read system upgrades; and
- 4) McKelvey facility upgrades.

3. Reserve Fund Statements

Water Reserves

The 2015 Water Reserve Fund opening balance was provided by Town staff. The projected transfers to and from the Water Reserve Fund are outlined in Appendix A as Table 3. The reserve fund statements account for all funds in the Town's water reserve, including; the contingency funds for the pipeline, from the pipeline water sales, and money available to fund asset/vehicle repair and replacement activities. These funds can also be used to stabilize irregular expenditures requirements.

It should be noted that the money established in the pipeline water sale reserve is being held as the Town of New Tecumseth does not own the pipeline. These funds may be required to be transferred to the New Tecumseth Improvement Society (NTIS) to facilitate the repayment of existing NTIS debt. The remaining water reserves is used to fund non-growth related capital projects as well as the repair and replacement of water assets. Additionally, these funds can be used to address revenue shortfalls which can arise from fluctuating annual water consumption (i.e. less water is billed during wet summers).

Development Charge Reserve Fund – Water Services

The Development Charge Reserve Fund is used to fund growth-related capital projects outlined in the Town's Development Charges Background Study. The timing and costs of each project is subject to change based on annual capital budget reviews.

4. Debt Repayment

As at December 31, 2015, the Town had an outstanding debt of \$4.15 million relating to the Parson Road Reservoir. Council approved the repayment of this debt from the Town's DC water reserve fund. It is anticipated that the Town will debt finance a portion (\$1.59 million) of the Beeton Transmission Main project in 2022 – the debt will be paid by way of future development charges. It should be noted that it is the Town's goal to fund as much of this project through available development charge funds prior to long-term debt issuance. A summary of existing debt is illustrated in Appendix A as Table 4.

5. Tangible Capital Asset Analysis (TCA)

The Town's PSAB TCA data was used to develop financial information related to the water systems assets. The statements included are not audited documents and contain estimates and assumptions as described below.

The following assumptions were made in regard to tangible capital assets:

- The amortization of assets is based on straight line depreciation; 2016 amortization was calculated using the Town's data. For years 2016-2022 the amortization was increased by the amortization accrued through the new capital projects identified in the DC study;
- The useful life of each asset, as included in the Town's asset register, was included in the calculation of amortization;
- It is assumed that no write-offs occurred in any of the years;
- It is assumed that there were no gains or losses on the disposal of assets (assets were disposed when they had reached the end of their useful life and therefore the historic cost is equal to accumulated depreciation); and
- Contributed assets were unknown and therefore not included in the forecast.

A summary of the tangible capital asset balances for the Town's water system can be found in Appendix A as Table 5.

IV WATER FINANCIAL PLAN

This section summarizes the complete financial plan for the Town's water systems. The financial plan represents a forecast or projection of the Town's future financial position. The statements included in this study are not audited documents and contain estimates and assumptions as described in Section V of this report.

A. STATEMENT OF OPERATIONS – TABLE 1

The Statement of Operations provides information on the revenues and expenses generated from the water system in each year. An annual surplus will be generated where annual revenues exceed annual expenses for the year. Conversely, where the expenses exceed the revenues, an annual deficit will result. The annual surplus is available to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve funds.

In 2016, the projected revenue is \$6.27 million with expenditures of \$5.79 million. As revenues exceed expenses, an annual surplus is projected of approximately \$476,000. The beginning period accumulated surplus of \$24.76 million is equal to the opening reserve fund balances, plus tangible capital assets, and less any debt obligations and deferred revenue. A reconciliation of this amount can be found in Table 5. The Town's forecasted Statement of Operations indicates an annual surplus for most years projected, with the accumulated surplus growing by approximately \$20.91 million. This supports the Town's need to grow its reserve funds to pay for the repair and replacement of the Town's capital assets.

The deficit in 2021 is a result of the amortization expense which is an accounting entry and a non-cash transaction.

Table 1
Town of New Tecumseth
Statement of Operations
in \$000's

	Table Ref #	2016	2017	2018	2019	2020	2021	2022
Revenues								
<i>Water Sales</i>								
Metered	A.1	\$4,766	\$4,909	\$5,056	\$5,208	\$5,364	\$5,525	\$5,691
<i>Other (incl. water sales from Essa and Clearview)</i>	A.1	\$296	\$302	\$308	\$314	\$320	\$327	\$333
<i>Carry forward - Prior Year Surplus</i>	A.1	\$687	\$0	\$0	\$0	\$0	\$0	\$0
<i>Earned DC Revenue ⁽¹⁾</i>	A.3	\$520	\$2,280	\$3,428	\$825	\$3,281	\$574	\$14,341
<i>Total Revenue</i>		<u>\$6,269</u>	<u>\$7,491</u>	<u>\$8,792</u>	<u>\$6,347</u>	<u>\$8,965</u>	<u>\$6,426</u>	<u>\$20,365</u>
Expenditures								
Amortization Expense	A.5	\$899	\$876	\$872	\$910	\$916	\$941	\$926
Interest on Debt Expense	A.4	\$159	\$149	\$140	\$132	\$123	\$114	\$105
Operating Expense	A.1	\$4,736	\$4,869	\$5,006	\$5,148	\$5,261	\$5,414	\$5,572
<i>Total Expenditures</i>		<u>\$5,794</u>	<u>\$5,894</u>	<u>\$6,018</u>	<u>\$6,190</u>	<u>\$6,301</u>	<u>\$6,469</u>	<u>\$6,603</u>
Annual Surplus/(Deficit)		<u>\$476</u>	<u>\$1,597</u>	<u>\$2,774</u>	<u>\$157</u>	<u>\$2,664</u>	<u>(\$42)</u>	<u>\$13,763</u>
Annual Surplus/(Deficit)		\$476	\$1,597	\$2,774	\$157	\$2,664	(\$42)	\$13,763
Accumulated Surplus, Beginning of Period	5	\$24,759	\$25,234	\$26,831	\$29,605	\$29,762	\$32,427	\$32,384
Accumulated Surplus, End of Period		<u>\$25,234</u>	<u>\$26,831</u>	<u>\$29,605</u>	<u>\$29,762</u>	<u>\$32,427</u>	<u>\$32,384</u>	<u>\$46,147</u>

Note 1: Indicates the amount of funds needed to support in-year growth related capital transactions.

B. STATEMENT OF FINANCIAL POSITION – TABLE 2

The Statement of Financial Position provides information on the assets and liabilities of the Town's water systems. Net Financial Assets/(Debt) is the difference between assets and liabilities. A position of net financial assets occurs when assets are greater than liabilities. Conversely, net financial debt occurs when liabilities exceed their assets. A net financial assets position implies that the system has the financial resources required to fund its future operations. A net financial debt position indicates that future revenues will be required to pay for past transactions. In 2016, the Town is projected to have \$8.77 million in liabilities related to the outstanding debt associated with the Parson's Road project (\$3.92 million) and deferred revenue (\$4.85 million). The total financial assets in 2016 are \$6.66 million resulting in a net financial debt position of \$2.11 million. The Town will be in a net financial debt position for much of the next seven years, although the Town does move into a positive net position in 2021 as the Parson's Road debt is progressively paid down. However, the Town is anticipated to incur new debt in 2022 to construct the Transmission Main to Beeton in 2022, which then again moves the Town into a net financial debt position.

The Statement of Financial Position also provides information on the Town's tangible capital assets. The reporting of tangible capital assets is a new requirement under PS3150 of the Public Sector Accounting Board. Previous to 2009, the costs to acquire or construct capital assets were expensed in the year in which they occur. As of 2009 municipalities are required to capitalize their assets and account for their ability to provide future benefits. An increase in the tangible capital asset balance suggests that new assets have been acquired and a decrease in the balance indicates the disposal, write down or use of assets.

Table 2
Town of New Tecumseth
Statement of Financial Position
in \$000's

	Table Ref #	2016	2017	2018	2019	2020	2021	2022
Financial Assets								
Cash	3	\$6,655	\$7,647	\$7,965	\$10,412	\$10,972	\$14,279	\$3,547
Total Assets		\$6,655	\$7,647	\$7,965	\$10,412	\$10,972	\$14,279	\$3,547
Liabilities								
Debt	A.4	\$3,919	\$3,688	\$3,458	\$3,227	\$2,997	\$2,766	\$4,129
Deferred Revenue	A.3	\$4,846	\$5,645	\$5,605	\$8,178	\$8,315	\$11,184	\$0
Total Liabilities		\$8,765	\$9,333	\$9,063	\$11,405	\$11,312	\$13,950	\$4,129
Net Financial Assets/(Debt)		(\$2,110)	(\$1,687)	(\$1,098)	(\$993)	(\$340)	\$329	(\$582)
Non-Financial Assets								
Tangible Capital Assets	1,5	\$27,344	\$28,518	\$30,703	\$30,755	\$32,766	\$32,056	\$46,729
Accumulated Surplus/(Deficit)		\$25,234	\$26,831	\$29,605	\$29,762	\$32,427	\$32,384	\$46,147

C. STATEMENT OF CASH FLOW – TABLE 3

The Statement of Cash Flow provides information on the generation and use of cash resources in the following categories: operating; capital; investments; and financing activities. The statement describes how the cash from operations (\$2.45 million) will be used to support the 2016 capital transactions (\$876,000) and financing transactions (\$231,000). The difference between the total cash generated and cash used, results in an increase or decrease in cash and cash equivalents. Therefore, 2016 results indicate an increase in cash and cash equivalents of \$1.35 million. The Town will see an increase in cash and cash equivalents in all years with the exception of 2022, where significant funds are required to pay for the construction of the Transmission Main to Beeton.

The beginning of period cash and cash equivalents is equal to the water reserves and development charge reserve funds on hand at the start of the period. The Town's cash position decreases from \$6.66 million in 2016 to \$3.55 million in 2022. The decrease in cash position is largely due to the significant capital works being funded through development charges during this period.

The Town's ending cash position of \$3.55 million in 2022 indicates the amount of funds available (or unavailable) to fund capital works.

D. STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/DEBT – TABLE 4

The Statement of Change in Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital assets costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. The statement outlines that the surplus (\$476,000) and amortization (\$899,000) exceeds the forecasted capital expenditures of 876,000 resulting in a net asset for the year. The change in net financial assets is expected to be positive though to 2021. The net financial debt position in 2022 is a result of the construction of Transmission Main to Beeton.

Table 3
Town of New Tecumseth
Statement of Cash Flow
In \$000's

	Table							
	Ref #	2016	2017	2018	2019	2020	2021	2022
Operating Transactions								
Annual Surplus/(Deficit)	1	\$476	\$1,597	\$2,774	\$157	\$2,664	(\$42)	\$13,763
Add: Amortization of TCA's	1	\$899	\$876	\$872	\$910	\$916	\$941	\$926
Less: DC Revenue ⁽¹⁾	1	(\$520)	(\$2,280)	(\$3,428)	(\$825)	(\$3,281)	(\$574)	(\$14,341)
Add: Development Charge Proceeds ⁽²⁾	A.3	\$1,600	\$3,079	\$3,388	\$3,398	\$3,418	\$3,444	\$3,157
Less: Interest Proceeds								
Cash Provided by Operating :		\$2,454	\$3,272	\$3,606	\$3,641	\$3,718	\$3,768	\$3,505
Capital Transactions								
Proceeds on Sale of Tangible Capital Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Tangible Capital Assets	A.2	(\$876)	(\$2,050)	(\$3,057)	(\$963)	(\$2,927)	(\$230)	(\$15,600)
Cash Applied to Capital		(\$876)	(\$2,050)	(\$3,057)	(\$963)	(\$2,927)	(\$230)	(\$15,600)
Investing Transactions								
Proceeds from Investments		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Cash Used to Acquire Investments		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Provided by Investing		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing Transactions								
Proceeds from Debt Issues	5	\$0	\$0	\$0	\$0	\$0	\$0	\$1,594
Less: Debt Repayment (principal only)	5	(\$231)	(\$231)	(\$231)	(\$231)	(\$231)	(\$231)	(\$231)
Cash Applied to Financing		(\$231)	(\$231)	(\$231)	(\$231)	(\$231)	(\$231)	\$1,363
Increase/(Decrease) in Cash and Cash Equivalents		\$1,348	\$992	\$318	\$2,447	\$560	\$3,307	(\$10,732)
Cash and Cash Equivalents								
Beginning of Period	5	\$5,307	\$6,655	\$7,647	\$7,965	\$10,412	\$10,972	\$14,279
Increase/(Decrease)		\$1,348	\$992	\$318	\$2,447	\$560	\$3,307	(\$10,732)
End of Period		\$6,655	\$7,647	\$7,965	\$10,412	\$10,972	\$14,279	\$3,547

Note 1: Indicates the amount of funds needed to support in-year growth related (e.g. development charge) capital transactions.

Note 2: Indicates the amount of funds generated annually from development charges (water component only)

Table 4
Town of New Tecumseth
Statement of Change in Net Financial Assets/(Debt)
in \$000's

	Table							
	Ref #	2016	2017	2018	2019	2020	2021	2022
Annual Surplus/(Deficit)	1	\$476	\$1,597	\$2,774	\$157	\$2,664	(\$42)	\$13,763
Amortization of Tangible Capital Assets	5	\$899	\$876	\$872	\$910	\$916	\$941	\$926
Less: Acquisition of Tangible Capital Assets	5	(\$876)	(\$2,050)	(\$3,057)	(\$963)	(\$2,927)	(\$230)	(\$15,600)
<i>Change in Net Financial Assets/(Debt)</i>		\$499	\$423	\$589	\$105	\$654	\$668	(\$911)
<i>Net Financial Assets/(Debt)</i>								
Beginning of Period	5	(\$2,608)	(\$2,110)	(\$1,687)	(\$1,098)	(\$993)	(\$340)	\$329
Increase/(Decrease)		\$499	\$423	\$589	\$105	\$654	\$668	(\$911)
End of Period		(\$2,110)	(\$1,687)	(\$1,098)	(\$993)	(\$340)	\$329	(\$582)

V NOTES AND ASSUMPTIONS TO FINANCIAL PLAN

Section 3(2) of *O Reg. 453/07* states that the information is required only if the information is known to the owner at the time the financial plan is prepared. The assumptions used in preparing the financial plan are noted below.

1. Cash

The beginning of period Cash and Cash equivalents contained in the Statement of Cash Flows is the total of the opening balance of reserve funds. The opening balances were unaudited at the time the financial plan was prepared and may change.

2. Receivables and Payables

It is assumed that the water receivables and payables are not significant and therefore have not been identified

3. Debt

Outstanding debt of \$4.15 million existed at the end of 2015 relating to the Parson's Road Reservoir, which the annual debt payments are to be funded from the Town's water DC Reserve Fund. It is anticipated that the Town will debt finance a portion (\$1.59 million) of the Beeton Transmission Main project in 2022 – the debt will be paid by way of future development charges. It is the Town's goal to fund as much of this project through available development charge funds prior to long-term debt issuance.

4. Deferred Revenue

Deferred revenue represents the development charge reserve fund balance. For financial reporting purposes, development charges are deemed a liability until they are used to acquire or construct the infrastructure for which they were collected.

5. Accumulated Surplus

The accumulated surplus for all years in the forecast period is contained in Table 5.

6. Lead Pipes

Ontario Regulation 453/07 contains a requirement for municipalities to include in the financial plan the cost associated with replacing lead pipes that are part of the drinking water system. The Town currently does not have to replace any lead pipes and does not expect to replace any in the future. Therefore, no provision for lead pipe replacement is required for this plan.

Table 5
Town of New Tecumseth
Reconciliation of Accumulated Surplus
in \$000's

	Table Ref #							
		2016	2017	2018	2019	2020	2021	2022
Accumulated Surplus consists of:								
Opening Reserve Balance								
<i>Development Charges</i>	A.3	\$3,766						
<i>Water Reserves</i>	A.3	\$1,541						
Total Reserve Balance		\$5,307						
<i>Less: Debt Obligations and Deferred Revenue</i>	A.3, A.4	(\$7,915)						
<i>Add: Tangible Capital Assets</i>	A.5	\$27,367						
Total Opening Balance		\$24,759	\$25,234	\$26,831	\$29,605	\$29,762	\$32,427	\$32,384
<i>Add: Contributions to/(from) Reserves (excl DC)</i>								
<i>Water Reserve</i>	A.3	\$268	\$192	\$358	(\$126)	\$423	\$438	\$452
Total Change in Reserve		\$268	\$192	\$358	(\$126)	\$423	\$438	\$452
<i>Add: Changes in TCA during the year</i>								
<i>Capital Assets Acquired/(Disposed)</i>	A.2	\$876	\$2,050	\$3,057	\$963	\$2,927	\$230	\$15,600
<i>Amortization of Capital Assets</i>	A.5	(\$899)	(\$876)	(\$872)	(\$910)	(\$916)	(\$941)	(\$926)
Total Changes in Tangible Capital Assets		(\$23)	\$1,174	\$2,185	\$53	\$2,011	(\$711)	\$14,674
Subtract Changes in Debt Position								
<i>New Debt (Transmission Main to Beeton)</i>	A.2	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,594)
<i>Debt Repayment (principal only)</i>	A.4	\$231	\$231	\$231	\$231	\$231	\$231	\$231
Total Change in Debt		\$231	\$231	\$231	\$231	\$231	\$231	(\$1,363)
Total Ending Balance		\$25,234	\$26,831	\$29,605	\$29,762	\$32,427	\$32,384	\$46,147

VI CONCLUDING COMMENTS

The financial plan contained in this documents outlines that the Town's drinking water systems are financially viable. It is fiscally prudent the Town continue to monitor their water operations to compare the accuracy of the financial projections with the actual results, as this will lead to improved planning in the future.

Lastly, following the completion of the Long-Range Financial Plan currently underway, the Town should look to undertake a comprehensive utility rate review. The utility rate review would calculate the water and wastewater rates necessary to support future operating and capital expenditures as identified through the Long-Range Financial Plan.

APPENDIX A

DETAILED FINANCIAL INFORMATION

Appendix A- Table 1
Town of New Tecumseth
Operating Budget Forecast
in \$000's

	Budget	FORECAST					
	2016	2017	2018	2019	2020	2021	2022
Expenditures							
Operating Costs							
Administration	\$2,003	\$2,082	\$2,165	\$2,251	\$2,341	\$2,435	\$2,533
Water Operations	\$2,168	\$2,212	\$2,256	\$2,301	\$2,347	\$2,394	\$2,442
Maintenance	\$530	\$541	\$552	\$563	\$574	\$585	\$597
Deficit Repayment (HEC)	\$34	\$34	\$34	\$33	\$0	\$0	\$0
	\$4,736	\$4,869	\$5,006	\$5,148	\$5,261	\$5,414	\$5,572
Capital Related Costs							
Capital from Current - Reserve Funded	\$447	\$0	\$0	\$0	\$0	\$0	\$0
Capital from Current - Rate Funded	\$297	\$150	\$0	\$500	\$0	\$0	\$0
Growth-Related Debt	\$389	\$380	\$371	\$362	\$353	\$344	\$335
	\$1,134	\$530	\$371	\$862	\$353	\$344	\$335
Reserve Contribution							
Contributions to/(from) Water Reserve (Asset Replacement)	\$628	\$104	\$269	(\$216)	\$332	\$346	\$359
Contributions to/(from) Water Reserve (Vehicle)	\$46	\$47	\$48	\$49	\$50	\$51	\$52
Contributions to/(from) Water Reserve (Water Sales)	\$42	\$42	\$42	\$42	\$42	\$42	\$42
	\$715	\$192	\$358	(\$126)	\$423	\$438	\$452
Total Expenditures	\$6,586	\$5,591	\$5,735	\$5,884	\$6,038	\$6,196	\$6,359
Revenues							
Water Billing Revenue ⁽¹⁾	\$4,766	\$4,909	\$5,056	\$5,208	\$5,364	\$5,525	\$5,691
Non-User Rate Revenues	\$200	\$204	\$208	\$212	\$216	\$221	\$225
Carry Forward Prior Year Surplus	\$687	\$0	\$0	\$0	\$0	\$0	\$0
Water Sales (Essa and Clearview)	\$96	\$98	\$100	\$102	\$104	\$106	\$108
Contributions from reserve	\$447	\$0	\$0	\$0	\$0	\$0	\$0
Contribution from Development Charges Reserves (Debt)	\$389	\$380	\$371	\$362	\$353	\$344	\$335
	\$6,586	\$5,591	\$5,735	\$5,884	\$6,038	\$6,196	\$6,359

Note 1: Assumes a 3% increase per annum in billing revenue.

Appendix A-Table 2
Town of New Tecumseth
Capital Budget Forecast
in \$000's

	2016	2017	2018	2019	2020	2021	2022
Capital Program							
Growth Related	\$131	\$1,900	\$3,057	\$463	\$2,927	\$230	\$15,600
Non-Growth Related - Reserve Funded	\$447	\$0	\$0	\$0	\$0	\$0	\$0
Non-Growth Related - Rate Funded	\$297	\$150	\$0	\$500	\$0	\$0	\$0
Total	\$876	\$2,050	\$3,057	\$963	\$2,927	\$230	\$15,600
Funding Sources							
Operating Contributions	\$297	\$150	\$0	\$500	\$0	\$0	\$0
Transfer from Water Reserve	\$447	\$0	\$0	\$0	\$0	\$0	\$0
Transfer From Development Charges Reserve	\$131	\$1,900	\$3,057	\$463	\$2,927	\$230	\$14,006
Growth Related Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$1,594
Total Funding	\$876	\$2,050	\$3,057	\$963	\$2,927	\$230	\$15,600

Appendix A- Table 3
Town of New Tecumseth
Reserve and Reserve Fund Continuity
in \$000's

	2016	2017	2018	2019	2020	2021	2022
Water Reserves ⁽¹⁾							
Opening Balance	\$1,541	\$1,809	\$2,001	\$2,360	\$2,234	\$2,657	\$3,095
Transfer from Operating	\$715	\$192	\$358	(\$126)	\$423	\$438	\$452
Transfer to Capital	(\$447)	\$0	\$0	\$0	\$0	\$0	\$0
Transfer to Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$1,809	\$2,001	\$2,360	\$2,234	\$2,657	\$3,095	\$3,547
Debenture Requirements	\$0						

Note 1: Water reserves include the money accumulated from the pipeline water sales to other municipalities. A portion of these funds may be required to be transferred to facilitate the repayment of the existing debt of the pipeline (as the Town does not own the pipeline).

	2016	2017	2018	2019	2020	2021	2022
Development Charge Reserve							
Opening Balance	\$3,766	\$4,846	\$5,645	\$5,605	\$8,178	\$8,315	\$11,184
Revenue	\$1,600	\$3,079	\$3,388	\$3,398	\$3,418	\$3,444	\$3,157
Transfer to Capital	(\$131)	(\$1,900)	(\$3,057)	(\$463)	(\$2,927)	(\$230)	(\$14,006)
Transfer to Operating ⁽¹⁾	(\$389)	(\$380)	(\$371)	(\$362)	(\$353)	(\$344)	(\$335)
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$4,846	\$5,645	\$5,605	\$8,178	\$8,315	\$11,184	\$0
Debenture Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$1,594

Note 1: Transfer to operating related to Parsons Road Debt Payments

Appendix A - Table 4
Town of New Tecumseth
Debenture Schedule ⁽¹⁾
in \$000's

	2016		2017		2018		2019		2020		2021		2022		Total	
	Principal	Interest														
Parsons Rd Reservoir (\$4,379,500, 3.87%) ⁽²⁾	\$231	\$159	\$231	\$149	\$231	\$140	\$231	\$132	\$231	\$123	\$231	\$114	\$231	\$105	\$1,614	\$922
	\$231	\$159	\$231	\$149	\$231	\$140	\$231	\$132	\$231	\$123	\$231	\$114	\$231	\$105	\$1,614	\$922

Note 1: Any associated debt payments related to the construction of the transmission main to Beeton will begin in 2023 and therefore the annual payments do not appear in this Financial Plc

Note 2: Annual debt payments are funded through development charges

Appendix A- Table 5
Town of New Tecumseth
Summary of Tangible Capital Asset Balances - Water Systems
in \$000's

(In \$000)	2016	2017	2018	2019	2020	2021	2022
Opening Tangible Capital Assets	\$41,318	\$42,194	\$44,243	\$47,301	\$48,263	\$51,191	\$51,421
Plus: Acquisitions - Repair/Replacement	\$745	\$150	\$0	\$500	\$0	\$0	\$0
Plus: Acquisitions - Growth Related	\$131	\$1,900	\$3,057	\$463	\$2,927	\$230	\$15,600
Less: Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Tangible Capital Assets	\$42,194	\$44,243	\$47,301	\$48,263	\$51,191	\$51,421	\$67,021
Opening Accumulated Amortization	\$13,951	\$14,850	\$15,726	\$16,598	\$17,508	\$18,424	\$19,365
Plus: Amortization Expense	\$899	\$876	\$872	\$910	\$916	\$941	\$926
Less: Amortization of Disposals	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Accumulated Amortization	\$14,850	\$15,726	\$16,598	\$17,508	\$18,424	\$19,365	\$20,292
Net Book Value	\$27,344	\$28,518	\$30,703	\$30,755	\$32,766	\$32,056	\$46,729

Note: Amounts are unaudited for planning purposes only. Actual results will differ from the above