



 **Watson
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ECONOMISTS LTD.

Water and Wastewater Ontario Regulation 453/07 Financial Plans

Town of Prescott

Financial Plan #161-301A

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List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
F.I.R.	Financial Information Return
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
OCIF	Ontario Community Infrastructure Fund
O. Reg.	Ontario Regulation
PSAB	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
T.C.A.	Tangible Capital Assets
W.O.A.	Water Opportunities Act



Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

The Town of Prescott (Town) retained Watson & Associates Economists Ltd. (Watson) to prepare a water and wastewater financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting regarding the Town's water and wastewater systems has been based on the Town's 2024 Budget and Forecast. The objective of the report provided herein is to convert the findings of the 2024 Budget and Forecast into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O. Reg. 453/07) and project the financial position over a ten-year forecast period.

1.2 Background

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

“No person shall,

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

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



1. Obtain a drinking water works permit.
2. Acceptance of the operational plan for the system based on the Drinking Water Quality Management Standard.
3. Accreditation of the Operating Authority.
4. Prepare and provide a financial plan.
5. Obtain permit to take water.

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

1.2.1 Financial Plan Defined

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3)

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

1.2.2 Financial Plan Requirements – Existing System

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

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period, commencing in the year of licence expiry (i.e., 2025 for the Town);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations”



as per the Public Section Accounting Board (P.S.A.B.) for each year in which the financial plans apply;

- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per P.S.A.B.) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per P.S.A.B.) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – General

Given that the requirement for a financial plan is legislated under the Act, a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The 2025 to 2034 forecast included in this financial plan meets that requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1) 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e., six months prior to license expiry).

A copy of the financial plan must be submitted to the Ministry of Municipal Affairs and Housing (MMAH). The financial plan does not need to be submitted to the Ministry of the Environment, Conservation, and Parks (MECP); however, the MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary. The financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence.



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

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1201 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

“Financial statements should include a Statement of Financial Position, a Statement of Operations, a Statement of Change in Net Debt, and a Statement of Cash Flow.”

The format required is to conform to the requirements of PS1201 and PS3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

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

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

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

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system to which they relate.

Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

Principle #3: Revenues collected for the provision of water services should ultimately be used to meet the needs of those services.

Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.

Principle #5: An asset management plan is a key input to the development of a financial plan.

Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.

Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.

Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.



Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010

Since the passage of the *Safe Drinking Water Act*, changes and refinements to the legislation have been introduced, including the *Water Opportunities Act* (W.O.A). The W.O.A. was introduced into legislation on May 18, 2010, and received Royal Assent on November 29, 2010.

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

The sustainability plan in the W.O.A. expands on interim legislation for financial plans included in O. Reg. 453/07, to include the following:

- an asset management plan for the physical infrastructure;
- financial plan;
- water conservation plan (for water service only);
- a risk assessment;
- a strategy for maintaining and improving the services; and



- additional information considered advisable.

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

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

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

On June 4, 2015, the Province passed the *Infrastructure for Jobs and Prosperity Act* (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has three phases that municipalities must meet. The timelines associated with the three phases were later extended by Ontario Regulation 193/21 which was filed on March 15, 2021.

Every municipality in Ontario will have to prepare a strategic asset management policy by July 1, 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates, as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2022):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service, including some prescribed measures; and
 - Lifecycle management strategies and associated costs to maintain current levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2024):
 - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2025):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and



- Financial strategy that supports achieving proposed levels of service.

In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2022 (Phase 1). O. Reg. 588/17 specifies that the Town's asset management plan must include the following for each asset category:

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

The Town completed an Asset Management Plan (A.M.P.) in 2022 with an update in 2024. The A.M.P. included a review of the Town's water and wastewater infrastructure. The Town will need to consider the impacts of funding the lifecycle requirements identified in the A.M.P. during the annual budget and forecast periods.

2.5 Water and Wastewater Forecast

The Town has already completed their financial planning through its 2024 budget and a 10-year forecast has been developed based on anticipated inflationary impacts to both revenues and expenditures. The budget process is designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.



As a result of employing this process, the 2024 Budget and ten-year forecast provide the basis for the financial plans for the Town's water and wastewater systems by including:

- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- An analysis of required water and wastewater rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the Town's staff, Council, the general public (specifically the users of the system) and others, with the aim of gaining input and collaboration on the sustainability of the financial plans.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2024 Budget, along with additional detailed information provided by Town Staff, has been used as a starting point to prepare the water and wastewater financial plans. The water and wastewater forecasts are prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plans along with the opening balances that will underpin the forecasts. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plans. It is noted that financial plans have been prepared for both water and wastewater; however, the focus of the remaining chapters will be on water only, for submission as part of the licence renewal process. The complete financial plan for wastewater is provided in Appendix A.

3.2 Conversion Process

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

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

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water and wastewater assets, an inventory has already been compiled and summarized by the Town as part of their annual P.S.A.B. 3150 compliance processes. As required, for



P.S.A.B. 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each asset and any anticipated salvage value is recorded. The following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized by Town staff. However, these estimates only represent future assets that the Town anticipates purchasing or constructing. At present, the Town does not anticipate any assets will be contributed by developers and other parties (at no or partial cost to the Town). If, over the forecast period, additional capital needs arise or contributed assets are anticipated, the financial plan may need to be adjusted to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

3.2.2 Convert Statement of Operations

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



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

Modified Cash Basis	Budget 2025	Adjustments		Full Accrual Budget 2025	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	949,890			949,890	Base Charge Revenue
Rate Based Revenue	316,529			316,529	Rate Based Revenue
Transfers from Reserves	9,510	9,510			
			401,000	401,000	Earned Development Charges and Gas Tax Revenue
Other Revenue	120,300		-	120,300	Other Revenue
Total Revenues	1,396,229			1,787,719	Total Revenues
Expenditures					Expenses
Operating	1,273,500	-		1,273,500	Operating Expenses
Capital					
Transfers to Reserves	-		-		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	122,729		51,182	71,547	Interest on Debt
		207,469		207,469	Amortization
Total Expenditures	1,396,229			1,552,516	Total Expenses
Net Expenditures	-			235,203	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			6,680,196	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	235,203	-	6,915,399	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		452,182	452,182		

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



3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Table 3-2). The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1201.

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

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

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

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



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

Modified Cash Basis	Budget 2025	Adjustments		Full Accrual Budget 2025	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	618,732			618,732	Cash
Accounts Receivable	508,695			508,695	Accounts Receivable
Total Financial Assets	1,127,427			1,127,427	Total Financial Assets
Non-Financial Assets					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
Total Non-Financial Assets	-				
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	56,705			56,705	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	2,067,423			2,067,423	Debt (Principal only)
Total Liabilities	2,124,128			2,124,128	Total Liabilities
Net Assets/(Debt)	(996,701)			(996,701)	Net Financial Assets/(Debt)
		7,912,100	-	7,912,100	Non-Financial Assets
					Tangible Capital Assets
				7,912,100	Total Non-Financial Assets
Municipal Position					
Water Reserves	1,070,722	1,070,722	-		
Amounts to be Recovered	(2,067,423)	-	2,067,423		
Total Municipal Position	(996,701)		6,915,399	6,915,399	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		8,982,822	8,982,822		

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



3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Town at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

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

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

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

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

- b) Amortization Expense – The method and timing of amortization should be based on the Town’s amortization policy.



- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the capital asset listing provided.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Town’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Town's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Town's water system. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

Similar tables and analysis for the Town's wastewater financial plan are included in Appendix A.

4.2 Water Financial Plan

4.2.1 Statement of Financial Position (Table 4-1)

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Town's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2025, the Town's water system will be in a net debt position of approximately \$996,701 due to the issuance of debt for the Water Tower project. Although low reserves and reserve contributions initially result in a further decline in the net debt position, it is projected to improve to \$631,404 by the end of 2034 due to improvements in reserves and a reduction in the debt principal.

Another important indicator in the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a requirement for

¹ O.Reg. 453/07 does not require an audited financial plan.



municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

- Tangible capital assets such as water mains and treatment plants are imperative to water service delivery.
- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the Town or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows that the Town's tangible capital assets are expected to decrease by \$256,329 over the forecast period. This indicates that the Town plans to invest in tangible capital assets at a lower level than the anticipated use of existing assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues at 87% in 2025 and increases over the forecast period to 100% by 2034. As a result, the annual surplus of \$235,203 in 2025 decreases to an annual deficit of \$5,344 by 2034. Deficits indicate that the Town is not currently contributing to water reserves at amounts equaling or exceeding amortization expense each year. Amortization, which is a non-cash expense from a full accrual reporting standpoint, is included in operating expenses as shown in Table 4-2. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments in the future.



Another important indicator in this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing, or rate increases are required to finance annual deficits. From Table 4-2, the financial plan illustrates an increase in accumulated surplus of \$344,171 over the forecast period. This is due to the projection of annual deficits as well as the decreasing tangible capital asset net book value over the forecast period. The existing accumulated surplus, as indicated in Table 4-2, is predominately made up of reserve balances as well as historical investments in tangible capital assets.

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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e., inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Table 4-3 indicates that in the years 2025 to 2034, forecasted tangible capital asset acquisitions exceed the forecasted annual surplus, resulting in decreases in the net financial assets balance. This is due to the significant capital assets anticipated to be constructed over the forecast, primarily in 2025. This further is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions initially deteriorating from 0.29 to 0.24 from 2025 to 2026 and then improving over the forecast period to 0.82 in 2034 (note: a desirable ratio is 1:1 or better).

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the Town's water system is expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e., tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Town's water



system to increase from a negative balance of \$196,622 at the beginning of 2025 to a balance of \$198,832 by the end of 2034. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Financial Assets											
Cash	1	618,732	215,496	-	-	-	-	-	17,384	-	198,832
Accounts Receivable	1	508,695	416,343	503,492	447,312	544,072	482,822	579,952	519,801	615,080	551,876
Total Financial Assets		1,127,427	631,839	503,492	447,312	544,072	482,822	579,952	537,185	615,080	750,708
Liabilities											
Bank Indebtedness		-	-	155,779	58,093	219,850	57,913	208,566	-	75,249	-
Accounts Payable & Accrued Liabilities	1	56,705	58,264	59,862	61,354	62,886	64,302	65,744	67,223	68,728	70,264
Debt (Principal only)	2	2,067,423	1,997,390	1,924,226	1,847,792	1,767,941	1,684,521	1,597,372	1,506,328	1,411,214	1,311,848
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
Total Liabilities		2,124,128	2,055,654	2,139,867	1,967,239	2,050,677	1,806,736	1,871,682	1,573,551	1,555,191	1,382,112
Net Financial Assets/(Debt)		(996,701)	(1,423,815)	(1,636,375)	(1,519,927)	(1,506,605)	(1,323,914)	(1,291,730)	(1,036,366)	(940,111)	(631,404)
Non-Financial Assets											
Tangible Capital Assets	4	7,912,100	8,144,271	8,418,642	8,126,730	8,248,818	7,950,008	8,116,390	7,810,106	7,969,822	7,655,771
Total Non-Financial Assets		7,912,100	8,144,271	8,418,642	8,126,730	8,248,818	7,950,008	8,116,390	7,810,106	7,969,822	7,655,771
Accumulated Surplus/(Deficit)	5	6,915,399	6,720,456	6,782,267	6,606,803	6,742,213	6,626,094	6,824,660	6,773,740	7,029,711	7,024,367
Financial Indicators											
	Total Change	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Increase/(Decrease) in Net Financial Assets	(712,031)	(1,077,328)	(427,114)	(212,560)	116,448	13,322	182,691	32,184	255,364	96,255	308,707
2) Increase/(Decrease) in Tangible Capital Assets	1,056,202	1,312,531	232,171	274,371	(291,912)	122,088	(298,810)	166,382	(306,284)	159,716	(314,051)
3) Increase/(Decrease) in Accumulated Surplus	344,171	235,203	(194,943)	61,811	(175,464)	135,410	(116,119)	198,566	(50,920)	255,971	(5,344)



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Water Revenue											
Water Charges		949,890	989,694	1,035,033	1,087,959	1,133,246	1,177,015	1,223,647	1,270,723	1,312,849	1,352,234
Rate Based Revenue		316,529	327,506	343,090	360,903	375,871	390,004	404,735	419,243	431,740	442,954
Earned Canada Community-Building Fund Revenue (Water)	3	401,000	-	272,000	-	278,000	-	278,000	-	278,000	-
Other Revenue	6	120,300	124,600	128,000	131,499	135,101	138,799	142,600	146,501	150,499	154,600
Total Revenues		1,787,719	1,441,800	1,778,123	1,580,361	1,922,218	1,705,818	2,048,982	1,836,467	2,173,088	1,949,788
Water Expenses											
Operating Expenses	Sch. 4-1	1,273,500	1,308,500	1,344,400	1,377,900	1,412,300	1,444,100	1,476,500	1,509,700	1,543,500	1,578,000
Interest on Debt	2	71,547	92,414	89,283	86,013	82,596	79,027	75,298	71,403	67,333	63,081
Amortization	4	207,469	235,829	282,629	291,912	291,912	298,810	298,618	306,284	306,284	314,051
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Total Expenses		1,552,516	1,636,743	1,716,312	1,755,825	1,786,808	1,821,937	1,850,416	1,887,387	1,917,117	1,955,132
Annual Surplus/(Deficit)		235,203	(194,943)	61,811	(175,464)	135,410	(116,119)	198,566	(50,920)	255,971	(5,344)
Accumulated Surplus/(Deficit), beginning of year	5	6,680,196	6,915,399	6,720,456	6,782,267	6,606,803	6,742,213	6,626,094	6,824,660	6,773,740	7,029,711
Accumulated Surplus/(Deficit), end of year		6,915,399	6,720,456	6,782,267	6,606,803	6,742,213	6,626,094	6,824,660	6,773,740	7,029,711	7,024,367
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Reserve/Reserve Fund Balances											
Canada Community-Building Fund for Water		-	-	-	-	-	-	-	-	-	-
Capital/Other		1,070,722	573,575	287,851	327,865	261,336	360,607	305,642	469,962	471,103	680,444
Total Reserve/Reserve Fund Balance		1,070,722	573,575	287,851	327,865	261,336	360,607	305,642	469,962	471,103	680,444
Less: Debt Obligations and Deferred Revenue		(2,067,423)	(1,997,390)	(1,924,226)	(1,847,792)	(1,767,941)	(1,684,521)	(1,597,372)	(1,506,328)	(1,411,214)	(1,311,848)
Add: Tangible Capital Assets	4	7,912,100	8,144,271	8,418,642	8,126,730	8,248,818	7,950,008	8,116,390	7,810,106	7,969,822	7,655,771
Total Ending Balance		6,915,399	6,720,456	6,782,267	6,606,803	6,742,213	6,626,094	6,824,660	6,773,740	7,029,711	7,024,367
Financial Indicators											
	Total Change	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Expense to Revenue Ratio		87%	114%	97%	111%	93%	107%	90%	103%	88%	100%
2) Increase/(Decrease) in Accumulated Surplus	344,171	235,203	(194,943)	61,811	(175,464)	135,410	(116,119)	198,566	(50,920)	255,971	(5,344)



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Expenses											
Salary and Benefits		232,900	239,300	245,900	252,000	258,300	264,100	270,000	276,100	282,300	288,700
Liability Insurance		7,000	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,600	8,800
Travel & Training		18,600	19,100	19,600	20,100	20,600	21,100	21,600	22,100	22,600	23,100
Memberships		1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Supplies		1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Repairs		242,500	249,200	256,100	262,500	269,100	275,200	281,400	287,700	294,200	300,800
Electricity		67,700	69,600	71,500	73,300	75,100	76,800	78,500	80,300	82,100	83,900
Natural Gas		20,200	20,800	21,400	21,900	22,400	22,900	23,400	23,900	24,400	24,900
Telephone / Data		5,400	5,500	5,700	5,800	5,900	6,000	6,100	6,200	6,300	6,400
Property Taxes		37,100	38,100	39,100	40,100	41,100	42,000	42,900	43,900	44,900	45,900
Building Insurance		39,000	40,100	41,200	42,200	43,300	44,300	45,300	46,300	47,300	48,400
Uniforms / Clothing		2,100	2,200	2,300	2,400	2,500	2,600	2,700	2,800	2,900	3,000
Contracted Services		260,900	268,100	275,500	282,400	289,500	296,000	302,700	309,500	316,500	323,600
Legal Fees		5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000	6,100
Engineering Fees		10,300	10,600	10,900	11,200	11,500	11,800	12,100	12,400	12,700	13,000
OCWA		316,500	325,200	334,100	342,500	351,100	359,000	367,100	375,400	383,800	392,400
Insurance Claims		5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000	6,100
TOTAL OPERATING EXPENSES		1,273,500	1,308,500	1,344,400	1,377,900	1,412,300	1,444,100	1,476,500	1,509,700	1,543,500	1,578,000



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual Surplus/(Deficit)		235,203	(194,943)	61,811	(175,464)	135,410	(116,119)	198,566	(50,920)	255,971	(5,344)
Less: Acquisition of Tangible Capital Assets	4	(1,520,000)	(468,000)	(557,000)	-	(414,000)	-	(465,000)	-	(466,000)	-
Add: Amortization of Tangible Capital Assets	4	207,469	235,829	282,629	291,912	291,912	298,810	298,618	306,284	306,284	314,051
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(1,312,531)	(232,171)	(274,371)	291,912	(122,088)	298,810	(166,382)	306,284	(159,716)	314,051
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(1,077,328)	(427,114)	(212,560)	116,448	13,322	182,691	32,184	255,364	96,255	308,707
Net Financial Assets/(Net Debt), beginning of year		80,627	(996,701)	(1,423,815)	(1,636,375)	(1,519,927)	(1,506,605)	(1,323,914)	(1,291,730)	(1,036,366)	(940,111)
Net Financial Assets/(Net Debt), end of year		(996,701)	(1,423,815)	(1,636,375)	(1,519,927)	(1,506,605)	(1,323,914)	(1,291,730)	(1,036,366)	(940,111)	(631,404)
Financial Indicators		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Acquisition of Tangible Capital Assets (Cumulative)		1,520,000	1,988,000	2,545,000	2,545,000	2,959,000	2,959,000	3,424,000	3,424,000	3,890,000	3,890,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		442,672	483,558	827,998	944,446	1,371,768	1,554,459	2,051,643	2,307,007	2,869,262	3,177,969
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.29	0.24	0.33	0.37	0.46	0.53	0.60	0.67	0.74	0.82



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Transactions											
Annual Surplus/Deficit		235,203	(194,943)	61,811	(175,464)	135,410	(116,119)	198,566	(50,920)	255,971	(5,344)
Add: Amortization of TCA's	4	207,469	235,829	282,629	291,912	291,912	298,810	298,618	306,284	306,284	314,051
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(401,000)	-	(272,000)	-	(278,000)	-	(278,000)	-	(278,000)	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		401,000	-	272,000	-	278,000	-	278,000	-	278,000	-
Change in A/R (Increase)/Decrease		1,424,204	92,352	(87,149)	56,180	(96,760)	61,250	(97,130)	60,152	(95,279)	63,204
Change in A/P Increase/(Decrease)		1,660	1,559	1,598	1,492	1,532	1,416	1,442	1,479	1,505	1,536
Cash Provided by Operating Transactions		1,868,536	134,797	258,889	174,120	332,094	245,357	401,496	316,995	468,481	373,447
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(1,520,000)	(468,000)	(557,000)	-	(414,000)	-	(465,000)	-	(466,000)	-
Cash Applied to Capital Transactions		(1,520,000)	(468,000)	(557,000)	-	(414,000)	-	(465,000)	-	(466,000)	-
Investing Transactions											
Proceeds from Investments		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		-	-	-	-	-	-	-	-	-	-
Financing Transactions											
Proceeds from Debt Issue	2	518,000	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(51,182)	(70,033)	(73,164)	(76,434)	(79,851)	(83,420)	(87,149)	(91,045)	(95,114)	(99,366)
Cash Applied to Financing Transactions		466,818	(70,033)	(73,164)	(76,434)	(79,851)	(83,420)	(87,149)	(91,045)	(95,114)	(99,366)
Increase in Cash and Cash Equivalents		815,354	(403,236)	(371,275)	97,686	(161,757)	161,937	(150,653)	225,950	(92,633)	274,081
Cash and Cash Equivalents, beginning of year	1	(196,622)	618,732	215,496	(155,779)	(58,093)	(219,850)	(57,913)	(208,566)	17,384	(75,249)
Cash and Cash Equivalents, end of year	1	618,732	215,496	(155,779)	(58,093)	(219,850)	(57,913)	(208,566)	17,384	(75,249)	198,832



Water

Notes to Financial Plan

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

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

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

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

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

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

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

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



The assumptions used have been documented below:

1. Cash, Receivables and Payables

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

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

For the Town, receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of water receivables (received by Town staff) as a percentage of annual water revenue earned (as per the 2021 and 2023 Financial Information Returns); and
- b) Payables: Based on historical levels of water payables (provided by Town staff) as a percentage of annual water expenses incurred (as per the 2021 to 2023 Financial Information Returns).

2. Debt

Outstanding water related debt anticipated at the beginning of 2025, estimated based on the need to issue debt in 2024 for the Water Tower capital project, is forecasted to be approximately \$1.6 million with additional debt proceeds anticipated in 2025. No additional debentures are anticipated to be required over the remainder of the forecast period.



Estimated principal repayments over the forecast period are scheduled as follows:

Year	Principal Payments
2025	51,182
2026	70,033
2027	73,164
2028	76,434
2029	79,851
2030	83,420
2031	87,149
2032	91,045
2033	95,114
2034	99,366
Total	806,758

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

3. Deferred Revenue

Deferred revenue is typically made up of water development charge, connection charge reserve, Canada Community-Building Fund (previously Federal gas tax) fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected.

The Town does not collect water development charges however, they do use some funding from the Canada Community-Building Fund (C.C.B.F) for water services. The C.C.B.F. amount budgeted for water is assumed to be used in the year it is received resulting in a zero balance in the C.C.B.F. reserve fund related to water services over the forecast period.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Facility Assets;
 - ii. Distribution (watermains and services) Assets; and



iii. Valves Assets.

- Amortization is calculated based on the straight-line approach with no amortization in the year of acquisition or construction.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, the replacement value (of each new asset that has been identified as a “replacement”) has been deflated (by weighted average useful life for all assets on hand in the respective asset category) to an estimated historical cost. This figure was used to calculate disposals only. Future assets are disposed of when fully amortized
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.
- The Town is does not have any lead service piping in the municipal water system.



The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Opening Tangible Capital Asset Balance	11,974,086	13,283,199	13,335,242	13,842,556	13,842,556	14,215,582	14,215,582	14,626,519	14,626,519	15,029,304
Acquisitions	1,520,000	468,000	557,000	-	414,000	-	465,000	-	466,000	-
Disposals	210,887	415,957	49,686	-	40,974	-	54,063	-	63,215	-
Closing Tangible Capital Asset Balance	13,283,199	13,335,242	13,842,556	13,842,556	14,215,582	14,215,582	14,626,519	14,626,519	15,029,304	15,029,304
Opening Accumulated Amortization	5,374,517	5,371,099	5,190,971	5,423,914	5,715,826	5,966,764	6,265,574	6,510,129	6,816,413	7,059,482
Amortization Expense	207,469	235,829	282,629	291,912	291,912	298,810	298,618	306,284	306,284	314,051
Amortization on Disposal	210,887	415,957	49,686	-	40,974	-	54,063	-	63,215	-
Ending Accumulated Amortization	5,371,099	5,190,971	5,423,914	5,715,826	5,966,764	6,265,574	6,510,129	6,816,413	7,059,482	7,373,533
Net Book Value	7,912,100	8,144,271	8,418,642	8,126,730	8,248,818	7,950,008	8,116,390	7,810,106	7,969,822	7,655,771



5. Accumulated Surplus

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

Water	2025 Opening Accumulated Surplus
Reserve/Reserve Fund Balances	
Canada Community-Building Fund for Water	-
Capital/Other	1,681,232
Total Reserve/Reserve Fund Balance	1,681,232
Less: Debt Obligations and Deferred Revenue	(1,600,605)
Add: Tangible Capital Assets	6,599,569
Total Opening Balance	6,680,196

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

6. Other Revenue

Other revenue consists of miscellaneous revenues including those from sprinklers and garden tap fees, occupancy change fees, and interest earnings.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



5. Process for Financial Plan Approval and Submission to the Province

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

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



Chapter 6

Recommendations



6. Recommendations

This report presents the water and wastewater financial plans for the Town of Prescott in accordance with the mandatory reporting formats for water systems as detailed in O. Reg. 453/07. It is important to note that while mandatory for water, the financial plan is provided for Council's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the Town's operating and capital budgets. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Town of Prescott Water and Wastewater Financial Plan prepared by Watson & Associates Economists Ltd. dated August 28, 2024, be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated August 28, 2024, be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, Section 3 (1) 6)
4. The Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation, and Parks satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. Section 32 (5) 2 ii)).



Appendix A

Wastewater Financial Plan



Figure A-1
Conversion Adjustments
Statement of Operations (Wastewater)

Modified Cash Basis	Budget 2025	Adjustments		Full Accrual Budget 2025	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	1,543,219			1,543,219	Base Charge Revenue
Rate Based Revenue	144,698			144,698	Rate Based Revenue
Transfers from Reserves	-	-			
			401,000	401,000	Earned Development Charges and Gas Tax Revenue
Other Revenue	198,501		-	198,501	Other Revenue
Total Revenues	1,886,418			2,287,418	Total Revenues
Expenditures					Expenses
Operating	1,258,600	122,000		1,380,600	Operating Expenses
Capital					
Transfers to Reserves	283,990		283,990		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	343,828		202,772	141,056	Interest on Debt
		434,111		434,111	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	1,886,418			1,955,767	Total Expenses
Net Expenditures	-			331,651	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			20,603,654	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	331,651	-	20,935,305	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		887,762	887,762		

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



Figure A-2
Conversion Adjustments
Statements of Financial Position (Wastewater)

Modified Cash Basis	Budget 2025	Adjustments		Full Accrual Budget 2025	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	3,397,501			3,397,501	Cash
Accounts Receivable	724,926			724,926	Accounts Receivable
Total Financial Assets	4,122,427			4,122,427	Total Financial Assets
Non-Financial Assets					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
Total Non-Financial Assets	-				
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	66,457			66,457	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	2,816,919			2,816,919	Debt (Principal only)
Total Liabilities	2,883,376			2,883,376	Total Liabilities
Net Assets/(Debt)	1,239,051			1,239,051	Net Financial Assets/(Debt)
		19,818,254	122,000	19,696,254	Non-Financial Assets
					Tangible Capital Assets
				19,696,254	Total Non-Financial Assets
Municipal Position					
Wastewater Reserves	4,055,970	4,055,970	-		
Amounts to be Recovered	(2,816,919)	-	2,816,919		
Total Municipal Position	1,239,051		20,935,305	20,935,305	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		23,874,224	23,874,224		

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



Table A-1
Statement of Financial Position: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2024-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Financial Assets											
Cash	1	3,397,501	3,826,731	3,806,556	4,310,011	4,562,678	5,182,050	5,494,897	6,228,971	6,648,982	7,475,014
Accounts Receivable	1	724,926	621,558	736,020	682,987	799,119	737,931	854,721	795,471	909,069	844,523
Total Financial Assets		4,122,427	4,448,289	4,542,576	4,992,998	5,361,797	5,919,981	6,349,618	7,024,442	7,558,051	8,319,537
Liabilities											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	66,457	68,294	70,184	71,948	73,749	75,407	77,102	78,839	80,618	82,440
Debt (Principal only)	2	2,816,919	2,604,401	2,381,669	2,148,232	1,903,574	1,647,158	1,378,417	1,096,759	801,563	492,179
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
Total Liabilities		2,883,376	2,672,695	2,451,853	2,220,180	1,977,323	1,722,565	1,455,519	1,175,598	882,181	574,619
Net Financial Assets/(Debt)		1,239,051	1,775,594	2,090,723	2,772,818	3,384,474	4,197,416	4,894,099	5,848,844	6,675,870	7,744,918
Non-Financial Assets											
Tangible Capital Assets	4	19,696,254	19,254,493	19,369,732	18,922,135	18,888,538	18,438,345	18,455,241	18,008,205	18,038,793	17,597,879
Total Non-Financial Assets		19,696,254	19,254,493	19,369,732	18,922,135	18,888,538	18,438,345	18,455,241	18,008,205	18,038,793	17,597,879
Accumulated Surplus/(Deficit)	5	20,935,305	21,030,087	21,460,455	21,694,953	22,273,012	22,635,761	23,349,340	23,857,049	24,714,663	25,342,797

Financial Indicators	Total Change	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Increase/(Decrease) in Net Financial Assets	6,659,629	153,762	536,543	315,129	682,095	611,656	812,942	696,683	954,745	827,026	1,069,048
2) Increase/(Decrease) in Tangible Capital Assets	(1,920,486)	177,889	(441,761)	115,239	(447,597)	(33,597)	(450,193)	16,896	(447,036)	30,588	(440,914)
3) Increase/(Decrease) in Accumulated Surplus	4,739,143	331,651	94,782	430,368	234,498	578,059	362,749	713,579	507,709	857,614	628,134



Table A-2
Statement of Operations: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Wastewater Revenue											
Base Charge Revenue		1,543,219	1,608,112	1,683,733	1,772,515	1,847,820	1,920,350	1,997,770	2,075,839	2,145,119	2,209,473
Rate Based Revenue		144,698	150,041	159,991	172,170	181,505	190,003	199,100	207,975	214,838	220,418
Eamed Canada Community-Building Fund Revenue (Wastewater)	3	401,000	-	272,000	-	278,000	-	278,000	-	278,000	-
Other Revenue	6	198,501	203,100	206,700	210,400	214,201	218,100	222,099	226,200	230,501	234,900
Total Revenues		2,287,418	1,961,253	2,322,424	2,155,085	2,521,526	2,328,453	2,696,969	2,510,014	2,868,458	2,664,791
Wastewater Expenses											
Operating Expenses	Sch. 4-1	1,380,600	1,293,400	1,329,200	1,362,600	1,396,700	1,428,100	1,460,200	1,493,100	1,526,800	1,561,300
Interest on Debt	2	141,056	131,310	121,095	110,390	99,170	87,411	75,086	62,169	48,632	34,443
Amortization	4	434,111	441,761	441,761	447,597	447,597	450,193	448,104	447,036	435,412	440,914
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Total Expenses		1,955,767	1,866,471	1,892,056	1,920,587	1,943,467	1,965,704	1,983,390	2,002,305	2,010,844	2,036,657
Annual Surplus/(Deficit)		331,651	94,782	430,368	234,498	578,059	362,749	713,579	507,709	857,614	628,134
Accumulated Surplus/(Deficit), beginning of year	5	20,603,654	20,935,305	21,030,087	21,460,455	21,694,953	22,273,012	22,635,761	23,349,340	23,857,049	24,714,663
Accumulated Surplus/(Deficit), end of year		20,935,305	21,030,087	21,460,455	21,694,953	22,273,012	22,635,761	23,349,340	23,857,049	24,714,663	25,342,797
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:											
Reserve/Reserve Fund Balances											
Canada Community-Building Fund for Wastewater		-	-	-	-	-	-	-	-	-	-
Capital/Other		4,055,970	4,379,995	4,472,392	4,921,050	5,288,048	5,844,574	6,272,516	6,945,603	7,477,433	8,237,097
Total Reserve/Reserve Fund Balance		4,055,970	4,379,995	4,472,392	4,921,050	5,288,048	5,844,574	6,272,516	6,945,603	7,477,433	8,237,097
Less: Debt Obligations and Deferred Revenue		(2,816,919)	(2,604,401)	(2,381,669)	(2,148,232)	(1,903,574)	(1,647,158)	(1,378,417)	(1,096,759)	(801,563)	(492,179)
Add: Tangible Capital Assets	4	19,696,254	19,254,493	19,369,732	18,922,135	18,888,538	18,438,345	18,455,241	18,008,205	18,038,793	17,597,879
Total Ending Balance		20,935,305	21,030,087	21,460,455	21,694,953	22,273,012	22,635,761	23,349,340	23,857,049	24,714,663	25,342,797
Financial Indicators											
	Total Change	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Expense to Revenue Ratio		86%	95%	81%	89%	77%	84%	74%	80%	70%	76%
2) Increase/(Decrease) in Accumulated Surplus	4,739,143	331,651	94,782	430,368	234,498	578,059	362,749	713,579	507,709	857,614	628,134



Schedule A-1
 Statement of Operating Expenses: Wastewater Services
 UNAUDITED: For Financial Planning Purposes Only
 2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Expenses											
Salary and Benefits		78,200	80,400	82,600	84,700	86,800	88,800	90,800	92,800	94,900	97,000
Liability Insurance		6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600	7,800
Travel & Training		5,700	5,900	6,100	6,300	6,500	6,600	6,700	6,900	7,100	7,300
Repairs		289,900	297,900	306,100	313,800	321,600	328,800	336,200	343,800	351,500	359,400
Electricity		182,700	187,700	192,900	197,700	202,600	207,200	211,900	216,700	221,600	226,600
Natural Gas		13,300	13,700	14,100	14,500	14,900	15,200	15,500	15,800	16,200	16,600
Water		1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Telephone / Data		2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500
Property Taxes		16,000	16,400	16,900	17,300	17,700	18,100	18,500	18,900	19,300	19,700
Building Insurance		43,800	45,000	46,200	47,400	48,600	49,700	50,800	51,900	53,100	54,300
Service Fees		19,600	20,100	20,700	21,200	21,700	22,200	22,700	23,200	23,700	24,200
Contracted Services		166,800	171,400	176,100	180,500	185,000	189,200	193,500	197,900	202,400	207,000
Engineering Fees		5,700	5,900	6,100	6,300	6,500	6,600	6,700	6,900	7,100	7,300
OCWA		406,600	417,800	429,300	440,000	451,000	461,100	471,500	482,100	492,900	504,000
Insurance Claims		20,600	21,200	21,800	22,300	22,900	23,400	23,900	24,400	24,900	25,500
Non TCA - Expenses from Capital Budget	7	122,000	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		1,380,600	1,293,400	1,329,200	1,362,600	1,396,700	1,428,100	1,460,200	1,493,100	1,526,800	1,561,300



Table A-3
Statement of Changes in Net Financial Assets/Debt: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual Surplus/(Deficit)		331,651	94,782	430,368	234,498	578,059	362,749	713,579	507,709	857,614	628,134
Less: Acquisition of Tangible Capital Assets	4	(612,000)	-	(557,000)	-	(414,000)	-	(465,000)	-	(466,000)	-
Add: Amortization of Tangible Capital Assets	4	434,111	441,761	441,761	447,597	447,597	450,193	448,104	447,036	435,412	440,914
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(177,889)	441,761	(115,239)	447,597	33,597	450,193	(16,896)	447,036	(30,588)	440,914
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		153,762	536,543	315,129	682,095	611,656	812,942	696,683	954,745	827,026	1,069,048
Net Financial Assets/(Net Debt), beginning of year		1,085,289	1,239,051	1,775,594	2,090,723	2,772,818	3,384,474	4,197,416	4,894,099	5,848,844	6,675,870
Net Financial Assets/(Net Debt), end of year		1,239,051	1,775,594	2,090,723	2,772,818	3,384,474	4,197,416	4,894,099	5,848,844	6,675,870	7,744,918
Financial Indicators											
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Acquisition of Tangible Capital Assets (Cumulative)		612,000	612,000	1,169,000	1,169,000	1,583,000	1,583,000	2,048,000	2,048,000	2,514,000	2,514,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		765,762	1,302,305	2,174,434	2,856,529	3,882,185	4,695,127	5,856,810	6,811,555	8,104,581	9,173,629
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.25	2.13	1.86	2.44	2.45	2.97	2.86	3.33	3.22	3.65



Table A-4
Statement of Cash Flow – Indirect Method: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Transactions											
Annual Surplus/Deficit		331,651	94,782	430,368	234,498	578,059	362,749	713,579	507,709	857,614	628,134
Add: Amortization of TCA's	4	434,111	441,761	441,761	447,597	447,597	450,193	448,104	447,036	435,412	440,914
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(401,000)	-	(272,000)	-	(278,000)	-	(278,000)	-	(278,000)	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		401,000	-	272,000	-	278,000	-	278,000	-	278,000	-
Change in A/R (Increase)/Decrease		(149,263)	103,368	(114,462)	53,033	(116,133)	61,189	(116,790)	59,250	(113,598)	64,546
Change in A/P Increase/(Decrease)		1,936	1,837	1,890	1,764	1,801	1,658	1,695	1,737	1,779	1,822
Cash Provided by Operating Transactions		618,435	641,748	759,557	736,892	911,324	875,789	1,046,588	1,015,732	1,181,207	1,135,416
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(612,000)	-	(557,000)	-	(414,000)	-	(465,000)	-	(466,000)	-
Cash Applied to Capital Transactions		(612,000)	-	(557,000)	-	(414,000)	-	(465,000)	-	(466,000)	-
Investing Transactions											
Proceeds from Investments		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		-	-	-	-	-	-	-	-	-	-
Financing Transactions											
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(202,772)	(212,518)	(222,732)	(233,437)	(244,657)	(256,417)	(268,741)	(281,658)	(295,196)	(309,384)
Cash Applied to Financing Transactions		(202,772)	(212,518)	(222,732)	(233,437)	(244,657)	(256,417)	(268,741)	(281,658)	(295,196)	(309,384)
Increase in Cash and Cash Equivalents		(196,337)	429,230	(20,175)	503,455	252,667	619,372	312,847	734,074	420,011	826,032
Cash and Cash Equivalents, beginning of year	1	3,593,838	3,397,501	3,826,731	3,806,556	4,310,011	4,562,678	5,182,050	5,494,897	6,228,971	6,648,982
Cash and Cash Equivalents, end of year	1	3,397,501	3,826,731	3,806,556	4,310,011	4,562,678	5,182,050	5,494,897	6,228,971	6,648,982	7,475,014



Wastewater

Notes to Financial Plan

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

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

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

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

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

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

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

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



The assumptions used have been documented below:

1. Cash, Receivables and Payables

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

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

For the Town, receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of wastewater receivables (provided by Town staff) as a percentage of annual wastewater revenue earned (as per the 2021 and 2023 Financial Information Returns); and
- b) Payables: Based on historical levels of wastewater payables (provided by Town staff) as a percentage of annual wastewater expenses incurred (as per the 2021 to 2023 Financial Information Returns).

2. Debt

Outstanding water related debt at the beginning of 2025 is forecasted to be \$3.0 million. No additional debentures are forecasted over the forecast period.



Principal repayments over the forecast period are scheduled as follows:

Year	Principal Payments
2025	202,772
2026	212,518
2027	222,732
2028	233,437
2029	244,657
2030	256,417
2031	268,741
2032	281,658
2033	295,196
2034	309,384
Total	2,527,512

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

3. Deferred Revenue

Deferred revenue is typically made up of water development charge, connection charge reserve, Canada Community-Building Fund (previously Federal gas tax) fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected.

The Town does not collect wastewater development charges however, they do use some funding from the Canada Community-Building Fund (C.C.B.F.) for wastewater services. The C.C.B.F. amount budgeted for wastewater is assumed to be used in the year it is received resulting in a zero balance in the C.C.B.F. reserve fund related to wastewater services over the forecast period.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Facility Assets;
 - ii. Collection (sanitary sewers and services) Assets; and
 - iii. Manholes.



- Amortization is calculated based on the straight-line approach with no amortization in the year of acquisition or construction.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, the replacement value (of each new asset that has been identified as a “replacement”) has been deflated (by weighted average useful life for all assets on hand in the respective asset category) to an estimated historical cost. This figure was used to calculate disposals only. Future assets are disposed of when fully amortized
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.



The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Opening Tangible Capital Asset Balance	26,550,145	27,142,358	27,142,358	27,678,261	27,678,261	28,073,786	28,073,786	28,514,296	28,514,296	28,954,213
Acquisitions	612,000	-	557,000	-	414,000	-	465,000	-	466,000	-
Disposals	19,787	-	21,097	-	18,475	-	24,490	-	26,083	-
Closing Tangible Capital Asset Balance	27,142,358	27,142,358	27,678,261	27,678,261	28,073,786	28,073,786	28,514,296	28,514,296	28,954,213	28,954,213
Opening Accumulated Amortization	7,031,780	7,446,104	7,887,865	8,308,529	8,756,126	9,185,248	9,635,441	10,059,055	10,506,091	10,915,420
Amortization Expense	434,111	441,761	441,761	447,597	447,597	450,193	448,104	447,036	435,412	440,914
Amortization on Disposal	19,787	-	21,097	-	18,475	-	24,490	-	26,083	-
Ending Accumulated Amortization	7,446,104	7,887,865	8,308,529	8,756,126	9,185,248	9,635,441	10,059,055	10,506,091	10,915,420	11,356,334
Net Book Value	19,696,254	19,254,493	19,369,732	18,922,135	18,888,538	18,438,345	18,455,241	18,008,205	18,038,793	17,597,879



5. Accumulated Surplus

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

Wastewater	2025 Opening Accumulated Surplus
Reserve/Reserve Fund Balances	
Canada Community-Building Fund for Wastewater	-
Capital/Other	4,104,980
Total Reserve/Reserve Fund Balance	4,104,980
Less: Debt Obligations and Deferred Revenue	(3,019,691)
Add: Tangible Capital Assets	19,518,365
Total Opening Balance	20,603,654

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

6. Other Revenue

Other revenue consists of revenues from Edwardsburgh Cardinal and other miscellaneous revenues such as owner occupancy changes and interest earnings.

7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.