
Town of Gananoque

**2020 O.Reg 453/07 Water System Financial Plan No. 156-301
and Wastewater System Financial Plan**



DFA Infrastructure International Inc.

September 2, 2020



DFA Infrastructure International Inc.

33 Raymond Street St. Catharines Ontario Canada L2R 2T3

Telephone: (905) 938 -0965 Fax: (905) 937-6568

September 2, 2020

Melanie Kirkby
Treasurer
Corporation of the Town of Gananoque
PO Box 100, 30 King St E
Gananoque, Ontario
K7G 2T6

Re: 2020 O.Reg 453/07 Water System Financial Plan No. 156-301 and Wastewater System Financial Plan

Dear Melanie:

We are pleased to submit to you the above noted report entitled: "2020 O. Reg 453/07 Water System Financial Plan and Wastewater System Financial Plan". Please note, these financial plans are based on the results of the Town's approved water and wastewater rate study entitled 2020 Water of Wastewater Rate Study and O. Reg 453/07 Financial Plan dated August 19, 2020.

Yours truly,

A handwritten signature in black ink, appearing to read 'Derek Ali', is written over a light blue horizontal line.

DFA Infrastructure International Inc.

Derek Ali, MBA, P.Eng.

President

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Transmittal Letter

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1 Introduction

1.1 Background`

Regulation 188/07 under the Safe Drinking Water Act requires Ontario municipalities to apply for and obtain Drinking Water System Licences as part of their overall DWQMS. One of the requirements of holding a valid drinking water licence is preparing and submitting to the Province an updated financial plan in accordance with O.Reg. 453/07. The financial plan must include financial statements on the following:

- The proposed or projected financial position of the drinking water systems;
- The proposed or projected gross cash receipts and gross cash payments;
- The proposed or projected financial operations of the drinking water system; and
- Details on the extent to which the above information applies to the replacement of lead service pipes, if applicable.

Appendix A lists each requirement of the regulation and references the respective financial statements and other relevant information required under each regulatory requirement. The financial plan must apply to a period of at least six (6) years with the first year being the year the existing license expires. In the Town's case an updated Water System Financial Plan is required for the period 2021 to 2026.

It is important to note that the water system financial plan, along with the accompanying wastewater system financial plan are based on the results of the Town's water and wastewater rate study that was recently approved by council entitled 2020 Water of Wastewater Rate Study and O. Reg 453/07 Financial Plan dated August 19, 2020.

Upon Council's approval, the financial plans will be made available to the public at no charge and posted on the Town's website. The plans will also be submitted to the Province as part of the Town's drinking water license renewal application.

2 O.Reg 453/07 Water System Financial Plan No. 156-301

This section presents an updated water system financial plan as defined in O.Reg. 453/07, thereby allowing the Town to fulfil its obligations under the drinking water licensing regulations for the renewal of its drinking water systems license. The number for the updated financial plan is 156-301.

2.1 Water Tangible Capital Assets (TCA) Analysis

As noted in the introduction the results of the 2020 Water and Wastewater Rate Study are used as the basis for preparing the water system financial plan. The Town's Tangible Capital Asset inventories were also used in the preparation of the water system financial plan. The amortization of the tangible capital assets is shown as a

“non-cash” annual cost that reflects the annual “use” of assets until the end of their respective useful lives. Allowances are made to finance the replacement and/ or rehabilitation of the existing assets once they “expire” and can no longer play a role in providing the required drinking water service to customers. It should be noted however that since amortization is based on the original (historical) cost at the time the asset was placed in service it does not account for inflation since the year of installation. Therefore, basing asset replacement costs on amortization alone is not sufficient to cover the future replacement needs.

The TCA projections contained in the Town’s water system financial plan are based on the following assumptions:

- Amortization of existing assets is based on the Town’s Tangible Capital Assets Policies and Procedures. Amortization of new infrastructure investments is based on straight line depreciation with half year depreciation charged in the year of acquisition;
- Historical costs, life expectancy and remaining useful life are as identified in the TCA data provided by the Town;
- Fully depreciated assets continue to be used in service i.e. no asset removals; and
- New assets to be acquired are based on the capital forecast presented. The forecast includes projects in the Town’s Capital Budget Forecast and asset replacement projections based on an analysis of the Town’s tangible capital asset inventories.

Water Asset Value

The water system is comprised of the following asset classes:

- Buildings
- Land
- Linear Assets
- Equipment; and
- Vehicles.

Table 10-1 shows the current capital asset value based on historical cost and accumulated amortization to 2021. This is reflected as the net book value (NBV) i.e. the “accounting” value, and indicates that the water system as a whole is approximately 55% depreciated or has approximately 45% remaining life based on the TCA data. This suggests that the water system assets are relatively old.

Table 2-1: Water – Asset Amortization and Book Value (NBV)

2021 Water Asset Details			
Historical Cost	\$	26,514,015	100%
Accumulated Amortization	\$	14,654,084	55%
Net Book Value	\$	11,859,931	45%

2.2 Water Financial Statements

This financial plan involves the review, analysis and assessment of financial information contained in the rate study including costs, revenues, debt, cash transactions and Tangible Capital Assets (TCA) to prepare the following three (3) financial statements covering the period 2021 – 2026 as required under O.Reg 453/07:

- Statement of Financial Position;
- Statement of Operations; and
- Statement of Cash Flow

2.2.1 Water - Statement of Financial Position

The Statement of Financial Position is presented in Table 10-2. This statement summarizes the Town's water-related financial and non-financial assets i.e. Tangible Capital Assets (TCA) and liabilities, and provides the net financial asset (or net debt) position and accumulated surplus related to managing the water system. The financial assets are primarily cash balances in the water reserves and reserve funds. Liabilities consist of the water long-term debt. The non-financial assets (TCA) include the Town's water infrastructure. The historical costs are amortized over the asset life to arrive at the net book value each year from 2021 to 2026. New assets are added in the years acquired, developed or built. Contributed assets are primarily new infrastructure and facilities that would be transferred to the Town's ownership and control by developers as they are completed. However this is assumed to be zero. It is also assumed that other non-financial assets such as inventory and prepaid expenses are zero.

Contained within the Statement of Financial Position are important indicators, the first being net financial assets (or net debt) which is defined as the difference between financial assets and liabilities. This indicator provides a measure of the water system's "future revenue requirement". Table 9-2 indicates that in 2021, the Town's water system will be in a net debt position of \$0.3 million. This will increase to a net debt position of \$0.7 million by 2026. The net debt position indicates that additional financial resources will be required to fund future operations. The increase in net debt is due to a reduction in cash resources, offset by a slight reduction of long-term debt.

The next important indicator contained in the Statement of Financial Position is the net book value of TCA. Table 10-2 shows that net TCA are expected to increase over the forecast period by about \$6.1 million. This indicates that the Town has plans to invest in tangible capital assets greater than the consumption of existing assets. Further, a consumption ratio consisting of the accumulated amortization of the Town's TCA as a percent of historical cost ratio highlights the aged condition of the assets and their potential replacement needs. The Town's Water Asset Consumption Ratio decreases over the forecast period from 55% to 49%, suggesting that the water system would be approximately half through its life expectancy by 2026. As this percentage is decreasing over time, it indicates the Town is allocating adequate funds to finance the replacement or rehabilitation of aging assets as they expire.

Another important indicator in the Statement of Financial Position is the accumulated surplus. This indicator provides a measure of the resources available to the Town for managing its water system. The accumulated surplus is projected to increase from approximately \$11.6 million in 2021 to approximately \$17.3 million by 2026. The accumulated surplus consists of non-financial assets that are made up of the net TCA balance representing past investments in water infrastructure, offset by the net debt balances.

Table 2-2: Water – Statement of Financial Position

	2021	2022	2023	2024	2025	2026
Financial Assets						
Cash, Receivables and Investment	\$822,620	\$200,641	\$21,541	(\$9,973)	\$178,744	\$226,745
Total Financial Assets	\$822,620	\$200,641	\$21,541	(\$9,973)	\$178,744	\$226,745
Financial Liabilities						
Long-term Liabilities	\$1,094,634	\$1,055,006	\$1,014,429	\$972,869	\$930,292	\$886,665
Total Financial Liabilities	\$1,094,634	\$1,055,006	\$1,014,429	\$972,869	\$930,292	\$886,665
Net Financial Assets (Net Debt)	(\$272,014)	(\$854,366)	(\$992,888)	(\$982,842)	(\$751,548)	(\$659,920)
Non-Financial Assets						
Tangible Capital Assets	\$26,514,015	\$28,297,289	\$29,955,091	\$31,782,183	\$33,466,342	\$35,245,053
Accumulated Amortization	(\$14,654,084)	(\$15,167,651)	(\$15,678,760)	(\$16,236,955)	(\$16,740,835)	(\$17,333,510)
Total Non-Financial Assets	\$11,859,931	\$13,129,638	\$14,276,331	\$15,545,228	\$16,725,507	\$17,911,542
Accumulated Surplus	\$11,587,917	\$12,275,272	\$13,283,443	\$14,562,386	\$15,973,958	\$17,251,623
Financial Indicators						
Increase (Decrease) in Net Financial Assets	(\$926,172)	(\$582,352)	(\$138,522)	\$10,046	\$231,293	\$91,629
Increase (Decrease) in Tangible Capital Assets	\$1,279,877	\$1,269,707	\$1,146,693	\$1,268,897	\$1,180,279	\$1,186,036
Increase (Decrease) in Accumulated Surplus	\$353,705	\$687,355	\$1,008,171	\$1,278,943	\$1,411,572	\$1,277,664
Water Asset Consumption Ratio	55%	54%	52%	51%	50%	49%

2.2.2 Water - Statement of Operations

The Statement of Operations is presented in Table 10-3 It summarizes the annual revenues and expenses associated with managing the Town’s water system. It provides a report on the transactions and events that have an influence on the accumulated surplus. The main revenue items included are:

- Revenues from Water Rates and Charges; and
- Other Revenues (bulk water revenues, miscellaneous fees and charges).

The main expense items are:

- The annual cost of operating and maintaining the water systems;
- Interest on long-term debt; and
- Amortization expenses on existing and added TCA.

The operating surplus (or deficit) is an important indicator contained in the Statement of Operations. An operating surplus (deficit) measures whether operating revenues generated in a year were sufficient to cover operating expenses incurred in that year. It is important to note that an annual surplus is necessary to ensure funds will be available to address non-expense items such as TCA acquisitions over and above amortization expenses, reserve/reserve fund contributions for asset replacement and rate stabilization, and repayment of outstanding debt principal. A ratio of operating surplus to total revenue is shown in Table 9-3 and reflects the percent of total revenue that can be allocated to funding the non-expense items noted above.

Table 2-3: Water – Statement of Operation

	2021	2022	2023	2024	2025	2026
Water Revenue						
Rate Revenue	\$1,777,975	\$2,173,020	\$2,553,233	\$2,887,990	\$3,070,447	\$3,020,533
Earned Revenue	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$118,280	\$120,646	\$123,059	\$125,520	\$128,030	\$135,867
Total Revenues	\$1,896,255	\$2,293,666	\$2,676,292	\$3,013,510	\$3,198,478	\$3,156,399
Water Expenses						
Operating Expenses	\$911,079	\$929,301	\$947,887	\$966,845	\$986,182	\$1,005,905
Interest on Debt	\$37,166	\$36,256	\$35,314	\$34,340	\$33,332	\$32,289
Amortization	\$594,304	\$640,754	\$684,920	\$733,383	\$767,392	\$840,540
Total Expenses	\$1,542,550	\$1,606,311	\$1,668,121	\$1,734,567	\$1,786,905	\$1,878,735
Annual Surplus/(Deficit)	\$353,705	\$687,355	\$1,008,171	\$1,278,943	\$1,411,572	\$1,277,664
Accumulated Surplus/(Deficit), Beginning of Year	\$11,234,213	\$11,587,917	\$12,275,272	\$13,283,443	\$14,562,386	\$15,973,958
Accumulated Surplus/ (Deficit), End of Year	\$11,587,917	\$12,275,272	\$13,283,443	\$14,562,386	\$15,973,958	\$17,251,623
Financial Indicators	2021	2022	2023	2024	2025	2026
Increase (Decrease) in Total Revenues	\$452,223	\$397,411	\$382,626	\$337,218	\$184,967	(\$42,078)
Increase (Decrease) in Total Expenses	\$50,509	\$63,761	\$61,810	\$66,447	\$52,338	\$91,830
Increase (Decrease) in Annual Surplus	\$401,713	\$333,650	\$320,816	\$270,772	\$132,629	(\$133,908)
Operating Surplus Ratio	18.7%	30.0%	37.7%	42.4%	44.1%	40.5%

2.2.3 Water - Statement of Cash Flows

The Statement of Cash Flow is presented in Table 10-4. This statement summarizes the main cash inflows and outflows related to the water system in four (4) main areas - operating, capital, investing and financing, and shows the annual changes in cash.

The operating cash transactions begin with the surplus or deficit identified in the Statement of Operations. This figure is adjusted to add or subtract non-cash items that were included as revenues or expenses (e.g. amortization expenses and earned revenues). It is assumed that there are no “investing activities” over the period. The capital section indicates the amounts to be spent to acquire capital assets (TCA) or to be received from the sale of assets. In the Town’s case, it is assumed that there are no assets to be sold to generate cash. The financing section identifies funds external sources, proceeds from the issuance of debenture as cash inflows, and the portion of debt repaid as cash outflows.

Table 9-4 indicates that cash is being generated from operations, which is used in funding the acquisition of TCA and towards building internal reserves. The Town's cash position is projected to decrease over the forecast period from \$0.8 million in 2021 to a \$0.2 million in 2026.

Table 2-4: Water – Statement of Cash Flow

	2021	2022	2023	2024	2025	2026
Cash Provided by:						
Operating Activities						
Annual Surplus/(Deficit)	\$353,705	\$687,355	\$1,008,171	\$1,278,943	\$1,411,572	\$1,277,664
Non-Cash Items						
Amortization	\$594,304	\$640,754	\$684,920	\$733,383	\$767,392	\$840,540
Earned Revenue	\$0	\$0	\$0	\$0	\$0	\$0
Net Change in Cash Provided by Operating Activities	\$948,009	\$1,328,109	\$1,693,091	\$2,012,326	\$2,178,964	\$2,118,205
Capital Activities						
Purchase of TCA	(\$1,874,181)	(\$1,910,461)	(\$1,831,613)	(\$2,002,280)	(\$1,947,671)	(\$2,026,576)
Net Change in Cash Used in Capital Activities	(\$1,874,181)	(\$1,910,461)	(\$1,831,613)	(\$2,002,280)	(\$1,947,671)	(\$2,026,576)
Financing Activities						
External Financing	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds From Long-Term Debt	\$0	\$0	\$0	\$0	\$0	\$0
Repayment of Long-Term Debt	(\$38,709)	(\$39,628)	(\$40,577)	(\$41,560)	(\$42,576)	(\$43,628)
Net Change in Cash Used in Financing Activities	(\$38,709)	(\$39,628)	(\$40,577)	(\$41,560)	(\$42,576)	(\$43,628)
Net Change in Cash and Cash Equivalents	(\$964,881)	(\$621,980)	(\$179,099)	(\$31,514)	\$188,717	\$48,001
Cash and Cash Equivalents, Beginning of the Year	\$1,787,501	\$822,620	\$200,641	\$21,541	(\$9,973)	\$178,744
Cash and Cash Equivalents, End of the Year	\$822,620	\$200,641	\$21,541	(\$9,973)	\$178,744	\$226,745

2.3 Lead Service Pipe Removal

The financial plan is also required to detail the extent to which the information described above relates directly to the replacement of lead service pipes. There are approximately 286 municipal lead services in the Town, with the lead service pipes being replaced during full reconstruction projects. The Town also provides an interest free loan for lead service replacements for homeowners. As well, the Town has a corrosion control plan for lead services.

3 Wastewater System Financial Plan

Preparing a wastewater system financial plan is not mandatory but has become a municipal best practice over the past few years. It is typically prepared in accordance with the requirements of O.Reg 453/07 which applies to water systems.

This financial plan involves the review, analysis and assessment of financial information contained in the 2020 water and wastewater rate study including costs, revenues, debt, cash transactions and Tangible Capital Assets

(TCA) to prepare the following three (3) financial statements covering the period 2021 to 2026 as required under O.Reg. 453/07:

- Statement of Financial Position;
- Statement of Operations; and
- Statement of Cash Flow.

The wastewater system financial plan applies to a period of (6) six years from 2021 to 2026 to be consistent with the period covered by the water system financial plan. It is anticipated that the financial plan would be made available to the public at no charge on the Town's website following final approval of the rate study and financial plan by Council.

3.1 Wastewater Tangible Capital Assets (TCA) Analysis

As in the preparation of the water system financial plan, the results of the 2020 water and wastewater rate study are used as the basis for preparing the wastewater system financial plan. The Town's Asset Inventories were also used in the preparation of the wastewater system financial plan. The amortization of the tangible capital assets is shown as a "non-cash" annual cost that reflects the annual "use" of assets until the end of their respective useful lives. Allowances are made to finance the replacement and/ or rehabilitation of the existing assets once they "expire" and can no longer play a role in providing the required wastewater service to customers. However, it should be noted that since amortization is based on the original (historical) cost at the time the asset was placed in service it does not account for inflation since the year of installation. Therefore, basing asset replacement costs on amortization alone is not sufficient to cover the future replacement needs.

The TCA projections contained in the Town's wastewater financial plan are based on the following assumptions:

- Amortization of existing assets is based on the Town's Tangible Capital Assets policies and procedures. Amortization of new infrastructure investments is based on straight line depreciation with half year depreciation charged in the year of acquisition.
- Historical costs, life expectancy and remaining useful life as per the TCA data provided by the Town;
- Fully depreciated assets continue to be used in service i.e. no asset removals; and
- New assets to be acquired are based on the capital forecast. The forecast includes projects in the Town's Capital Budget Forecast and asset replacement projections based on the Town's Asset Management Plan.

Wastewater Asset Value

The wastewater system is comprised of the following asset classes:

- Buildings
- Land
- Linear Assets

- Equipment; and
- Vehicles.

Table 11-1 shows the current capital asset value based on historical cost and accumulated amortization to 2021. This is reflected as the net book value (NBV) i.e. the “accounting” value, and indicates that the wastewater system as a whole is approximately 39% depreciated or has approximately 61% remaining life based on the TCA data. This suggests that the water system assets are relatively new.

Table 3-1: Wastewater – Asset Amortization and 2020 Net Book Value (NBV)

2021 Wastewater Asset Details		
Historical Cost	\$ 20,997,804	100%
Accumulated Amortization	\$ 8,132,818	39%
Net Book Value	\$ 12,864,987	61%

3.2 Wastewater Financial Statements

This financial plan involves the review, analysis and assessment of financial information contained in the rate study including costs, revenues, debt, cash transactions and Tangible Capital Assets (TCA) to prepare the following three (3) financial statements covering the period 2021 – 2026 as required under O.Reg 453/07:

- Statement of Financial Position;
- Statement of Operations; and
- Statement of Cash Flow.

3.2.1 Wastewater - Statement of Financial Position

The Statement of Financial Position is presented in Table 11-2. This statement summarizes the Town’s wastewater related financial and non-financial assets (Tangible Capital Assets – TCA) and liabilities, and provides the net financial asset/ (net debt) position and accumulated surplus related to managing the wastewater system. The financial assets are primarily cash balances in the wastewater reserves and reserve funds. Liabilities consist of wastewater long-term debt. The non-financial assets (TCA) include the Town’s wastewater infrastructure. The historical costs are amortized over the asset life to arrive at the net book value each year from 2020 to 2025. New assets are added in the years acquired, developed or built. Contributed assets are primarily new infrastructure that would be transferred to the Town’s ownership and control by developers as they are completed. However, this is assumed to be zero. It is also assumed that other non-financial assets such as inventory and prepaid expenses are zero.

Contained within the Statement of Financial Position are important indicators, the first being net financial assets (or net debt) which is defined as the difference between financial assets and liabilities. This indicator provides a measure of the wastewater system's "future revenue requirement". Table 11.2 indicates that in 2021, the Town's wastewater system will be in a net financial asset position in the amount of \$1.2 million. There will be change to a net debt position of \$2.2 million by 2026. The net debt position indicates that additional financial

resources will be required to fund future operations. The change to a net debt position is due to a combination of a decrease in the cash position with an increase in liabilities, mainly through the increase of long-term debt.

The next important indicator contained in the Statement of Financial Position is the net book value of TCA. Table 11-2 shows that net TCA are expected to grow by \$7.9 million over the forecast period, or from \$12.9 million in 2021 to \$20.8 million in 2026. This indicates that the Town has plans to invest in tangible capital assets in excess of the consumption of existing assets. Further, a consumption ratio consisting of the accumulated amortization of the Town's TCA as a percent of historical cost ratio highlights the aged condition of the assets and their potential replacement needs. The Town's Wastewater Asset Consumption Ratio will decrease from 39% in 2021 to 33% in 2026. As this percentage is decreasing over time, it indicates the Town is allocating adequate funds to finance the replacement or rehabilitation of aging assets as they expire.

Another important indicator in the Statement of Financial Position is the accumulated surplus. This indicator provides a measure of the resources available to the Town for managing its water system. The accumulated surplus is projected to increase from approximately \$14.1 million in 2021 to approximately \$18.6 million by 2026. The accumulated surplus consists of non-financial assets that are made up of the net TCA balance representing past investments in water infrastructure, offset by the net debt balances.

Table 3-2: Wastewater - Statement of Financial Position

	2021	2022	2023	2024	2025	2026
Financial Assets						
Cash, Receivables and Investment	\$2,250,721	\$2,370,312	\$2,553,246	\$2,425,206	\$1,920,853	\$1,826,769
Total Financial Assets	\$2,250,721	\$2,370,312	\$2,553,246	\$2,425,206	\$1,920,853	\$1,826,769
Financial Liabilities						
Long-term Liabilities	\$1,053,306	\$1,008,004	\$1,961,135	\$4,377,281	\$4,202,107	\$4,020,821
Total Financial Liabilities	\$1,053,306	\$1,008,004	\$1,961,135	\$4,377,281	\$4,202,107	\$4,020,821
Net Financial Assets (Net Debt)	\$1,197,416	\$1,362,307	\$592,111	(\$1,952,074)	(\$2,281,254)	(\$2,194,053)
Non-Financial Assets						
Tangible Capital Assets	\$20,997,804	\$22,123,335	\$24,221,876	\$28,056,980	\$29,894,706	\$31,143,328
Accumulated Amortization	(\$8,132,818)	(\$8,507,415)	(\$8,960,352)	(\$9,419,571)	(\$9,902,750)	(\$10,348,239)
Total Non-Financial Assets	\$12,864,987	\$13,615,920	\$15,261,524	\$18,637,409	\$19,991,956	\$20,795,090
Accumulated Surplus	\$14,062,402	\$14,978,227	\$15,853,635	\$16,685,335	\$17,710,703	\$18,601,037
Financial Indicators	2021	2022	2023	2024	2025	2026
Increase (Decrease) in Net Financial Assets	(\$1,039,226)	\$164,892	(\$770,196)	(\$2,544,185)	(\$329,179)	\$87,201
Increase (Decrease) in Tangible Capital Assets	\$4,858,047	\$750,933	\$1,645,604	\$3,375,885	\$1,354,547	\$803,133
Increase (Decrease) in Accumulated Surplus	\$3,818,822	\$915,825	\$875,408	\$831,699	\$1,025,368	\$890,335
Water Asset Consumption Ratio	39%	38%	37%	34%	33%	33%

3.2.2 Wastewater - Statement of Operations

The Statement of Operations is presented in Table 11-3. It summarizes the annual revenues and expenses associated with managing the Town's wastewater system. It provides a report on the transactions and events that have an influence on the accumulated surplus. The main revenue items included are:

- Revenues from Wastewater Rates and Charges;
- Earned Revenues (capital grants); and
- Other Revenues (miscellaneous fees and charges).

The main expense items are:

- The annual cost of operating and maintaining the wastewater system and non-TCA capital;
- Interest on long-term debt; and
- Amortization expenses on existing and new TCA.

The operating surplus/ (deficit) is an important indicator contained in the Statement of Operations. An operating surplus/ (deficit) measures whether operating revenues generated in a year were sufficient to cover operating expenses incurred in that year. It is important to note that an annual surplus is necessary to ensure funds will be available to address non-expense items such as TCA acquisitions over and above amortization expenses, reserve/reserve fund contributions for asset replacement and rate stabilization, and repayment of outstanding debt principal. A ratio of operating surplus to total revenue is shown in Table 11-3 and reflects the percent of total revenue that can be allocated to funding the non-expense items noted above.

Table 3-3: Wastewater - Statement of Operations

	2021	2022	2023	2024	2025	2026
Water Revenue						
Rate Revenue	\$2,185,950	\$2,173,537	\$2,193,187	\$2,243,483	\$2,560,815	\$2,501,763
Earned Revenue	\$2,775,000	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$84,456	\$86,145	\$87,868	\$89,625	\$91,418	\$93,246
Total Revenues	\$5,045,406	\$2,259,683	\$2,281,055	\$2,333,109	\$2,652,233	\$2,595,009
Water Expenses						
Operating Expenses	\$762,809	\$778,065	\$793,627	\$809,499	\$825,689	\$842,203
Interest on Debt	\$19,778	\$36,368	\$34,807	\$68,192	\$152,784	\$146,680
Amortization	\$443,997	\$529,425	\$577,214	\$623,718	\$648,392	\$715,791
Total Expenses	\$1,226,584	\$1,343,857	\$1,405,647	\$1,501,410	\$1,626,865	\$1,704,675
Annual Surplus/(Deficit)	\$3,818,822	\$915,825	\$875,408	\$831,699	\$1,025,368	\$890,334
Accumulated Surplus/(Deficit), Beginning of Year	\$10,243,581	\$14,062,402	\$14,978,227	\$15,853,635	\$16,685,334	\$17,710,702
Accumulated Surplus/ (Deficit), End of Year	\$14,062,402	\$14,978,227	\$15,853,635	\$16,685,334	\$17,710,702	\$18,601,037
Financial Indicators						
Increase (Decrease) in Total Revenues	\$2,823,443	(\$2,785,723)	\$21,373	\$52,054	\$319,124	(\$57,223)
Increase (Decrease) in Total Expenses	\$99,042	\$117,273	\$61,790	\$95,762	\$125,455	\$77,810
Increase (Decrease) in Annual Surplus	\$2,724,401	(\$2,902,996)	(\$40,417)	(\$43,709)	\$193,669	(\$135,033)
Operating Surplus Ratio	75.7%	40.5%	38.4%	35.6%	38.7%	34.3%

3.2.3 Wastewater - Statement of Cash Flows

The Statement of Cash Flow is presented in Table 11-4. This statement summarizes the main cash inflows and outflows related to the wastewater system in four (4) main areas - operating, capital, investing and financing, and shows the annual changes in cash.

The operating cash transactions begin with the surplus or deficit identified in the Statement of Operations. This figure is adjusted to add or subtract non-cash items that were included as revenues or expenses (e.g. amortization expenses and earned revenues). It is assumed that there are no “investing activities” over the period. The capital section indicates the amounts to be spent to acquire capital assets (TCA) or to be received from the sale of assets. In the Town’s case, it is assumed that there are no assets to be sold to generate cash. The financing section identifies funds external sources, proceeds from the issuance of debenture as cash inflows, and the portion of debt repaid as cash outflows.

Table 11-4 indicates that cash is being generated from operations, which is used in funding the acquisition of TCA and towards building internal reserves. The Town's cash position is projected to decrease over the forecast period from \$2.2 million in 2021 to a \$1.8 million in 2026.

Table 3-4: Wastewater - Statement of Cash Flows

	2021	2022	2023	2024	2025	2026
Cash Provided by:						
Operating Activities						
Annual Surplus/(Deficit)	\$3,818,822	\$915,825	\$875,408	\$831,699	\$1,025,368	\$890,334
Non-Cash Items						
Amortization	\$443,997	\$529,425	\$577,214	\$623,718	\$648,392	\$715,791
Earned Revenue	(\$2,775,000)	\$0	\$0	\$0	\$0	\$0
Net Change in Cash Provided by Operating Activities	\$1,487,818	\$1,445,250	\$1,452,622	\$1,455,417	\$1,673,759	\$1,606,125
Capital Activities						
Purchase of TCA	(\$5,302,044)	(\$1,280,358)	(\$2,222,818)	(\$3,999,603)	(\$2,002,939)	(\$1,518,924)
Net Change in Cash Used in Capital Activities	(\$5,302,044)	(\$1,280,358)	(\$2,222,818)	(\$3,999,603)	(\$2,002,939)	(\$1,518,924)
Financing Activities						
External Financing	\$2,775,000	\$0	\$0	\$0	\$0	\$0
Proceeds From Long-Term Debt	\$500,000	\$0	\$1,000,000	\$2,500,000	\$0	\$0
Repayment of Long-Term Debt	(\$26,702)	(\$45,301)	(\$46,870)	(\$83,854)	(\$175,173)	(\$181,286)
Net Change in Cash Used in Financing Activities	\$3,248,298	(\$45,301)	\$953,130	\$2,416,146	(\$175,173)	(\$181,286)
Net Change in Cash and Cash Equivalents	(\$565,928)	\$119,590	\$182,934	(\$128,039)	(\$504,353)	(\$94,085)
Cash and Cash Equivalents, Beginning of the Year	\$2,816,649	\$2,250,721	\$2,370,312	\$2,553,246	\$2,425,206	\$1,920,853
Cash and Cash Equivalents, End of the Year	\$2,250,721	\$2,370,312	\$2,553,246	\$2,425,206	\$1,920,853	\$1,826,769

4 Conclusions & Recommendations

The following are the main conclusions regarding the water system:

1. Approximately \$19.3 million in water capital expenditures is identified between 2021 and 2030, with funding coming from the capital reserves.
2. The net annual water expenditures are expected to increase approximately \$1.3 million, from \$1.8 million in 2021 to \$3.1 million by 2030.
3. The financial statements for the water system are prepared based on the results of the rate study analyses and projections, indicate the following:
 - The accumulated surplus is projected to increase from approximately \$11.6 million in 2021 to approximately \$17.3 million by 2026.
 - The operating surplus ratio is projected to increase from approximately 17% in 2021 to 40% in 2026.
 - The cash position is projected to decrease from \$0.8 million in 2021 to a \$0.2 million in 2026.

These indicate that the financial outlook for the water system over the 6-year period 2021 to 2026 is good.

The following are the main conclusions regarding the wastewater system:

4. Approximately \$22.3 million in wastewater capital expenditures is identified between 2021 and 2030. Approximately 15.5 million in financing will be required from the wastewater capital reserve, \$4.0 million in long-term debt, and \$2.8 million from other sources.
5. The net annual wastewater expenditures are expected to increase approximately \$0.4 million, from \$2.2 million in 2021 to \$2.6 million by 2030.
6. The financial statements for the wastewater system are prepared based on the results of the rate study analyses and projections, indicate the following:
 - The accumulated surplus is projected to increase from approximately \$14.1 million in 2021 to approximately \$18.6 million by 2026.
 - The operating surplus ratio is projected to decrease from approximately 76% in 2021 to 34% in 2026
 - The cash position is projected to decrease from \$2.2 million in 2022 to \$2.8 million in 2026.

These indicate that the financial outlook for the wastewater system over the 6-year period 2021 to 2026 is good.

The following are the main recommendations resulting from the water and wastewater rate study:

7. That the O.Reg. 453/07 Water System Financial Plan No. 156-301 including the Financial Statements contained herein be approved by Council and submitted to the Province of Ontario in accordance with the Drinking Water System License renewal requirements and O. Reg. 453/07.
8. That the Wastewater System Financial Plan including the Financial Statements contained herein be received by Council.
9. That a copy of the Water Financial Plan No. 156-301 and the Wastewater Financial Plan be posted on the Town's website and made available to the public at no charge.

Appendix A

Requirements of O. Reg. 453/07

Appendix A: Requirements of O.Reg. 453/07

Requirements		How Requirements are Met
1.	The financial plans must be approved by a resolution that is passed by,	
	i. The council of the municipality, if the owner of the drinking water system is a municipality.	<ul style="list-style-type: none"> It is expected the Council will approve the Updated Financial Plan prior to February 2021.
	ii. The governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.	<ul style="list-style-type: none"> N/A
2.	The financial plans must apply to a period of at least six years.	<ul style="list-style-type: none"> Applies for 6 years from 2021 to 2026 inclusive.
3.	The first year to which the financial plans must apply must be the year determined in accordance with the following rules:	
	i. If the financial plans are required by subsection 2, the first year to which the financial plans must apply must be the year in which the drinking water system's existing municipal drinking water licence would otherwise expire.	<ul style="list-style-type: none"> The licence expires in 2016 for the water systems (No. 156-301). Therefore, the first year of the Updated Financial Plan is 2016
	ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.	<ul style="list-style-type: none"> N/A
4.	Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:	
	i. Details of the proposed or projected financial position of the drinking water system itemized by:	<ul style="list-style-type: none"> See Statement of Financial Position for all water systems combined in Financial Plan.
	a. Total financial assets	<ul style="list-style-type: none"> See Statement of Financial Position for all water systems combined in Financial Plan.
	b. Total liabilities	<ul style="list-style-type: none"> See Statement of Financial Position for all water systems combined in Financial Plan.
	c. Net financial assets (debt)	<ul style="list-style-type: none"> See Statement of Financial Position for all water systems combined in Financial Plan.
	d. Non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses.	<ul style="list-style-type: none"> See Statement of Financial Position for all water systems combined in Financial Plan. TCA Projections in Financial Plan.
	e. Changes in tangible capital assets that are additions, donations, write downs and disposals.	<ul style="list-style-type: none"> See Statement of Financial Position for all water systems combined in Financial Plan. TCA Projections in Financial Plan.

Appendix A: Requirements of O.Reg. 453/07

	ii.	Details of the proposed or projected financial operations of the drinking water system itemized by,	<ul style="list-style-type: none"> See Statement of Operations for all water systems combined in Financial Plan.
		a. Total revenues, further itemized by water rates, user charges and other revenues.	<ul style="list-style-type: none"> See Statement of Operations for all water systems combined in Financial Plan.
		b. Total expenses, further itemized by amortization expenses, interest expenses and other expenses	<ul style="list-style-type: none"> See Statement of Operations for all water systems combined in Financial Plan.
		c. Annual surplus or deficit, and	<ul style="list-style-type: none"> See Statement of Operations for all water systems combined in Financial Plan.
		d. Accumulated surplus or deficit	<ul style="list-style-type: none"> See Statement of Operations for all water systems combined in Financial Plan.
	iii.	Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,	<ul style="list-style-type: none"> See Statement of Cash Flow for all water systems combined in Financial Plan.
		a. Operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges, - done in full cost report	<ul style="list-style-type: none"> See Statement of Cash Flow for all water systems combined in Financial Plan.
		b. Capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,	<ul style="list-style-type: none"> See Statement of Cash Flow for all water systems combined in Financial Plan.
		c. Investing transactions that are acquisitions and disposal of investments,	<ul style="list-style-type: none"> See Statement of Cash Flow for all water systems combined in Financial Plan.
		d. Financing transactions that are proceeds from the issuance of debt and debt repayment.	<ul style="list-style-type: none"> See Statement of Cash Flow for all water systems combined in Financial Plan.
		e. Changes in cash and cash equivalents during the year,	<ul style="list-style-type: none"> See Statement of Cash Flow for all water systems combined in Financial Plan.
		f. Cash and cash equivalents at the beginning and end of the year.	<ul style="list-style-type: none"> See Statement of Cash Flow for all water systems combined in Financial Plan.
	iv.	Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.	<ul style="list-style-type: none"> There is no dedicated lead service pipe removal program in place. If lead pipe is discovered during normal operations, it is replaced accordingly. Therefore, there are no significant material financial costs associated with lead pipe removal.
5.		The owner of the drinking water system must.	
	i.	Make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,	<ul style="list-style-type: none"> This will be done by the municipality following Council approval.
	ii.	Make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet,	<ul style="list-style-type: none"> The Financial Plan will be posted on the municipality's website and made available for public review at no charge.

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	iii.	Provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.	<ul style="list-style-type: none"> • A notice will be issued following Council approval.
6.		The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 3 (1).	<ul style="list-style-type: none"> • Will be submitted following Council approval.
		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.	<ul style="list-style-type: none"> • The Financial Plan was prepared using available information at the time of preparation and may not contain all desired items. Reasonable assumptions were made and these are noted in the Financial Plan.
	1.	Sub-subparagraphs 4 i A, B and C of subsection (1).	<ul style="list-style-type: none"> • The Financial Plan was prepared using available information at the time of preparation and may not contain all desired items. Reasonable assumptions were made and these are noted in the Financial Plan.
	2.	Sub-subparagraphs 4 iii A, C, E and F of subsection (1). O. Reg. 453/07, s. 3 (2).	<ul style="list-style-type: none"> • The Financial Plan was prepared using available information at the time of preparation and may not contain all desired items. Reasonable assumptions were made and these are noted in the Financial Plan.