

Township of Leeds and the Thousands Islands

Water and Wastewater Ontario Regulation 453/07 Financial Plans

Financial Plan #262-301

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 **Planning for growth**

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List of Acronyms

O.Reg.	Ontario Regulation
P.S.A.B.	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
S.W.S.S.A.	Sustainable Water and Sewage Systems Act

1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Township of Leeds and the Thousands Islands (the Township) 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 in regards to the Township's water and wastewater systems has already been completed and documented by Watson within the "Township of Leeds and the Thousands Islands Water and Wastewater Rate Study, April 13, 2015" (2015 Rate Study). The objective of the report provided herein is to convert the findings of the 2015 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

The Safe Drinking Water Act (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; and
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

Section 30 (1) of the S.D.W.A. provides the following definition of financial plans:

“financial plans’ means,

- a) financial plans that satisfy the requirements of subsection (2), but only if,
 - (i) Bill 175 (Sustainable Water and Sewage Systems Act, 2002, introduced on September 23, 2002) receives Royal Assent, and
 - (ii) sections 3 and 9 of Bill 175 (Sustainable Water and Sewage Systems Act, 2002) are in force, or
- b) financial plans that satisfy the requirements prescribed by the Minister, in any other case. 2002, c. 32, s. 30 (1).”

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 cited above has been repealed (see Section 2.2 of this report); however, the standards that it directs underpin the specific requirements of s.30 (1) part b as they are outlined in O.Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – New System

O.Reg. 453/07 provides the following parameters with regard to s.30 (1) part b of the S.D.W.A. for new water systems:

- Financial plans must be approved by Council resolution (or governing body) indicating that the drinking water system is financially viable;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing when the system first serves the public);
- 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 Sector Accounting Board (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 plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 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);
- 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 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 the 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 the 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 plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.4 Financial Plan Requirements - General

Given that the legislation falls under the S.D.W.A., a financial plan is mandatory for water systems and encouraged for wastewater systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The financial plan is to be completed, approved and submitted at the time of licence renewal (i.e. six months prior to licence expiry). Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary.

The financial plans must contain, on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence document.

1.2.5 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 PS1200 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.”

Both the Statement of Financial Position and the Statement of Operations were required for financial reporting purposes in pre-2009 reporting years; however, the format changed in 2009 to conform to the requirements of PS1200 and PS3150 (see Figures 1-1 and 1-2). Financial statements are now reported on a full accrual accounting basis, which will continue in future years. 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. Before 2009, financial results were reported on a modified cash basis of accounting, whereby revenues and expenses are recognized when cash is paid or received and only certain accrual-type items such as payables and receivables are recognized at year-end. The difference between the methods is in the timing of when transactions are reported. This timing difference has impacted the presentation of the statements in that various accounts have been added or deleted in order to properly report the transactions.

Moreover, since the 2009 fiscal year, additional information relating to the accounting treatment of tangible capital assets is included in annual reporting, as indicated by the requirements under section PS3150. Pre-2009, the costs to acquire, develop and/or construct capital assets were expensed in the year in which they occur. Going forward, tangible capital assets will be capitalized so as to create an inventory of the assets owned and to account for their ability to provide future benefits. The reporting of tangible capital assets requires further changes to the format of existing financial statements. From a financial planning perspective, this change is significant for water and wastewater assets as they can represent a significant portion of the Township's total assets.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt (which is a new statement as of 2009) are required statements going forward. 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 (see Figure 1-3). 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 (see Figure 1-4).

It should be noted that the Statement of Reserves and Reserve Funds and the Statement of Capital, as used by the public sector pre-2009, have now been eliminated by the new reporting format. The balances and transactions that make up these two statements have been transferred to either the Statement of Operations or the Statement of Financial Position depending on the nature of the account.

Figure 1-1
Statement of Financial Position

OLD FORMAT (PRE-2009)**2009 AND FUTURE**

<u>Assets</u>
Financial Assets
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Non-Financial Assets</u>
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET ASSETS
<u>Municipal Position</u>
Fund Balances
Current Fund
Capital Fund
Reserves and Reserve Funds
Amounts to be Recovered
From Future Revenues
From Reserves & Reserve Funds
TOTAL MUNICIPAL POSITION

<u>Financial Assets</u>
Cash
Accounts Receivable
Investments
Inventory for resale
Other Assets
Total Financial Assets
<u>Liabilities</u>
Accounts Payable & Accrued Liabilities
Debt (Principal only)
Other (DC Reserves-Deferred Revenue)
Total Liabilities
NET FINANCIAL ASSETS/(DEBT)
<u>Non-Financial Assets</u>
Tangible Capital Assets
Inventory of Supplies
Prepaid Expenses
Total Non-Financial Assets
ACCUMULATED SURPLUS/(DEFICIT)

Figure 1-2
Statement of Operations

OLD FORMAT (PRE-2009)

<u>Revenues</u>
Base Charge Revenue
Rate Based Revenue
Transfers from Reserves
Other Revenue
Total Revenues
<u>Expenditures</u>
Operating Expenses
Capital
Total Expenditures
Net Revenues for the year
Increase (decrease) in amounts to be recovered
Change in fund balances

2009 AND FUTURE

<u>Revenue</u>
Base Charge Revenue
Rate Based Revenue
Earned DC Revenue
Other Revenue
Total Revenue
<u>Expenses</u>
Operating Expenses
Interest on Debt
Amortization
Other
Total Expenses
Annual Surplus/(Deficit)
Accum. Surplus/(Deficit), beg. of year
Accum. Surplus/(Deficit), end of year

Figure 1-3
Statement of Change in Net Financial Assets/Debt

2009 AND FUTURE

Annual Surplus/(Deficit)
Less: Acquisition of tangible capital assets
Add: Amortization of tangible capital assets
(Gain)/Loss on disposal of tangible capital assets
Add: Proceeds on sale of tangible capital assets
Add: Write-downs of tangible capital assets
Sub-total
Less: Acquisition of supplies inventory
Less: Acquisition of prepaid expenses
Add: Consumption of supplies inventory
Add: Use of prepaid expenses
Sub-total
(Increase)/Decrease in net financial assets/net debt
Net financial assets/(net debt), beginning of year
Net financial assets/(net debt), end of year

Figure 1-4
Statement of Cash Flow¹

DIRECT METHOD	INDIRECT METHOD
<p><u>Operating Transactions</u> Cash received from: Water Operations Less: Cash paid for: Operating expenses Finance charges</p>	<p><u>Operating Transactions</u> Annual Surplus/(Deficit) Add: Amortization of Tangible Capital Assets Loss/(Gain) on sale of Tangible Capital Assets Decrease/(Increase) in Accounts Receivable Increase/(Decrease) in Accounts Payable Decrease/(Increase) in Inventories for sale Other items</p>
Cash provided by operating transactions	Cash provided by operating transactions
<p><u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>	<p><u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>
Cash applied to capital transactions	Cash applied to capital transactions
<p><u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments</p>	<p><u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments</p>
Cash provided by (applied to) investing transactions	Cash provided by (applied to) investing transactions
<p><u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (Principal only)</p>	<p><u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (Principal only)</p>
Cash applied to financing transactions	Cash applied to financing transactions
Increase in cash and cash equivalents	Increase in cash and cash equivalents
Cash and cash equivalents, beginning of year	Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year	Cash and cash equivalents, end of year

¹ The statement of cash flow can be prepared using either the direct or indirect methods. The indirect method derives cash flow by making adjustments to the net surplus/deficit reported on the statement of operations. The direct method calculates cash flow identifying the direct sources and uses of cash.

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 Ministry of the Environment 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 and Wastewater Services are provided below:

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) 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 and wastewater services should ultimately be used to meet the needs of those services.
- Principle #4: Lifecycle 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 (Bill 72)

Since the passage of the Safe Drinking Water Act, changes and refinements to the legislation have been introduced, including Bill 72. Bill 72 was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010 as the Water Opportunities Act.

The purposes of the Water Opportunities Act are to foster innovative water, wastewater and storm water technologies, services and practices; to create opportunities for economic development and clean-technology jobs; and to conserve and sustain water resources. To achieve this, Bill 72 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 Bill 72 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.

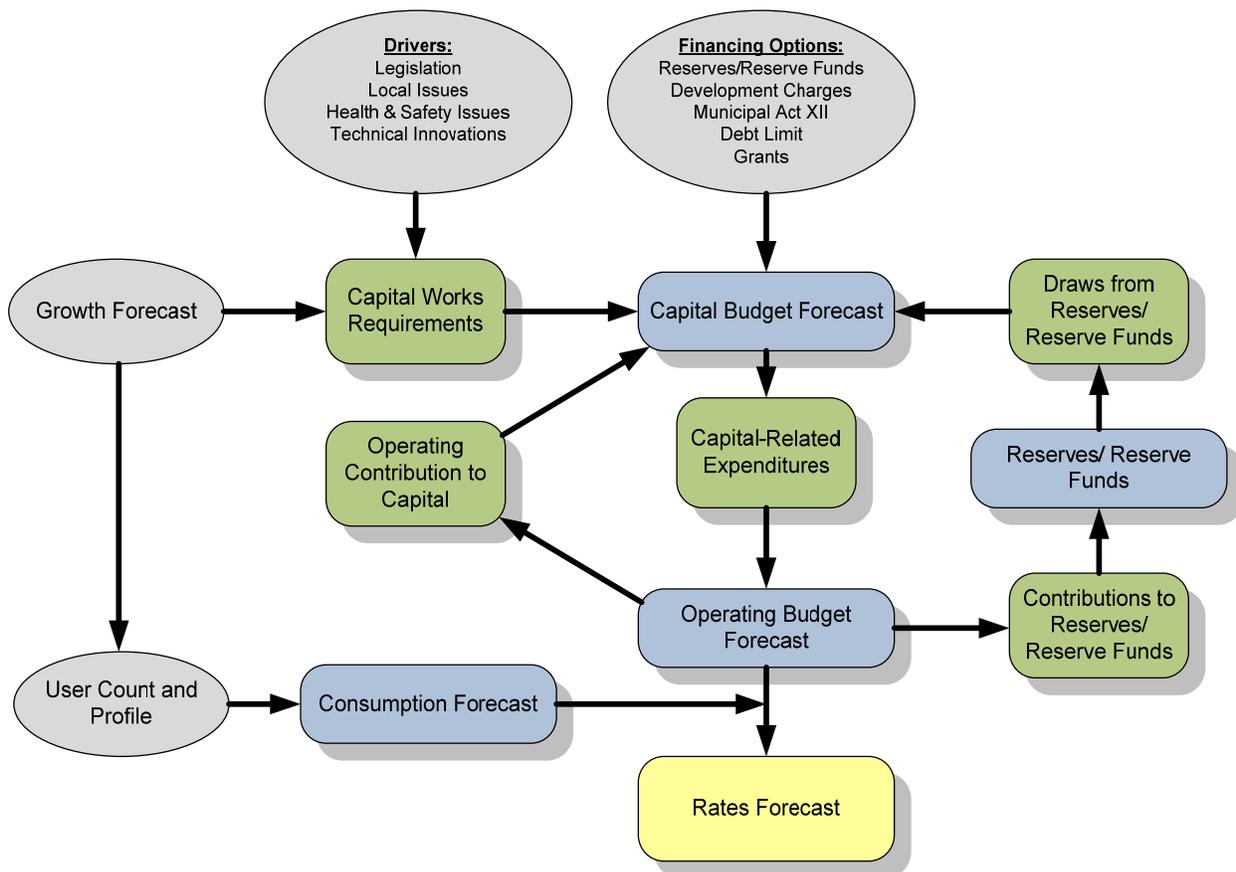
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

Regulations (still forthcoming) will prescribe details with 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 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2015 Rate Study conducted on behalf of the Township. The study process was designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning. Figure 2-1 below summarizes the process.

Figure 2-1
Water and Wastewater Rate Calculation Process



As a result of employing this process, the 2015 Rate Study provides a sound financial plan for the Township’s water and wastewater system by providing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of fixed and variable operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- A review and recommendation on rate structures that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves ongoing consultation with the main stakeholders including the Township 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 plan.

The details of the financial plan arising from the 2015 Rate Study are contained in Appendix A.

3. Approach

3.1 Overview

The 2015 Rate Study has been prepared on a modified cash basis; therefore, a conversion was 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 plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan. It is noted that the financial plan has been prepared for both water and wastewater; however, the focus of the remaining chapters will be on water only. The complete financial plan for wastewater is provided in Appendix B.

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; and
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 assets, an inventory has already been compiled and summarized within the 2015 Rate Study as well as part of the Township's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2015 Rate Study, replacement cost is provided for each asset; however, historical cost (which is the original cost to purchase, develop or construct each asset) is required for financial reporting purposes. Once historical cost is established, 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; and
- Disposals and related gains or losses for each year of the forecast period.

Future water capital needs have also been determined and summarized within the 2015 Rate Study. These estimates, however, only represent future assets that the Township anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no cost or partial cost to the Township). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan may need to be adjusted in order 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

As per subsection 1.2.5 above, the new Statement of Operations eliminates and/or adds certain transactions that have been reported differently by municipalities since 2009 (see Figure 3-1). A wide range of adjustments will be considered and will depend on the size and complexity of the system. For example, the revenues and expenses associated with the now obsolete Statement of Capital and Statement of Reserves and Reserve Funds (see subsection 1.2.5) will need to be adjusted for and included within the Statement of Operations. This includes all non-tangible capital asset costs previously included in the capital statement (i.e. expenses related to various studies) while at the same time eliminating all expenditures incurred to acquire tangible capital assets which will now form part of the tangible capital asset balance discussed in subsection 3.2.1. Transfers to and from reserves are no longer explicitly reported on the Statement of Operations. Instead, these transactions are represented by changes in cash and accumulated surplus. Also, debt repayment costs relating to the principal payment portion only need to be removed, as they no longer qualify as an expense for reporting purposes. Principal payments will now be reported as a decrease in debt liability on the Statement of Financial Position. Finally, expenses relating to tangible capital assets, such as amortization, write-offs and (gain)/loss on disposal of assets, will be 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.

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge and Rate Revenue	227,885			227,885	Base Charge and Rate Revenue
Other Revenue	14,625			14,625	Other Revenue
Total Revenues	242,510			242,510	Total Revenues
Expenditures					Expenses
Operating	178,626	11,500		190,126	Operating Expenses
Capital					
Transfers to Reserves	63,884		63,884		
		29,239		29,239	Amortization
Total Expenditures	242,510			219,365	Total Expenses
Net Expenditures	-			23,145	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			379,758	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	23,145		402,903	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		63,884	63,884		

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 Figure 3-2). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts, such as accounts receivable, inventory, accounts payable and outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Township 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 Township 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 new 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, additional 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 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<u>ASSETS</u>					<u>ASSETS</u>
<u>Financial Assets</u>					<u>Financial Assets</u>
Cash	43,273			43,273	Cash
Accounts Receivable	10,721			10,721	Accounts Receivable
<i>Total Financial Assets</i>	<i>53,994</i>			<i>53,994</i>	<i>Total Financial Assets</i>
<u>LIABILITIES</u>					<u>Liabilities</u>
Accounts Payable & Accrued Liabilities	17,710			17,710	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	100,000			100,000	Debt (Principal only)
<i>Total Liabilities</i>	<i>117,710</i>			<i>117,710</i>	<i>Total Liabilities</i>
Net Assets/(Debt)	(63,716)			(63,716)	Net Financial Assets/(Debt)
		478,119	11,500	466,619	<u>Non-Financial Assets</u>
				466,619	Tangible Capital Assets
					Total Non-Financial Assets
<u>Municipal Position</u>					
Water Reserves	36,284	36,284			
Amounts to be Recovered	(100,000)		100,000		
Total Municipal Position	(63,716)		402,903	402,903	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		514,403	514,403		

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 of the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Township 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 Township's ledgers. It may not be possible, however, 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:

$$\begin{array}{l}
 \text{Ending Reserve/Reserve Fund Balance} \\
 \text{Plus: Ending Accounts Payable Balance} \\
 \text{Less: Ending Accounts Receivable Balance} \\
 \text{Equals: Approximate Ending Cash Balance}
 \end{array}$$

- b) Amortization Expense – The method and timing of amortization should be based on the Township's amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.

- 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 2015 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Township’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 revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions) and/or other minor miscellaneous revenues.

4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Township'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 Township's water system. It is not an audited document² and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

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 Township'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 intimation 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 2015, due to the anticipated issuance of new debt, the Township's water system will be in a net debt position of just under \$64,000. After 2015, however, the financial plan forecasts an improving net financial asset/(debt) position in each subsequent year of the forecast period. By the end of 2024, the Township's water system is projected to attain a net financial asset position of over \$880,000.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a requirement for 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 are imperative to water service delivery;

² O.Reg. 453/07 does not require an audited financial plan.

- 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; and
- 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 municipality 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 tangible capital assets are expected to grow over \$540,000 over the 10-year forecast period. This indicates that the Township has plans to invest in tangible capital assets in excess of 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 decreasing from 90% to 56% over the forecast period and, as a result, annual surplus grows from approximately \$23,000 in 2015 to just under \$188,000 by 2024. 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.

Another important indicator on 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 proposes to add approximately \$1.13 million to a 2014 accumulated surplus of approximately \$380,000 over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of reserve and reserve fund 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 forecasted tangible capital asset acquisitions (net of amortization for the year) exceed the forecasted annual surplus for 2015, resulting in a decrease of approximately \$359,000 in net financial assets. This is due to the planned use of debt to construct tangible capital assets in 2015. In each of the subsequent years (2016 to 2024), forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year) resulting in annual increases in net financial assets. This allows for a long-term plan of funding capital through accumulated surplus (i.e. reserves). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 0.13 to 1.79 over the forecast period.³

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how water systems are 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 Township's water system to improve from a balance of approximately \$302,000 at the beginning of 2015, to just over \$950,000 by the end of 2024. For further discussions on projected cash balances, please refer to the Notes to the Financial Plan.

³ A desirable ratio is 1:1 or better.

Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Financial Assets											
Cash	1	43,273	81,187	147,781	223,971	305,585	393,526	496,324	634,138	782,568	950,253
Accounts Receivable	1	10,721	10,597	11,208	12,354	13,510	14,472	15,206	15,979	16,790	17,644
Total Financial Assets		53,994	91,784	158,989	236,325	319,095	407,998	511,530	650,117	799,358	967,897
Liabilities											
Accounts Payable & Accrued Liabilities	1	17,710	17,710	18,065	18,428	18,798	19,175	19,560	19,951	20,351	20,757
Debt (Principal only)	2	100,000	96,976	93,800	90,466	86,965	83,289	79,429	75,376	71,121	66,653
Total Liabilities		117,710	114,686	111,865	108,894	105,763	102,464	98,989	95,327	91,472	87,410
Net Financial Assets/(Debt)		(63,716)	(22,902)	47,124	127,431	213,332	305,534	412,541	554,790	707,886	880,487
Non-Financial Assets											
Tangible Capital Assets	4	466,619	465,167	459,093	480,469	513,460	538,929	575,465	590,681	609,757	625,066
Total Non-Financial Assets		466,619	465,167	459,093	480,469	513,460	538,929	575,465	590,681	609,757	625,066
Accumulated Surplus/(Deficit)	5	402,903	442,265	506,217	607,900	726,792	844,463	988,006	1,145,471	1,317,643	1,505,553
Financial Indicators											
	Total Change	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1) Increase/(Decrease) in Net Financial Assets	585,487	(358,716)	40,814	70,026	80,307	85,901	92,202	107,007	142,249	153,096	172,601
2) Increase/(Decrease) in Tangible Capital Assets	540,308	381,861	(1,452)	(6,074)	21,376	32,991	25,469	36,536	15,216	19,076	15,309
3) Increase/(Decrease) in Accumulated Surplus	1,125,795	23,145	39,362	63,952	101,683	118,892	117,671	143,543	157,465	172,172	187,910

Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Revenue											
Base Charge and Rate Revenue		227,885	246,064	272,075	298,317	320,134	336,720	354,171	372,530	391,845	412,167
Other Revenue	6	14,625	10,460	10,670	10,880	11,090	11,310	11,530	11,750	11,980	12,230
Total Revenues		242,510	256,524	282,745	309,197	331,224	348,030	365,701	384,280	403,825	424,397
Water Expenses											
Operating Expenses	Sch. 4-1	190,126	182,210	185,870	189,600	193,400	210,580	201,230	205,260	209,360	213,540
Interest on Debt	2	-	5,000	4,849	4,690	4,523	4,348	4,164	3,971	3,769	3,556
Amortization	4	29,239	29,952	28,074	13,224	14,409	15,431	16,764	17,584	18,524	19,391
Total Expenses		219,365	217,162	218,793	207,514	212,332	230,359	222,158	226,815	231,653	236,487
Annual Surplus/(Deficit)		23,145	39,362	63,952	101,683	118,892	117,671	143,543	157,465	172,172	187,910
Accumulated Surplus/(Deficit), beginning of year	5	379,758	402,903	442,265	506,217	607,900	726,792	844,463	988,006	1,145,471	1,317,643
Accumulated Surplus/(Deficit), end of year		402,903	442,265	506,217	607,900	726,792	844,463	988,006	1,145,471	1,317,643	1,505,553
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:											
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Reserve Balances											
Reserves: Capital/Other		36,284	74,074	140,924	217,897	300,297	388,823	491,970	630,166	779,007	947,140
Total Reserves Balance		36,284	74,074	140,924	217,897	300,297	388,823	491,970	630,166	779,007	947,140
Less: Debt Obligations and Deferred Revenue		(100,000)	(96,976)	(93,800)	(90,466)	(86,965)	(83,289)	(79,429)	(75,376)	(71,121)	(66,653)
Add: Tangible Capital Assets	4	466,619	465,167	459,093	480,469	513,460	538,929	575,465	590,681	609,757	625,066
Total Ending Balance		402,903	442,265	506,217	607,900	726,792	844,463	988,006	1,145,471	1,317,643	1,505,553
Financial Indicators											
	Total Change	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1) Expense to Revenue Ratio		90%	85%	77%	67%	64%	66%	61%	59%	57%	56%
2) Increase/(Decrease) in Accumulated Surplus	1,125,795	23,145	39,362	63,952	101,683	118,892	117,671	143,543	157,465	172,172	187,910

Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Expenses											
Office Supplies		250	260	270	280	290	300	310	320	330	340
Advertising		250	260	270	280	290	300	310	320	330	340
Mailing		1,400	1,430	1,460	1,490	1,520	1,550	1,580	1,610	1,640	1,670
Insurance		4,888	4,990	5,090	5,190	5,290	5,400	5,510	5,620	5,730	5,840
Consultants		12,500	12,750	13,010	13,270	13,540	13,810	14,090	14,370	14,660	14,950
Audit Fees		1,000	1,020	1,040	1,060	1,080	1,100	1,120	1,140	1,160	1,180
Water & Sewer - Grant In Lieu		2,805	2,860	2,920	2,980	3,040	3,100	3,160	3,220	3,280	3,350
Other Maintenance		10,000	10,200	10,400	10,610	10,820	11,040	11,260	11,490	11,720	11,950
Program Support Costs		9,188	9,370	9,560	9,750	9,950	10,150	10,350	10,560	10,770	10,990
Miscellaneous		480	490	500	510	520	530	540	550	560	570
OCWA		135,865	138,580	141,350	144,180	147,060	150,000	153,000	156,060	159,180	162,360
Non TCA - Expenses from Capital Budget	7	11,500	-	-	-	-	13,300	-	-	-	-
TOTAL OPERATING EXPENSES		190,126	182,210	185,870	189,600	193,400	210,580	201,230	205,260	209,360	213,540

Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Surplus/(Deficit)		23,145	39,362	63,952	101,683	118,892	117,671	143,543	157,465	172,172	187,910
Less: Acquisition of Tangible Capital Assets	4	(411,100)	(28,500)	(22,000)	(34,600)	(47,400)	(40,900)	(53,300)	(32,800)	(37,600)	(34,700)
Add: Amortization of Tangible Capital Assets	4	29,239	29,952	28,074	13,224	14,409	15,431	16,764	17,584	18,524	19,391
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(381,861)	1,452	6,074	(21,376)	(32,991)	(25,469)	(36,536)	(15,216)	(19,076)	(15,309)
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(358,716)	40,814	70,026	80,307	85,901	92,202	107,007	142,249	153,096	172,601
Net Financial Assets/(Net Debt), beginning of year		295,000	(63,716)	(22,902)	47,124	127,431	213,332	305,534	412,541	554,790	707,886
Net Financial Assets/(Net Debt), end of year		(63,716)	(22,902)	47,124	127,431	213,332	305,534	412,541	554,790	707,886	880,487

Financial Indicators	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1) Acquisition of Tangible Capital Assets (Cumulative)	411,100	439,600	461,600	496,200	543,600	584,500	637,800	670,600	708,200	742,900
2) Annual Surplus/Deficit before Amortization (Cumulative)	52,384	121,698	213,724	328,631	461,932	595,034	755,341	930,390	1,121,086	1,328,387
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)	0.13	0.28	0.46	0.66	0.85	1.02	1.18	1.39	1.58	1.79

Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Transactions											
Annual Surplus/Deficit		23,145	39,362	63,952	101,683	118,892	117,671	143,543	157,465	172,172	187,910
Add: Amortization of TCA's	4	29,239	29,952	28,074	13,224	14,409	15,431	16,764	17,584	18,524	19,391
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(214)	124	(612)	(1,146)	(1,156)	(962)	(734)	(773)	(811)	(854)
Change in A/P Increase/(Decrease)		354	-	355	363	370	377	385	391	400	406
Cash Provided by Operating Transactions		52,524	69,438	91,769	114,124	132,515	132,517	159,958	174,667	190,285	206,853
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(411,100)	(28,500)	(22,000)	(34,600)	(47,400)	(40,900)	(53,300)	(32,800)	(37,600)	(34,700)
Cash Applied to Capital Transactions		(411,100)	(28,500)	(22,000)	(34,600)	(47,400)	(40,900)	(53,300)	(32,800)	(37,600)	(34,700)
Financing Transactions											
Proceeds from Debt Issue	2	100,000	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	(3,024)	(3,175)	(3,334)	(3,501)	(3,676)	(3,860)	(4,053)	(4,255)	(4,468)
Cash Applied to Financing Transactions		100,000	(3,024)	(3,175)	(3,334)	(3,501)	(3,676)	(3,860)	(4,053)	(4,255)	(4,468)
Increase in Cash and Cash Equivalents		(258,576)	37,914	66,594	76,190	81,614	87,941	102,798	137,814	148,430	167,685
Cash and Cash Equivalents, beginning of year	1	301,849	43,273	81,187	147,781	223,971	305,585	393,526	496,324	634,138	782,568
Cash and Cash Equivalents, end of year	1	43,273	81,187	147,781	223,971	305,585	393,526	496,324	634,138	782,568	950,253

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. The financial plan, however, 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 i 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 i 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); and
- 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; and
- 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 Township of Leeds and the Thousands Islands, some of the items listed above have been estimated given that the Township 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

Receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of receivables split proportionally between water and wastewater, based on revenues (source: provided by Township staff); and
 - b) Payables: Based on historical levels of payables split proportionally between water and wastewater, based on expenses (source: provided by Township staff).
- ## 2. Debt

The Township had no outstanding water-related debt at the end of 2014. It is anticipated that debt proceeds will be required in 2015. Principal debt repayments over the forecast period are scheduled as follows:

Year	Principal Payments
2015	-
2016	3,024
2017	3,175
2018	3,334
2019	3,501
2020	3,676
2021	3,860
2022	4,053
2023	4,255
2024	4,468
Total	\$ 33,346

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 reserve 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 Township of Leeds and the Thousands Islands does not collect water development charges, therefore, deferred revenue is assumed to be zero 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. Infrastructure; and
 - ii. Facilities.
- Amortization is calculated based on the straight-line approach.
- Given the planned asset replacement forecast in the 2015 Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- 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, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposals 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 subsection 3.2.1, are deemed to be insignificant/unknown during the forecast period and are, therefore, assumed to be \$0.

- The Township is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Opening Tangible Capital Asset Balance	758,465	1,083,791	1,106,533	1,124,105	1,151,298	1,187,675	1,217,922	1,255,429	1,277,640	1,302,754
Acquisitions	411,100	28,500	22,000	34,600	47,400	40,900	53,300	32,800	37,600	34,700
Disposals	85,774	5,758	4,428	7,407	11,023	10,653	15,793	10,589	12,486	11,819
Closing Tangible Capital Asset Balance	1,083,791	1,106,533	1,124,105	1,151,298	1,187,675	1,217,922	1,255,429	1,277,640	1,302,754	1,325,635
Opening Accumulated Amortization	673,707	617,172	641,366	665,012	670,829	674,215	678,993	679,964	686,959	692,997
Amortization Expense	29,239	29,952	28,074	13,224	14,409	15,431	16,764	17,584	18,524	19,391
Amortization on Disposal	85,774	5,758	4,428	7,407	11,023	10,653	15,793	10,589	12,486	11,819
Ending Accumulated Amortization	617,172	641,366	665,012	670,829	674,215	678,993	679,964	686,959	692,997	700,569
Net Book Value	466,619	465,167	459,093	480,469	513,460	538,929	575,465	590,681	609,757	625,066

5. Accumulated Surplus

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

Wastewater	2015 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	295,000
Total Reserves Balance	295,000
Add: Tangible Capital Assets	84,758
Total Opening Balance	379,758

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

6. Other Revenue

Other revenue includes interest, service charges, connection fees, penalties and other non-operating general revenues.

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.

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

As mentioned in Section 1.2, the requirement to prepare the financial plan is provided in Section 32 (5) 2 ii of the S.D.W.A. Proof of the preparation of a financial plan is one of the submission requirements for municipal drinking water licensing and, upon completion, must be submitted to the Ministry of the Environment. As part of O.Reg. 453/07, the process established for plan approval, public circulation and filing is set out as follows:

1. The financial plan must be approved by resolution 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 Ministry of the Environment 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)

6. Recommendations

This report presents the water and wastewater financial plan for the Township of Leeds and the Thousands Islands 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, 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 2015 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Township of Leeds and the Thousands Islands Water and Wastewater Financial Plan prepared by Watson & Associates Economists Ltd. dated April 13, 2015 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan, the Council Resolution approving the Financial Plan, and the Water and Wastewater Rate Study underpinning the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The Financial Plan, the Council Resolution approving the Financial Plan, and the Water and Wastewater Rate Study underpinning the Financial Plan be submitted to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (S.D.W.A. Section 32 (5) 2 ii)

Appendix A – 2015 Water and Wastewater Rate Study – Summary Tables

Table A-1
 Township of Leeds and The Thousand Islands
 Water Service
 Capital Budget Forecast
 Inflated \$

Description	Total	Forecast													
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024				
Capital Expenditures															
<i>Well Building No. 1</i>															
Process Mechanical	62,200	5,600	4,300	3,800	4,600	15,300	7,200	4,300	5,200	4,600	7,300				
Heating, Ventilation and Air Conditioning	11,500	1,000	1,000	1,100	1,100	1,100	1,200	1,200	1,200	1,300	1,300				
Control and Instrumentation	60,400	3,000	3,100	3,200	9,800	3,400	8,100	8,400	8,600	8,900	3,900				
<i>Well Building No. 2</i>															
Siteworks	5,000	5,000	-	-	-	-	-	-	-	-	-				
Structural/Architectural	12,600	1,000	1,000	1,100	2,200	1,100	1,200	1,200	1,200	1,300	1,300				
Process Mechanical	11,900	-	-	-	-	-	-	11,900	-	-	-				
<i>Lansdowne Standpipe and Valve Chamber</i>															
Siteworks	7,400	-	-	-	1,100	-	-	-	-	6,300	-				
Structural/Architectural	323,600	295,000	5,200	-	2,200	-	9,300	11,900	-	-	-				
Process Mechanical	85,500	85,000	-	-	500	-	-	-	-	-	-				
Heating, Ventilation and Air Conditioning	1,500	1,500	-	-	-	-	-	-	-	-	-				
<i>Water Distribution System</i>															
Preventative Maintenance	54,800	2,500	6,200	4,800	4,900	6,800	5,200	5,400	7,400	5,700	5,900				
Process Mechanical	9,200	4,000	-	-	-	-	-	-	-	-	5,200				
Inspection Services	11,300	-	-	-	-	11,300	-	-	-	-	-				
Repair Work	86,000	7,500	7,700	8,000	8,200	8,400	8,700	9,000	9,200	9,500	9,800				
Studies:															
Rate Study and Financial Plan	24,800	11,500	-	-	-	-	13,300	-	-	-	-				
Total Capital Expenditures	767,700	422,600	28,500	22,000	34,600	47,400	54,200	53,300	32,800	37,600	34,700				
Capital Financing															
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-	-				
Debtenture Requirements	100,000	100,000	-	-	-	-	-	-	-	-	-				
Reserve Fund	667,700	322,600	28,500	22,000	34,600	47,400	54,200	53,300	32,800	37,600	34,700				
Total Capital Financing	767,700	422,600	28,500	22,000	34,600	47,400	54,200	53,300	32,800	37,600	34,700				

Table A-2
Township of Leeds and The Thousand Islands
Water Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

Debenture Year	Principal (Inflated)	Forecast											
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
2015	100,000		8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024
2016	-		-	-	-	-	-	-	-	-	-	-	-
2017	-		-	-	-	-	-	-	-	-	-	-	-
2018	-		-	-	-	-	-	-	-	-	-	-	-
2019	-		-	-	-	-	-	-	-	-	-	-	-
2020	-		-	-	-	-	-	-	-	-	-	-	-
2021	-		-	-	-	-	-	-	-	-	-	-	-
2022	-		-	-	-	-	-	-	-	-	-	-	-
2023	-		-	-	-	-	-	-	-	-	-	-	-
2024	-		-	-	-	-	-	-	-	-	-	-	-
Total Annual Debt Charges	100,000	-	8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024	8,024

Table A-3
Township of Leeds and The Thousand Islands
Water Service
Water Reserves/ Reserve Funds Continuity
 Inflated \$

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Reserve Fund										
Opening Balance	295,000	36,284	74,074	140,925	217,898	300,297	388,823	491,970	630,166	779,007
Transfer from Operating	63,884	66,290	88,851	111,573	129,800	142,726	156,447	170,996	186,441	202,833
Transfer to Capital	322,600	28,500	22,000	34,600	47,400	54,200	53,300	32,800	37,600	34,700
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	36,284	74,074	140,925	217,898	300,297	388,823	491,970	630,166	779,007	947,139

Table A-4
Township of Leeds and The Thousand Islands
Water Services
Operating Budget Forecast
Inflated \$

Description	Forecast									
	Budget 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EXPENDITURES										
Operating Costs										
Office Supplies	250	260	270	280	290	300	310	320	330	340
Advertising	250	260	270	280	290	300	310	320	330	340
Mailing	1,400	1,430	1,460	1,490	1,520	1,550	1,580	1,610	1,640	1,670
Insurance	4,888	4,990	5,090	5,190	5,290	5,400	5,510	5,620	5,730	5,840
Consultants	12,500	12,750	13,010	13,270	13,540	13,810	14,090	14,370	14,660	14,950
Audit Fees	1,000	1,020	1,040	1,060	1,080	1,100	1,120	1,140	1,160	1,180
Water & Sewer - Grant In Lieu	2,805	2,860	2,920	2,980	3,040	3,100	3,160	3,220	3,280	3,350
Other Maintenance	10,000	10,200	10,400	10,610	10,820	11,040	11,260	11,490	11,720	11,950
Program Support Costs	9,188	9,370	9,560	9,750	9,950	10,150	10,350	10,560	10,770	10,990
Miscellaneous	480	490	500	510	520	530	540	550	560	570
OCWA	135,865	138,580	141,350	144,180	147,060	150,000	153,000	156,060	159,180	162,360
Sub Total Operating	178,626	182,210	185,870	189,600	193,400	197,280	201,230	205,260	209,360	213,540
Capital-Related										
Debtentures										
New Debt (Principal)	-	3,024	3,175	3,334	3,501	3,676	3,860	4,053	4,255	4,468
New Debt (Interest)	-	5,000	4,849	4,690	4,523	4,348	4,164	3,971	3,769	3,556
Transfers										
Transfer to Reserve - Water	63,884	66,290	68,851	71,573	74,350	77,180	80,060	82,990	85,970	88,990
Sub Total Capital Related	63,884	74,314	86,875	119,597	137,824	150,750	164,471	179,020	194,465	210,857
Total Expenditures	242,510	256,524	282,745	309,197	331,224	348,030	365,701	384,280	403,825	424,397
Revenues										
Other Revenue										
Interest	2,400	2,450	2,500	2,550	2,600	2,650	2,700	2,750	2,810	2,870
Penalty and Interest	1,100	1,120	1,140	1,160	1,180	1,200	1,220	1,240	1,260	1,290
Water - Frontage and Connection	4,375	-	-	-	-	-	-	-	-	-
Water and Sewer - Taxation Recoveries	6,250	6,380	6,510	6,640	6,770	6,910	7,050	7,190	7,330	7,480
Miscellaneous	500	510	520	530	540	550	560	570	580	590
Transfers										
Transfer from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-	-
Sub Total Operating Revenue	14,625	10,460	10,670	10,880	11,090	11,310	11,530	11,750	11,980	12,230
Billing Revenue	227,885	246,064	272,075	298,317	320,134	336,720	354,171	372,530	391,845	412,167
Total Revenue	242,510	256,524	282,745	309,197	331,224	348,030	365,701	384,280	403,825	424,397

Table A-5
Township of Leeds and The Thousand Islands
Wastewater Service
Capital Budget Forecast
Inflated \$

Description	Total	Forecast												
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024			
Capital Expenditures														
Seasonal Retention Lagoons Infrastructure														
Siteworks	62,700	4,500	5,200	-	16,400	-	6,700	-	-	-	25,300	4,600		
Structural/Architectural	8,000	8,000	-	-	-	-	-	-	-	-	-	-		
Process Mechanical	18,900	2,000	-	-	-	16,900	-	-	-	-	-	-		
Railway Street Pumping Station														
Structural/Architectural	11,500	11,500	-	-	-	-	-	-	-	-	-	-		
Process Mechanical	6,600	-	-	700	-	-	-	-	-	-	5,100	800		
Miscellaneous	11,500	1,000	1,000	1,100	1,100	1,200	1,200	1,200	1,200	1,200	1,300	1,300		
Control and Instrumentation	23,000	2,000	2,100	2,100	2,200	2,300	2,300	2,400	2,400	2,500	2,500	2,600		
Lansdowne Sanitary Collection System:														
Preventative Maintenance	67,100	9,000	5,200	5,300	5,500	5,600	11,600	6,000	6,100	6,100	6,300	6,500		
Inspection Services	28,800	2,500	2,600	2,700	2,700	2,800	2,900	3,000	3,100	3,100	3,200	3,300		
Repair Work	83,400	6,000	6,200	6,400	6,600	6,800	9,300	9,600	9,800	10,100	10,100	10,400		
Studies:														
Rate Study and Financial Plan	24,800	11,500	-	-	-	-	13,300	-	-	-	-	-		
Total Capital Expenditures	346,300	58,000	22,300	17,600	35,200	37,700	47,300	22,200	22,700	53,800	29,500			
Capital Financing														
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-		
Debt/Requirement	-	-	-	-	-	-	-	-	-	-	-	-		
Reserve Fund	346,300	58,000	22,300	17,600	35,200	37,700	47,300	22,200	22,700	53,800	29,500			
Total Capital Financing	346,300	58,000	22,300	17,600	35,200	37,700	47,300	22,200	22,700	53,800	29,500			

Table A-6
Township of Leeds and The Thousand Islands
Wastewater Service
Schedule of Debenture Repayments
 Inflated \$

Debenture Year	Principal (Inflated)	Forecast											
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
2015	-	-	-	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Debt Charges	-	-	-	-	-	-	-	-	-	-	-	-	-

Table A-7
Township of Leeds and The Thousand Islands
Wastewater Service
Wastewater Reserves/ Reserve Funds Continuity
 Inflated \$

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Wastewater Reserve Fund										
Opening Balance	295,000	330,519	410,703	515,933	623,628	744,142	865,045	1,021,510	1,188,437	1,335,802
Transfer from Operating	93,519	102,484	122,830	142,896	158,213	168,204	178,665	189,627	201,165	213,255
Transfer to Capital	58,000	22,300	17,600	35,200	37,700	47,300	22,200	22,700	53,800	29,500
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	330,519	410,703	515,933	623,628	744,142	865,045	1,021,510	1,188,437	1,335,802	1,519,557

Table A-8
Township of Leeds and The Thousand Islands
Wastewater Services
Operating Budget Forecast
 Inflated \$

Description	Forecast									
	Budget 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EXPENDITURES										
Operating Costs										
Office Supplies	250	260	270	280	290	300	310	320	330	340
Advertising	250	260	270	280	290	300	310	320	330	340
Mailing	1,400	1,430	1,460	1,490	1,520	1,550	1,580	1,610	1,640	1,670
Insurance	4,888	4,990	5,090	5,190	5,290	5,400	5,510	5,620	5,730	5,840
Consultants	12,500	12,750	13,010	13,270	13,540	13,810	14,090	14,370	14,660	14,950
Audit Fees	1,000	1,020	1,040	1,060	1,080	1,100	1,120	1,140	1,160	1,180
Water & Sewer - Grant In Lieu	2,805	2,860	2,920	2,980	3,040	3,100	3,160	3,220	3,280	3,350
Other Maintenance	10,000	10,200	10,400	10,610	10,820	11,040	11,260	11,490	11,720	11,950
Program Support Costs	9,188	9,370	9,560	9,750	9,950	10,150	10,350	10,560	10,770	10,990
Miscellaneous	480	490	500	510	520	530	540	550	560	570
OCWA	103,938	106,020	108,140	110,300	112,510	114,760	117,060	119,400	121,790	124,230
Sub Total Operating	146,698	149,650	152,660	155,720	158,850	162,040	165,290	168,600	171,970	175,410
Capital-Related										
Debtitures										
New Debt (Principal)										
New Debt (Interest)										
Transfers										
Transfer to Reserve - Wastewater	93,519	102,484	122,830	142,896	158,213	168,204	178,665	189,627	201,165	213,255
Sub Total Capital Related	93,519	102,484	122,830	142,896	158,213	168,204	178,665	189,627	201,165	213,255
Total Expenditures	240,216	252,134	275,490	298,616	317,063	330,244	343,955	358,227	373,135	388,665
Revenues										
Other Revenue										
Interest	2,400	2,450	2,500	2,550	2,600	2,650	2,700	2,750	2,810	2,870
Penalty and Interest	1,100	1,120	1,140	1,160	1,180	1,200	1,220	1,240	1,260	1,290
Sewer - Frontage and Connection	4,115	-	-	-	-	-	-	-	-	-
Water and Sewer - Taxation Recoveries	6,250	6,380	6,510	6,640	6,770	6,910	7,050	7,190	7,330	7,480
Miscellaneous	500	500	500	500	500	500	500	500	500	500
Transfers										
Transfer from Reserves / Reserve Funds										
Sub Total Other Revenue	14,365	10,450	10,650	10,850	11,050	11,260	11,470	11,680	11,900	12,140
Billing Revenue	225,851	241,684	264,840	287,766	306,013	318,984	332,485	346,547	361,235	376,525
Total Revenue	240,216	252,134	275,490	298,616	317,063	330,244	343,955	358,227	373,135	388,665

Appendix B – Wastewater Financial Plan

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge and Rate Revenue	225,851			225,851	Base Charge and Rate Revenue
Other Revenue	14,366			14,366	Other Revenue
Total Revenues	240,217			240,217	Total Revenues
Expenditures					Expenses
Operating	146,698	11,500		158,198	Operating Expenses
Capital					
Transfers to Reserves	93,519		93,519		
		23,337		23,337	Amortization
Total Expenditures	240,217			181,535	Total Expenses
Net Expenditures	-			58,682	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			358,556	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	58,682		417,238	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		93,519	93,519		

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

Figure B-2
Conversion Adjustments
Statement of Financial Position (Wastewater)

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
<u>ASSETS</u>					<u>ASSETS</u>
<u>Financial Assets</u>					<u>Financial Assets</u>
Cash	335,729			335,729	Cash
Accounts Receivable	9,335			9,335	Accounts Receivable
<i>Total Financial Assets</i>	<i>345,064</i>			<i>345,064</i>	<i>Total Financial Assets</i>
<u>LIABILITIES</u>					<u>Liabilities</u>
Accounts Payable & Accrued Liabilities	14,545			14,545	Accounts Payable & Accrued Liabilities
<i>Total Liabilities</i>	<i>14,545</i>			<i>14,545</i>	<i>Total Liabilities</i>
Net Assets/(Debt)	330,519			330,519	Net Financial Assets/(Debt)
		98,219	11,500	86,719	<u>Non-Financial Assets</u>
				86,719	Tangible Capital Assets
					Total Non-Financial Assets
<u>Municipal Position</u>					
Wastewater Reserves	330,519	330,519			
Total Municipal Position	330,519		417,238	417,238	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		428,738	428,738		

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

Table B-1
Statement of Financial Position: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Financial Assets											
Cash	1	335,729	414,750	519,753	626,726	746,531	866,940	1,023,145	1,189,795	1,336,865	1,520,303
Accounts Receivable	1	9,335	10,497	11,017	12,038	13,049	13,855	14,431	15,030	15,653	16,305
Total Financial Assets		345,064	425,247	530,770	638,764	759,580	880,795	1,037,576	1,204,825	1,352,518	1,536,608
Liabilities											
Accounts Payable & Accrued Liabilities	1	14,545	14,545	14,838	15,136	15,439	15,750	16,066	16,388	16,716	17,051
Total Liabilities		14,545	14,545	14,838	15,136	15,439	15,750	16,066	16,388	16,716	17,051
Net Financial Assets/(Debt)		330,519	410,702	515,932	623,628	744,141	865,045	1,021,510	1,188,437	1,335,802	1,519,557
Non-Financial Assets											
Tangible Capital Assets	4	86,719	85,125	81,357	113,517	147,234	176,401	193,213	209,958	256,458	277,920
Total Non-Financial Assets		86,719	85,125	81,357	113,517	147,234	176,401	193,213	209,958	256,458	277,920
Accumulated Surplus/(Deficit)	5	417,238	495,827	597,289	737,145	891,375	1,041,446	1,214,723	1,398,395	1,592,260	1,797,477
Financial Indicators											
	Total Change	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1) Increase/(Decrease) in Net Financial Assets	1,224,557	35,519	80,183	105,230	107,696	120,513	120,904	156,465	166,927	147,365	183,755
2) Increase/(Decrease) in Tangible Capital Assets	214,364	23,163	(1,594)	(3,768)	32,160	33,717	29,167	16,812	16,745	46,500	21,462
3) Increase/(Decrease) in Accumulated Surplus	1,438,921	58,682	78,589	101,462	139,856	154,230	150,071	173,277	183,672	193,865	205,217

Table B-2
Statement of Operations: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Wastewater Revenue											
Base Charge and Rate Revenue		225,851	241,684	264,840	287,766	306,013	318,984	332,485	346,547	361,235	376,525
Other Revenue	6	14,366	10,449	10,650	10,850	11,050	11,260	11,470	11,680	11,900	12,140
Total Revenues		240,217	252,133	275,490	298,616	317,063	330,244	343,955	358,227	373,135	388,665
Wastewater Expenses											
Operating Expenses	Sch. 4-1	158,198	149,650	152,660	155,720	158,850	175,340	165,290	168,600	171,970	175,410
Amortization	4	23,337	23,894	21,368	3,040	3,983	4,833	5,388	5,955	7,300	8,038
Total Expenses		181,535	173,544	174,028	158,760	162,833	180,173	170,678	174,555	179,270	183,448
Annual Surplus/(Deficit)		58,682	78,589	101,462	139,856	154,230	150,071	173,277	183,672	193,865	205,217
Accumulated Surplus/(Deficit), beginning of year	5	358,556	417,238	495,827	597,289	737,145	891,375	1,041,446	1,214,723	1,398,395	1,592,260
Accumulated Surplus/(Deficit), end of year		417,238	495,827	597,289	737,145	891,375	1,041,446	1,214,723	1,398,395	1,592,260	1,797,477
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Reserve Balances											
Reserves: Capital/Other		330,519	410,702	515,932	623,628	744,141	865,045	1,021,510	1,188,437	1,335,802	1,519,557
Total Reserves Balance		330,519	410,702	515,932	623,628	744,141	865,045	1,021,510	1,188,437	1,335,802	1,519,557
Add: Tangible Capital Assets	4	86,719	85,125	81,357	113,517	147,234	176,401	193,213	209,958	256,458	277,920
Total Ending Balance		417,238	495,827	597,289	737,145	891,375	1,041,446	1,214,723	1,398,395	1,592,260	1,797,477
Financial Indicators											
	Total Change	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1) Expense to Revenue Ratio		76%	69%	63%	53%	51%	55%	50%	49%	48%	47%
2) Increase/(Decrease) in Accumulated Surplus	1,438,921	58,682	78,589	101,462	139,856	154,230	150,071	173,277	183,672	193,865	205,217

Schedule B-1
Schedule of Operating Expenses: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Expenses											
Office Supplies		250	260	270	280	290	300	310	320	330	340
Advertising		250	260	270	280	290	300	310	320	330	340
Mailing		1,400	1,430	1,460	1,490	1,520	1,550	1,580	1,610	1,640	1,670
Insurance		4,888	4,990	5,090	5,190	5,290	5,400	5,510	5,620	5,730	5,840
Consultants		12,500	12,750	13,010	13,270	13,540	13,810	14,090	14,370	14,660	14,950
Audit Fees		1,000	1,020	1,040	1,060	1,080	1,100	1,120	1,140	1,160	1,180
Water & Sewer - Grant In Lieu		2,805	2,860	2,920	2,980	3,040	3,100	3,160	3,220	3,280	3,350
Other Maintenance		10,000	10,200	10,400	10,610	10,820	11,040	11,260	11,490	11,720	11,950
Program Support Costs		9,188	9,370	9,560	9,750	9,950	10,150	10,350	10,560	10,770	10,990
Miscellaneous		480	490	500	510	520	530	540	550	560	570
OCWA		103,938	106,020	108,140	110,300	112,510	114,760	117,060	119,400	121,790	124,230
Non TCA - Expenses from Capital Budget	7	11,500	-	-	-	-	13,300	-	-	-	-
TOTAL OPERATING EXPENSES		158,198	149,650	152,660	155,720	158,850	175,340	165,290	168,600	171,970	175,410

Table B-3
Statement of Changes in Net Financial Assets/Debt: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Surplus/(Deficit)		58,682	78,589	101,462	139,856	154,230	150,071	173,277	183,672	193,865	205,217
Less: Acquisition of Tangible Capital Assets	4	(46,500)	(22,300)	(17,600)	(35,200)	(37,700)	(34,000)	(22,200)	(22,700)	(53,800)	(29,500)
Add: Amortization of Tangible Capital Assets	4	23,337	23,894	21,368	3,040	3,983	4,833	5,388	5,955	7,300	8,038
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(23,163)	1,594	3,768	(32,160)	(33,717)	(29,167)	(16,812)	(16,745)	(46,500)	(21,462)
Increase/(Decrease) in Net Financial Assets/(Net Debt)		35,519	80,183	105,230	107,696	120,513	120,904	156,465	166,927	147,365	183,755
Net Financial Assets/(Net Debt), beginning of year		295,000	330,519	410,702	515,932	623,628	744,141	865,045	1,021,510	1,188,437	1,335,802
Net Financial Assets/(Net Debt), end of year		330,519	410,702	515,932	623,628	744,141	865,045	1,021,510	1,188,437	1,335,802	1,519,557

Financial Indicators	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1) Acquisition of Tangible Capital Assets (Cumulative)	46,500	68,800	86,400	121,600	159,300	193,300	215,500	238,200	292,000	321,500
2) Annual Surplus/Deficit before Amortization (Cumulative)	82,019	184,502	307,332	450,228	608,441	763,345	942,010	1,131,637	1,332,802	1,546,057
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)	1.76	2.68	3.56	3.70	3.82	3.95	4.37	4.75	4.56	4.81

Table B-4
Statement of Cash Flow – Indirect Method: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2024

	Notes	Forecast									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Transactions											
Annual Surplus/Deficit		58,682	78,589	101,462	139,856	154,230	150,071	173,277	183,672	193,865	205,217
Add: Amortization of TCA's	4	23,337	23,894	21,368	3,040	3,983	4,833	5,388	5,955	7,300	8,038
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(187)	(1,162)	(520)	(1,021)	(1,011)	(806)	(576)	(599)	(623)	(652)
Change in A/P Increase/(Decrease)		291	-	293	298	303	311	316	322	328	335
Cash Provided by Operating Transactions		82,123	101,321	122,603	142,173	157,505	154,409	178,405	189,350	200,870	212,938
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(46,500)	(22,300)	(17,600)	(35,200)	(37,700)	(34,000)	(22,200)	(22,700)	(53,800)	(29,500)
Cash Applied to Capital Transactions		(46,500)	(22,300)	(17,600)	(35,200)	(37,700)	(34,000)	(22,200)	(22,700)	(53,800)	(29,500)
Increase in Cash and Cash Equivalents		35,623	79,021	105,003	106,973	119,805	120,409	156,205	166,650	147,070	183,438
Cash and Cash Equivalents, beginning of year	1	300,106	335,729	414,750	519,753	626,726	746,531	866,940	1,023,145	1,189,795	1,336,865
Cash and Cash Equivalents, end of year	1	335,729	414,750	519,753	626,726	746,531	866,940	1,023,145	1,189,795	1,336,865	1,520,303

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. The financial plan, however, 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 i 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 i 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); and
- 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;
- C. Investing transactions that are acquisitions and disposal of investments;
- E. Change in cash and cash equivalents during the year; and
- F. 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 Township of Leeds and the Thousands Islands, some of the items listed above have been estimated given that the Township 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

Receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of receivables split proportionally between water and wastewater, based on revenues (source: provided by Township staff); and
- b) Payables: Based on historical levels of payables split proportionally between water and wastewater, based on expenses (source: provided by Township staff).

2. Debt

The Township has no wastewater-related outstanding debt at the end of 2014 and do not anticipate any debt proceeds over the forecast period.

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 wastewater development charge reserve 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 Township of Leeds and the Thousands Islands does not collect wastewater development charges, therefore, deferred revenue is assumed to be zero over the forecast period.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes wastewater-related assets in the following categories:
 - i. Infrastructure; and
 - ii. Facilities.
- Amortization is calculated based on the straight-line approach.
- Given the planned asset replacement forecast in the 2015 Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in the respective asset category.
- 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, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposals 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 subsection 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Opening Tangible Capital Asset Balance	886,976	923,774	941,569	955,626	983,290	1,012,223	1,037,367	1,052,989	1,068,361	1,104,295
Acquisitions	46,500	22,300	17,600	35,200	37,700	34,000	22,200	22,700	53,800	29,500
Disposals	9,702	4,505	3,543	7,536	8,767	8,856	6,578	7,328	17,866	10,048
Closing Tangible Capital Asset Balance	923,774	941,569	955,626	983,290	1,012,223	1,037,367	1,052,989	1,068,361	1,104,295	1,123,747
Opening Accumulated Amortization	823,420	837,055	856,444	874,269	869,773	864,989	860,966	859,776	858,403	847,837
Amortization Expense	23,337	23,894	21,368	3,040	3,983	4,833	5,388	5,955	7,300	8,038
Amortization on Disposal	9,702	4,505	3,543	7,536	8,767	8,856	6,578	7,328	17,866	10,048
Ending Accumulated Amortization	837,055	856,444	874,269	869,773	864,989	860,966	859,776	858,403	847,837	845,827
Net Book Value	86,719	85,125	81,357	113,517	147,234	176,401	193,213	209,958	256,458	277,920

5. Accumulated Surplus

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

Wastewater	2015 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	295,000
Total Reserves Balance	295,000
Add: Tangible Capital Assets	63,556
Total Opening Balance	358,556

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

6. Other Revenue

Other revenue includes interest, service charges, connection fees, penalties and other non-operating general revenues.

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.