

# **Town of Mississippi Mills**

## **Water Ontario Regulation 453/07 Financial Plan**

### **Financial Plan #178-301**

December 3, 2015



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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 |

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# 1. Introduction

## 1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Town of Mississippi Mills (the Town) to prepare a water 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 Town's water and wastewater system has already been completed and documented by Watson within the "Town of Mississippi Mills Water and Wastewater Rate Study Update, January 28, 2015" (2015 Rate Study Update). The objective of the report provided herein is to convert the findings of the 2015 Rate Study Update 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.
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 (S.W.S.S.A.) 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 regards 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 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 plan is 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 regards 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 P.S.A.B.) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per P.S.A.B.) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

#### **1.2.4 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 plan 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 Chartered Professional Accountants Canada (previously 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 assets as they can represent a significant portion of the Town'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**

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

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

**Figure 1-2**  
**Statement of Operations**

**OLD FORMAT (PRE-2009)**

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

**2009 AND FUTURE**

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

**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                 |
| <b>Sub-total</b>  |
| Less: Acquisition of supplies inventory                     |
| Less: Acquisition of prepaid expenses                       |
| Add: Consumption of supplies inventory                      |
| Add: Use of prepaid expenses                                |
| <b>Sub-total</b>  |
| <b>(Increase)/Decrease in net financial assets/net debt</b> |
| <b>Net financial assets/(net debt), beginning of year</b>   |
| <b>Net financial assets/(net debt), end of year</b>         |
|   |

**Figure 1-4**  
**Statement of Cash Flow<sup>1</sup>**

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

<sup>1</sup> 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.

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## 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: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- Principle #5: An asset management plan is a key input to the development of a financial plan.
- Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
- Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.
- Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

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## 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; create opportunities for economic development and clean-technology jobs; and 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.

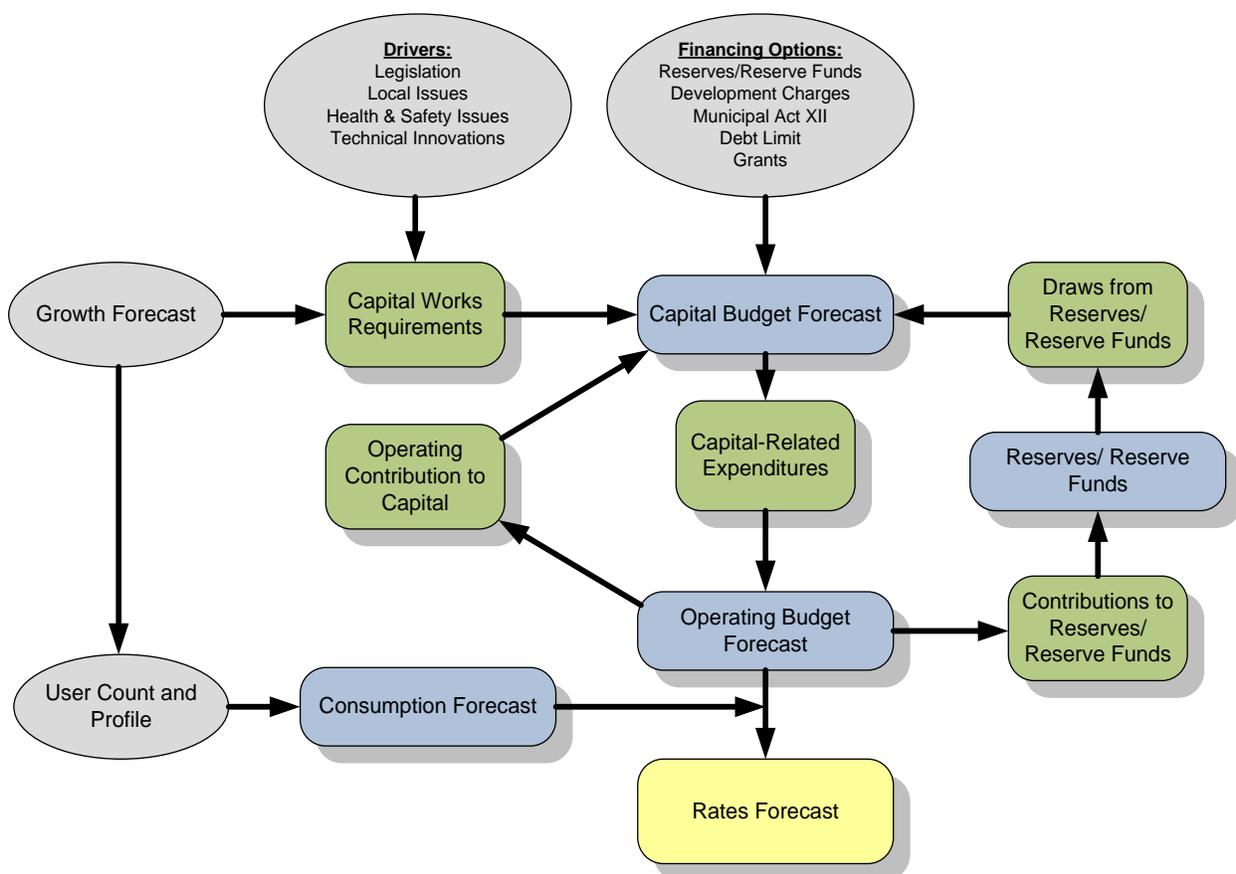
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

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

## 2.4 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2015 Rate Study Update conducted on behalf of the Town. 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 Update provides a sound financial plan for the Town’s water 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 Town 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 Update are contained in Appendix A.

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## 3. Approach

### 3.1 Overview

The 2015 Rate Study Update 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 water only.

### 3.2 Conversion Process

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

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

#### ***3.2.1 Calculate Tangible Capital Asset Balances***

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the 2015 Rate Study Update as well as part of the Town's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2015 Rate Study Update, 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.
- Disposals and related gains or losses for each year of forecast period.

Future water capital needs have also been determined and summarized within the 2015 Rate Study Update. However, these estimates only represent future assets that the Town anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the Town). 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 section 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 Section 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 section 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.

**FIGURE 3-1**  
**Town of Mississippi Mills**  
**Conversion Adjustments**  
**Statement of Operations (Water)**

| Modified Cash Basis                            | Budget<br>2015   | Adjustments    |                | Full Accrual<br>Budget<br>2015 | Accrual Basis                                     |
|--|------------------|----------------|----------------|--------------------------------|---|
|  |                  | DR             | CR             |                                |   |
| <b>Revenues</b>                                |                  |                |                |                                | <b>Revenues</b>                                   |
| Base Charge Revenue                            | 640,535          |                |                | 640,535                        | Base Charge Revenue                               |
| Rate Based Revenue                             | 359,634          |                |                | 359,634                        | Rate Based Revenue                                |
| Other Revenue                                  | 150,953          |                | 287,776        | 287,776                        | Developer Contributions                           |
| <b>Total Revenues</b>                          | <b>1,151,122</b> |                |                | <b>1,438,898</b>               | <b>Total Revenues</b>                             |
| <b>Expenditures</b>                            |                  |                |                |                                | <b>Expenses</b>                                   |
| Operating                                      | 577,716          | 181,500        |                | 759,216                        | Operating Expenses                                |
| Capital  |                  |                |                |                                |   |
| Transfers to Reserves                          | 388,014          |                | 388,014        |                                |   |
| Transfers to Capital                           | 183,500          |                | 183,500        |                                |   |
| Debt Repayment (Principal & Interest)          | 1,892            |                | 1,142          | 750                            | Interest on Debt                                  |
|  |                  | 216,678        |                | 216,678                        | Amortization                                      |
| <b>Total Expenditures</b>                      | <b>1,151,122</b> |                |                | <b>976,644</b>                 | <b>Total Expenses</b>                             |
| <b>Net Expenditures</b>                        | <b>-</b>         |                |                | <b>462,254</b>                 | <b>Annual Surplus/(Deficit)</b>                   |
| Increase (decrease) in amounts to be recovered | -                |                |                | 6,666,053                      | Accumulated Surplus/(Deficit), beginning of year  |
| <b>Change in Fund Balances</b>                 | <b>-</b>         | <b>462,254</b> | <b>-</b>       | <b>7,128,307</b>               | <b>Accumulated Surplus/(Deficit), end of year</b> |
| <b>TOTAL ADJUSTMENTS</b>                       |                  | <b>860,432</b> | <b>860,432</b> |                                |   |

**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, 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 Town 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 Town 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.

**FIGURE 3-2**  
**Town of Mississippi Mills**  
**Conversion Adjustments**  
**Statement of Financial Position (Water)**

| Modified Cash Basis                    | Budget<br>2015   | Adjustments      |                  | Full Accrual<br>Budget<br>2015 | Accrual Basis                                     |
|--|------------------|------------------|------------------|--------------------------------|---|
|  |                  | DR               | CR               |                                |   |
| <b>ASSETS</b>                          |                  |                  |                  |                                | <b>ASSETS</b>                                     |
| <b>Financial Assets</b>                |                  |                  |                  |                                | <b>Financial Assets</b>                           |
| Cash                                   | 919,926          |                  |                  | 919,926                        | Cash  |
| Accounts Receivable                    | 164,671          |                  |                  | 164,671                        | Accounts Receivable                               |
| <i>Total Financial Assets</i>          | <i>1,084,597</i> |                  |                  | <i>1,084,597</i>               | <i>Total Financial Assets</i>                     |
| <b>LIABILITIES</b>                     |                  |                  |                  |                                | <b>Liabilities</b>                                |
| Accounts Payable & Accrued Liabilities | 63,178           |                  |                  | 63,178                         | Accounts Payable & Accrued Liabilities            |
| Gross Long-term Liabilities            | 467,193          |                  |                  | 467,193                        | Debt (Principal only)                             |
| Deferred Revenue                       | 248,577          |                  |                  | 248,577                        | Deferred Revenue                                  |
| <i>Total Liabilities</i>               | <i>778,948</i>   |                  |                  | <i>778,948</i>                 | <i>Total Liabilities</i>                          |
|  |                  |                  |                  |                                |   |
| <b>Net Assets/(Debt)</b>               | <b>305,649</b>   |                  |                  | <b>305,649</b>                 | <b>Net Financial Assets/(Debt)</b>                |
|  |                  |                  |                  |                                |   |
|  |                  | 7,004,158        | 181,500          | 6,822,658                      | <b>Non-Financial Assets</b>                       |
|  |                  |                  |                  | <b>6,822,658</b>               | Tangible Capital Assets                           |
|  |                  |                  |                  |                                | <b>Total Non-Financial Assets</b>                 |
| <b>Municipal Position</b>              |                  |                  |                  |                                |   |
| Water Reserves                         | 772,842          | 772,842          | -                |                                |   |
| Development Charge Reserve Fund        | 248,577          | 248,577          | -                |                                |   |
| Amounts to be Recovered                | (715,770)        | -                | 715,770          |                                |   |
|  |                  |                  |                  |                                |   |
| <b>Total Municipal Position</b>        | <b>305,649</b>   |                  | 7,128,307        | <b>7,128,307</b>               | <b>Accumulated Surplus/(Deficit), end of year</b> |
|  |                  |                  |                  |                                |   |
| <b>TOTAL ADJUSTMENTS</b>               |                  | <b>8,025,577</b> | <b>8,025,577</b> |                                |   |

**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 Town at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

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

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

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

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

- b) Amortization Expense – The method and timing of amortization should be based on the Town’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 Update.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Town's infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.

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## 4. Financial Plan

### 4.1 Introduction

The following tables provide the complete financial plan for the Town's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Town's water system. It is not an audited document<sup>1</sup> 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 Town's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2015, the Town's water system is anticipated to be in a net financial asset position of approximately \$305,600. However, after 2015, the financial plan forecasts a decreasing net financial asset position, ultimately reaching a net debt position of approximately \$3.9 million in 2021, and then improving again through to 2024. Net financial assets are projected to decrease by approximately \$2 million over the forecast period. This is predominantly due to the anticipated use of debt to construct significant water capital projects over the forecast period.

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.

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<sup>1</sup> 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.
- 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 by over \$10.7 million over the forecast period. This indicates that the Town 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 68% to 48% over the forecast period and as a result, annual surplus grows from \$462,254 in 2015 to over \$1,490,000 in 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 \$8.8 million to a 2014 accumulated surplus of approximately \$6.7 million 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 the years 2015 to 2018 and 2021, resulting in annual decreases in net financial assets. This is due to the planned use of debt to construct tangible capital assets in those years. In 2019 to 2020 and 2022 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 and reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 0.60 to 0.86 over the forecast period.<sup>1</sup>

#### **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), make debt payments and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Town's water system to fluctuate somewhat throughout the forecast period, but overall to increase from a balance of approximately \$744,000 at the beginning of 2015, to over \$1.6 million by the end of 2024. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.

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<sup>1</sup> A desirable ratio is 1:1 or better.

Table 4-1  
 Town of Mississippi Mills  
 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               |
| <b>Financial Assets</b>                           |                     |                  |                  |                    |                    |                    |                   |                    |                    |                    |                    |
| Cash  | 1                   | 919,926          | 1,221,103        | 634,968            | 778,657            | 1,151,271          | 1,749,424         | 741,141            | 614,759            | 1,088,158          | 1,617,371          |
| Accounts Receivable                               | 1                   | 164,671          | 197,685          | 212,961            | 229,000            | 245,988            | 263,957           | 282,785            | 302,695            | 323,722            | 345,725            |
| <b>Total Financial Assets</b>                     |                     | <b>1,084,597</b> | <b>1,418,788</b> | <b>847,929</b>     | <b>1,007,657</b>   | <b>1,397,259</b>   | <b>2,013,381</b>  | <b>1,023,926</b>   | <b>917,454</b>     | <b>1,411,880</b>   | <b>1,963,096</b>   |
| <b>Liabilities</b>                                |                     |                  |                  |                    |                    |                    |                   |                    |                    |                    |                    |
| Accounts Payable & Accrued Liabilities            | 1                   | 63,178           | 63,843           | 64,477             | 65,123             | 65,779             | 66,435            | 67,102             | 67,769             | 68,436             | 69,114             |
| Debt (Principal only)                             | 2                   | 467,193          | 655,766          | 1,702,479          | 1,860,788          | 1,681,171          | 1,492,560         | 4,079,789          | 3,989,950          | 3,731,829          | 3,321,583          |
| Deferred Revenue                                  | 3                   | 248,577          | 456,959          | 643,714            | 701,635            | 728,125            | 760,132           | 797,629            | 505,021            | 174,707            | (195,066)          |
| <b>Total Liabilities</b>                          |                     | <b>778,948</b>   | <b>1,176,568</b> | <b>2,410,670</b>   | <b>2,627,546</b>   | <b>2,475,075</b>   | <b>2,319,127</b>  | <b>4,944,520</b>   | <b>4,562,740</b>   | <b>3,974,972</b>   | <b>3,195,631</b>   |
| <b>Net Financial Assets/(Debt)</b>                |                     | <b>305,649</b>   | <b>242,220</b>   | <b>(1,562,741)</b> | <b>(1,619,889)</b> | <b>(1,077,816)</b> | <b>(305,746)</b>  | <b>(3,920,594)</b> | <b>(3,645,286)</b> | <b>(2,563,092)</b> | <b>(1,232,535)</b> |
| <b>Non-Financial Assets</b>                       |                     |                  |                  |                    |                    |                    |                   |                    |                    |                    |                    |
| Tangible Capital Assets                           | 4                   | 6,822,658        | 7,375,168        | 9,734,266          | 10,443,532         | 10,695,415         | 10,824,485        | 15,382,710         | 16,267,382         | 16,495,685         | 16,659,968         |
| <b>Total Non-Financial Assets</b>                 |                     | <b>6,822,658</b> | <b>7,375,168</b> | <b>9,734,266</b>   | <b>10,443,532</b>  | <b>10,695,415</b>  | <b>10,824,485</b> | <b>15,382,710</b>  | <b>16,267,382</b>  | <b>16,495,685</b>  | <b>16,659,968</b>  |
| <b>Accumulated Surplus/(Deficit)</b>              | 5                   | <b>7,128,307</b> | <b>7,617,388</b> | <b>8,171,525</b>   | <b>8,823,643</b>   | <b>9,617,599</b>   | <b>10,518,739</b> | <b>11,462,116</b>  | <b>12,622,096</b>  | <b>13,932,593</b>  | <b>15,427,433</b>  |
| <b>Financial Indicators</b>                       |                     |                  |                  |                    |                    |                    |                   |                    |                    |                    |                    |
|   | <b>Total Change</b> | <b>2015</b>      | <b>2016</b>      | <b>2017</b>        | <b>2018</b>        | <b>2019</b>        | <b>2020</b>       | <b>2021</b>        | <b>2022</b>        | <b>2023</b>        | <b>2024</b>        |
| 1) Increase/(Decrease) in Net Financial Assets    | (1,999,528)         | (461,344)        | (63,429)         | (1,804,961)        | (57,148)           | 542,073            | 772,070           | (3,614,848)        | 275,308            | 1,082,194          | 1,330,557          |
| 2) Increase/(Decrease) in Tangible Capital Assets | 10,760,908          | 923,598          | 552,510          | 2,359,098          | 709,266            | 251,883            | 129,070           | 4,558,225          | 884,672            | 228,303            | 164,283            |
| 3) Increase/(Decrease) in Accumulated Surplus     | 8,761,380           | 462,254          | 489,081          | 554,137            | 652,118            | 793,956            | 901,140           | 943,377            | 1,159,980          | 1,310,497          | 1,494,840          |

**Table 4-2**  
**Town of Mississippi Mills**  
**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              |
| <b>Water Revenue</b>                                 |                     |                  |                  |                  |                  |                  |                   |                   |                   |                   |                   |
| Base Charge Revenue                                  |                     | 640,535          | 685,279          | 732,816          | 782,818          | 835,650          | 891,719           | 950,637           | 1,012,845         | 1,078,834         | 1,148,167         |
| Rate Based Revenue                                   |                     | 359,634          | 515,406          | 560,654          | 608,066          | 658,417          | 711,483           | 766,920           | 825,642           | 887,364           | 951,673           |
| Earned Development Charges Revenue                   | 3                   | -                | -                | 27,619           | 161,191          | 197,119          | 196,237           | 195,577           | 527,194           | 566,108           | 606,451           |
| Developer Contributions                              | 4                   | 287,776          | -                | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Other Revenue  | 6                   | 150,953          | 150,119          | 151,401          | 143,452          | 146,465          | 150,216           | 156,259           | 145,315           | 147,188           | 155,856           |
| <b>Total Revenues</b>                                |                     | <b>1,438,898</b> | <b>1,350,804</b> | <b>1,472,490</b> | <b>1,695,527</b> | <b>1,837,651</b> | <b>1,949,655</b>  | <b>2,069,393</b>  | <b>2,510,996</b>  | <b>2,679,494</b>  | <b>2,862,147</b>  |
| <b>Water Expenses</b>                                |                     |                  |                  |                  |                  |                  |                   |                   |                   |                   |                   |
| Operating Expenses                                   | Sch. 4-1            | 759,216          | 598,800          | 605,600          | 638,500          | 617,500          | 624,500           | 630,600           | 636,700           | 643,800           | 650,000           |
| Interest on Debt                                     | 2                   | 750              | 23,433           | 32,851           | 85,175           | 93,078           | 84,085            | 74,641            | 203,988           | 199,500           | 186,590           |
| Amortization   | 4                   | 216,678          | 239,490          | 279,902          | 319,734          | 333,117          | 339,930           | 420,775           | 510,328           | 525,697           | 530,717           |
| <b>Total Expenses</b>                                |                     | <b>976,644</b>   | <b>861,723</b>   | <b>918,353</b>   | <b>1,043,409</b> | <b>1,043,695</b> | <b>1,048,515</b>  | <b>1,126,016</b>  | <b>1,351,016</b>  | <b>1,368,997</b>  | <b>1,367,307</b>  |
| <b>Annual Surplus/(Deficit)</b>                      |                     | <b>462,254</b>   | <b>489,081</b>   | <b>554,137</b>   | <b>652,118</b>   | <b>793,956</b>   | <b>901,140</b>    | <b>943,377</b>    | <b>1,159,980</b>  | <b>1,310,497</b>  | <b>1,494,840</b>  |
| Accumulated Surplus/(Deficit), beginning of year     | 5                   | 6,666,053        | 7,128,307        | 7,617,388        | 8,171,525        | 8,823,643        | 9,617,599         | 10,518,739        | 11,462,116        | 12,622,096        | 13,932,593        |
| Accumulated Surplus/(Deficit), end of year           |                     | 7,128,307        | 7,617,388        | 8,171,525        | 8,823,643        | 9,617,599        | 10,518,739        | 11,462,116        | 12,622,096        | 13,932,593        | 15,427,433        |
| <b>Note 5:</b>                                       |                     |                  |                  |                  |                  |                  |                   |                   |                   |                   |                   |
| <b>Accumulated Surplus/(Deficit) Reconciliation:</b> |                     |                  |                  |                  |                  |                  |                   |                   |                   |                   |                   |
|  |                     | 2015             | 2016             | 2017             | 2018             | 2019             | 2020              | 2021              | 2022              | 2023              | 2024              |
| <b>Reserve Balances</b>                              |                     |                  |                  |                  |                  |                  |                   |                   |                   |                   |                   |
| Reserves: Development Charges                        |                     | 248,577          | 456,959          | 643,714          | 701,635          | 728,125          | 760,132           | 797,629           | 505,021           | 174,707           | (195,066)         |
| Reserves: Capital/Other                              |                     | 772,842          | 897,986          | 139,738          | 240,899          | 603,355          | 1,186,814         | 159,195           | 344,664           | 1,168,737         | 2,089,048         |
| <b>Total Reserves Balance</b>                        |                     | <b>1,021,419</b> | <b>1,354,945</b> | <b>783,452</b>   | <b>942,534</b>   | <b>1,331,480</b> | <b>1,946,946</b>  | <b>956,824</b>    | <b>849,685</b>    | <b>1,343,444</b>  | <b>1,893,982</b>  |
| Less: Debt Obligations and Deferred Revenue          |                     | (715,770)        | (1,112,725)      | (2,346,193)      | (2,562,423)      | (2,409,296)      | (2,252,692)       | (4,877,418)       | (4,494,971)       | (3,906,536)       | (3,126,517)       |
| Add: Tangible Capital Assets                         | 4                   | 6,822,658        | 7,375,168        | 9,734,266        | 10,443,532       | 10,695,415       | 10,824,485        | 15,382,710        | 16,267,382        | 16,495,685        | 16,659,968        |
| <b>Total Ending Balance</b>                          |                     | <b>7,128,307</b> | <b>7,617,388</b> | <b>8,171,525</b> | <b>8,823,643</b> | <b>9,617,599</b> | <b>10,518,739</b> | <b>11,462,116</b> | <b>12,622,096</b> | <b>13,932,593</b> | <b>15,427,433</b> |
| <b>Financial Indicators</b>                          |                     |                  |                  |                  |                  |                  |                   |                   |                   |                   |                   |
|  | <b>Total Change</b> | <b>2015</b>      | <b>2016</b>      | <b>2017</b>      | <b>2018</b>      | <b>2019</b>      | <b>2020</b>       | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       | <b>2024</b>       |
| 1) Expense to Revenue Ratio                          |                     | 68%              | 64%              | 62%              | 62%              | 57%              | 54%               | 54%               | 54%               | 51%               | 48%               |
| 2) Increase/(Decrease) in Accumulated Surplus        | 8,761,380           | 462,254          | 489,081          | 554,137          | 652,118          | 793,956          | 901,140           | 943,377           | 1,159,980         | 1,310,497         | 1,494,840         |

**SCHEDULE 4-1**  
**Town of Mississippi Mills**  
**Schedule 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           |  |
| <b>Operating Expenses</b>              |       |                |                |                |                |                |                |                |                |                |                |  |
| Labour                                 |       | 37,375         | 37,800         | 38,200         | 38,600         | 39,000         | 39,400         | 39,800         | 40,200         | 40,600         | 41,000         |  |
| Vacation Pay                           |       | 6,843          | 6,900          | 7,000          | 7,100          | 7,200          | 7,300          | 7,400          | 7,500          | 7,600          | 7,700          |  |
| Sick Leave                             |       | 3,585          | 3,600          | 3,600          | 3,600          | 3,600          | 3,600          | 3,600          | 3,600          | 3,600          | 3,600          |  |
| Statutory Holidays                     |       | 4,116          | 4,200          | 4,200          | 4,200          | 4,200          | 4,200          | 4,200          | 4,200          | 4,200          | 4,200          |  |
| Bereavement Leave                      |       | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            | 100            |  |
| CPP                                    |       | 4,235          | 4,300          | 4,300          | 4,300          | 4,300          | 4,300          | 4,300          | 4,300          | 4,300          | 4,300          |  |
| EI                                     |       | 2,360          | 2,400          | 2,400          | 2,400          | 2,400          | 2,400          | 2,400          | 2,400          | 2,400          | 2,400          |  |
| Omers                                  |       | 9,405          | 9,500          | 9,600          | 9,700          | 9,800          | 9,900          | 10,000         | 10,100         | 10,200         | 10,300         |  |
| Group Insurance                        |       | 740            | 700            | 700            | 700            | 700            | 700            | 700            | 700            | 700            | 700            |  |
| Medical                                |       | 2,773          | 2,800          | 2,800          | 2,800          | 2,800          | 2,800          | 2,800          | 2,800          | 2,800          | 2,800          |  |
| Dental                                 |       | 1,250          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          |  |
| EHT                                    |       | 2,090          | 2,100          | 2,100          | 2,100          | 2,100          | 2,100          | 2,100          | 2,100          | 2,100          | 2,100          |  |
| WSIB                                   |       | 3,085          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          |  |
| Postage & Courier Services             |       | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            |  |
| Telephone                              |       | 450            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            |  |
| Audit Fees                             |       | 1,250          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          | 1,300          |  |
| Other Professional Fees                |       | 6,250          | 6,300          | 6,400          | 6,500          | 6,600          | 6,700          | 6,800          | 6,900          | 7,000          | 7,100          |  |
| Advertising                            |       | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            |  |
| Insurance (Building Etc.)              |       | 9,750          | 9,900          | 10,000         | 10,100         | 10,200         | 10,300         | 10,400         | 10,500         | 10,600         | 10,700         |  |
| Personnel (Clothing, Etc.)             |       | 1,025          | 1,000          | 1,000          | 1,000          | 1,000          | 1,000          | 1,000          | 1,000          | 1,000          | 1,000          |  |
| Technical Courses                      |       | 7,250          | 7,300          | 7,400          | 7,500          | 7,600          | 7,700          | 7,800          | 7,900          | 8,000          | 8,100          |  |
| Personnel (Courses/Memberships, Etc.)  |       | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            | 500            |  |
| Vehicles & Equipment                   |       | 8,075          | 8,200          | 8,300          | 8,400          | 8,500          | 8,600          | 8,700          | 8,800          | 8,900          | 9,000          |  |
| Water Distribution                     |       | 4,700          | 4,700          | 4,700          | 4,700          | 4,700          | 4,700          | 4,700          | 4,700          | 4,700          | 4,700          |  |
| Maintenance & Repairs                  |       | 117,259        | 118,500        | 119,700        | 120,900        | 122,200        | 123,500        | 124,800        | 126,100        | 127,400        | 128,700        |  |
| Valve Inspection & Maint.              |       | 34,795         | 35,200         | 35,600         | 36,000         | 36,400         | 36,800         | 37,200         | 37,600         | 38,000         | 38,400         |  |
| Meter Install, Maint. & Replacement    |       | 16,155         | 16,300         | 16,500         | 16,700         | 16,900         | 17,100         | 17,300         | 17,500         | 17,700         | 17,900         |  |
| Meter Reading & Billing                |       | 6,825          | 6,900          | 7,000          | 7,100          | 7,200          | 7,300          | 7,400          | 7,500          | 7,600          | 7,700          |  |
| Pump Houses, Lift Stns. & Lagoon       |       | 281,427        | 284,300        | 287,200        | 290,200        | 293,200        | 296,200        | 299,300        | 302,400        | 305,500        | 308,700        |  |
| Ontario One Call                       |       | 3,050          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          | 3,100          |  |
| Non TCA - Expenses from Capital Budget | 7     | 181,500        | 15,000         | 16,000         | 43,000         | 16,000         | 17,000         | 17,000         | 17,000         | 18,000         | 18,000         |  |
| <b>TOTAL OPERATING EXPENSES</b>        |       | <b>759,216</b> | <b>598,800</b> | <b>605,600</b> | <b>638,500</b> | <b>617,500</b> | <b>624,500</b> | <b>630,600</b> | <b>636,700</b> | <b>643,800</b> | <b>650,000</b> |  |

**Table 4-3**  
**Town of Mississippi Mills**  
**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)                               |       | 462,254        | 489,081        | 554,137            | 652,118            | 793,956            | 901,140          | 943,377            | 1,159,980          | 1,310,497          | 1,494,840          |
| Less: Acquisition of Tangible Capital Assets           | 4     | (1,140,276)    | (792,000)      | (2,639,000)        | (1,029,000)        | (585,000)          | (469,000)        | (4,979,000)        | (1,395,000)        | (754,000)          | (695,000)          |
| Add: Amortization of Tangible Capital Assets           | 4     | 216,678        | 239,490        | 279,902            | 319,734            | 333,117            | 339,930          | 420,775            | 510,328            | 525,697            | 530,717            |
| (Gain)/Loss on disposal of Tangible Capital Assets     |       | -              | -              | -                  | -                  | -                  | -                | -                  | -                  | -                  | -                  |
| Add: Proceeds on Sale of Tangible Capital Assets       |       | -              | -              | -                  | -                  | -                  | -                | -                  | -                  | -                  | -                  |
| Add: Write-downs of Tangible Capital Assets            |       | -              | -              | -                  | -                  | -                  | -                | -                  | -                  | -                  | -                  |
|  |       | (923,598)      | (552,510)      | (2,359,098)        | (709,266)          | (251,883)          | (129,070)        | (4,558,225)        | (884,672)          | (228,303)          | (164,283)          |
| Increase/(Decrease) in Net Financial Assets/(Net Debt) |       | (461,344)      | (63,429)       | (1,804,961)        | (57,148)           | 542,073            | 772,070          | (3,614,848)        | 275,308            | 1,082,194          | 1,330,557          |
| Net Financial Assets/(Net Debt), beginning of year     |       | 766,993        | 305,649        | 242,220            | (1,562,741)        | (1,619,889)        | (1,077,816)      | (305,746)          | (3,920,594)        | (3,645,286)        | (2,563,092)        |
| <b>Net Financial Assets/(Net Debt), end of year</b>    |       | <b>305,649</b> | <b>242,220</b> | <b>(1,562,741)</b> | <b>(1,619,889)</b> | <b>(1,077,816)</b> | <b>(305,746)</b> | <b>(3,920,594)</b> | <b>(3,645,286)</b> | <b>(2,563,092)</b> | <b>(1,232,535)</b> |

| Financial Indicators  | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021       | 2022       | 2023       | 2024       |
|---|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|
| 1) Acquisition of Tangible Capital Assets (Cumulative)                              | 1,140,276 | 1,932,276 | 4,571,276 | 5,600,276 | 6,185,276 | 6,654,276 | 11,633,276 | 13,028,276 | 13,782,276 | 14,477,276 |
| 2) Annual Surplus/Deficit before Amortization (Cumulative)                          | 678,932   | 1,407,503 | 2,241,542 | 3,213,394 | 4,340,467 | 5,581,537 | 6,945,689  | 8,615,997  | 10,452,191 | 12,477,748 |
| 3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative) | 0.60      | 0.73      | 0.49      | 0.57      | 0.70      | 0.84      | 0.60       | 0.66       | 0.76       | 0.86       |

**Table 4-4**  
**Town of Mississippi Mills**  
**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             |
| <b>Operating Transactions</b>                        |          |                |                  |                |                |                  |                  |                |                |                  |                  |
| Annual Surplus/Deficit                               |          | 462,254        | 489,081          | 554,137        | 652,118        | 793,956          | 901,140          | 943,377        | 1,159,980      | 1,310,497        | 1,494,840        |
| Add: Amortization of TCA's                           | 4        | 216,678        | 239,490          | 279,902        | 319,734        | 333,117          | 339,930          | 420,775        | 510,328        | 525,697          | 530,717          |
| Less: Earned Deferred Revenue                        | 3        | -              | -                | (27,619)       | (161,191)      | (197,119)        | (196,237)        | (195,577)      | (527,194)      | (566,108)        | (606,451)        |
| Add: Deferred Revenue Proceeds                       |          | 202,250        | 208,382          | 214,374        | 219,112        | 223,609          | 228,244          | 233,074        | 234,586        | 235,793          | 236,677          |
| Change in A/R (Increase)/Decrease                    |          | (51,863)       | (33,014)         | (15,276)       | (16,039)       | (16,988)         | (17,970)         | (18,828)       | (19,910)       | (21,026)         | (22,002)         |
| Change in A/P Increase/(Decrease)                    |          | 32,301         | 665              | 634            | 646            | 656              | 656              | 667            | 667            | 667              | 678              |
| Less: Interest Proceeds                              |          | -              | (202)            | (393)          | (493)          | (559)            | (621)            | (682)          | (446)          | (160)            | -                |
| Cash Provided by Operating Transactions              |          | 573,844        | 904,402          | 1,005,759      | 1,013,887      | 1,136,672        | 1,255,142        | 1,382,806      | 1,358,011      | 1,485,360        | 1,634,459        |
| <b>Capital Transactions</b>                          |          |                |                  |                |                |                  |                  |                |                |                  |                  |
| Proceeds on sale of Tangible Capital Assets          |          | -              | -                | -              | -              | -                | -                | -              | -              | -                | -                |
| Less: Cash Used to acquire Tangible Capital Assets   | 4        | (852,500)      | (792,000)        | (2,639,000)    | (1,029,000)    | (585,000)        | (469,000)        | (4,979,000)    | (1,395,000)    | (754,000)        | (695,000)        |
| Cash Applied to Capital Transactions                 |          | (852,500)      | (792,000)        | (2,639,000)    | (1,029,000)    | (585,000)        | (469,000)        | (4,979,000)    | (1,395,000)    | (754,000)        | (695,000)        |
| <b>Investing Transactions</b>                        |          |                |                  |                |                |                  |                  |                |                |                  |                  |
| Proceeds from Investments                            |          | -              | 202              | 393            | 493            | 559              | 621              | 682            | 446            | 160              | -                |
| Less: Cash Used to Acquire Investments               |          | -              | -                | -              | -              | -                | -                | -              | -              | -                | -                |
| Cash Provided by (applied to) Investing Transactions |          | -              | 202              | 393            | 493            | 559              | 621              | 682            | 446            | 160              | -                |
| <b>Financing Transactions</b>                        |          |                |                  |                |                |                  |                  |                |                |                  |                  |
| Proceeds from Debt Issue                             | 2        | 455,000        | 225,957          | 1,103,941      | 306,178        | -                | -                | 2,785,283      | 339,575        | 218,450          | 107,525          |
| Less: Debt Repayment (Principal only)                | 2        | (1,142)        | (37,384)         | (57,228)       | (147,869)      | (179,617)        | (188,610)        | (198,054)      | (429,414)      | (476,571)        | (517,771)        |
| Cash Applied to Financing Transactions               |          | 453,858        | 188,573          | 1,046,713      | 158,309        | (179,617)        | (188,610)        | 2,587,229      | (89,839)       | (258,121)        | (410,246)        |
| Increase in Cash and Cash Equivalents                |          | 175,202        | 301,177          | (586,135)      | 143,689        | 372,614          | 598,153          | (1,008,283)    | (126,382)      | 473,399          | 529,213          |
| Cash and Cash Equivalents, beginning of year         | 1        | 744,724        | 919,926          | 1,221,103      | 634,968        | 778,657          | 1,151,271        | 1,749,424      | 741,141        | 614,759          | 1,088,158        |
| <b>Cash and Cash Equivalents, end of year</b>        | <b>1</b> | <b>919,926</b> | <b>1,221,103</b> | <b>634,968</b> | <b>778,657</b> | <b>1,151,271</b> | <b>1,749,424</b> | <b>741,141</b> | <b>614,759</b> | <b>1,088,158</b> | <b>1,617,371</b> |

## Water Notes to Financial Plan

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

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

1. Sub-subparagraphs 4 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);
- C. Net debt (i.e. the difference between A and B above).

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

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

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

The assumptions used have been documented below:

### 1. Cash, Receivables and Payables

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

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

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

- a) Receivables: Based on historical levels of user charge receivables as a percentage of annual user charge revenue earned (source: prior years audited financial statements); and
  - b) Payables: Based on historical levels of payables as a percentage of annual expenses incurred (source: prior years audited financial statements).
- ### 2. Debt

Outstanding water related debt at the end of 2014 was approximately \$13,335 (reflective of the water portion of the Perth/Country/Bridge Streets Loans), with additional debt proceeds anticipated throughout the forecast period. *Principal* repayments for existing and new debt over the forecast period are scheduled as follows:

| Year         | Principal Payments  |
|--------------|---------------------|
| 2015         | 1,142               |
| 2016         | 37,384              |
| 2017         | 57,228              |
| 2018         | 147,869             |
| 2019         | 179,617             |
| 2020         | 188,610             |
| 2021         | 198,054             |
| 2022         | 429,414             |
| 2023         | 476,571             |
| 2024         | 517,771             |
| <b>Total</b> | <b>\$ 2,233,660</b> |

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 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 Town of Mississippi Mills collects water development charges, and deferred revenue is projected to increase from approximately \$249,000 in 2015 to approximately 798,000 by 2021. After 2021, deferred revenue is projected to start decreasing as funds will be used to finance growth-related capital works.

### 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - i. Water Mains
  - ii. Water Meters
  - iii. Facilities
  - iv. Treatment Plant
  - v. Water Tower
  - vi. Vehicles & Equipment
- Amortization is calculated based on the straight-line approach.
- Given the planned asset replacement forecast in the 2015 Rate Study Update, useful life on acquisitions of facility-related assets (including water tower) is assumed to be equal to the weighted average useful life for all facility assets on hand. However, useful life on acquisitions of all other assets is based on useful life applied to recent purchases within these categories.
- 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 disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, include probable system additions for 2015. This is reflective of the Riverfront Phase II development – namely Johanna, Van Dusen and Merrithew Streets.
- The Town 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        | 9,577,188         | 10,621,828        | 11,351,085        | 13,906,667        | 14,875,067        | 15,338,408        | 15,747,005        | 20,663,492        | 21,939,775        | 22,625,765        |
| Acquisitions                                  | 1,140,276         | 792,000           | 2,639,000         | 1,029,000         | 585,000           | 469,000           | 4,979,000         | 1,395,000         | 754,000           | 695,000           |
| Disposals                                     | 95,636            | 62,743            | 83,418            | 60,600            | 121,659           | 60,403            | 62,513            | 118,717           | 68,010            | 70,680            |
| <b>Closing Tangible Capital Asset Balance</b> | <b>10,621,828</b> | <b>11,351,085</b> | <b>13,906,667</b> | <b>14,875,067</b> | <b>15,338,408</b> | <b>15,747,005</b> | <b>20,663,492</b> | <b>21,939,775</b> | <b>22,625,765</b> | <b>23,250,085</b> |
| Opening Accumulated Amortization              | 3,678,128         | 3,799,170         | 3,975,917         | 4,172,401         | 4,431,535         | 4,642,993         | 4,922,520         | 5,280,782         | 5,672,393         | 6,130,080         |
| Amortization Expense                          | 216,678           | 239,490           | 279,902           | 319,734           | 333,117           | 339,930           | 420,775           | 510,328           | 525,697           | 530,717           |
| Amortization on Disposal                      | 95,636            | 62,743            | 83,418            | 60,600            | 121,659           | 60,403            | 62,513            | 118,717           | 68,010            | 70,680            |
| <b>Ending Accumulated Amortization</b>        | <b>3,799,170</b>  | <b>3,975,917</b>  | <b>4,172,401</b>  | <b>4,431,535</b>  | <b>4,642,993</b>  | <b>4,922,520</b>  | <b>5,280,782</b>  | <b>5,672,393</b>  | <b>6,130,080</b>  | <b>6,590,117</b>  |
| <b>Net Book Value</b>                         | <b>6,822,658</b>  | <b>7,375,168</b>  | <b>9,734,266</b>  | <b>10,443,532</b> | <b>10,695,415</b> | <b>10,824,485</b> | <b>15,382,710</b> | <b>16,267,382</b> | <b>16,495,685</b> | <b>16,659,968</b> |

## 5. Accumulated Surplus

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

| Wastewater                                  | 2015 Opening Accumulated Surplus |
|---|----------------------------------|
| <b>Reserve Balances</b>                     |                                  |
| Reserves: Development Charges               | 46,327                           |
| Reserves: Capital/Other                     | 780,328                          |
| <b>Total Reserves Balance</b>               | <b>826,655</b>                   |
| Less: Debt Obligations and Deferred Revenue | (59,662)                         |
| Add: Tangible Capital Assets                | 5,899,060                        |
| <b>Total Opening Balance</b>                | <b>6,666,053</b>                 |

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

6. Other Revenue

Other revenue includes interest, rental income, water connections, remote meters, hydrant rentals, Mississippi River Power Corporation Dividends, 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 financial plan for the Town of Mississippi Mills 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 Town of Mississippi Mills Water Financial Plan prepared by Watson & Associates Economists Ltd. dated December 3, 2015 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan and the Council Resolution approving 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 and the Council Resolution approving 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 Update – Water Summary Tables**

**Table 4-1  
Town of Mississippi Mills  
Water Service  
Capital Budget Forecast  
Inflated \$**

| Description   | Total             | Forecast         |                |                  |                  |                |                |                  |                  |                |                |         |
|---|-------------------|------------------|----------------|------------------|------------------|----------------|----------------|------------------|------------------|----------------|----------------|---------|
|   |                   | 2015             | 2016           | 2017             | 2018             | 2019           | 2020           | 2021             | 2022             | 2023           | 2024           |         |
| <b>Capital Expenditures</b>   |                   |                  |                |                  |                  |                |                |                  |                  |                |                |         |
| <b>2015 Capital Budget</b>  |                   |                  |                |                  |                  |                |                |                  |                  |                |                |         |
| OCWA-Water Treatment Capital  | 39,500            | 39,500           |                |                  |                  |                |                |                  |                  |                |                |         |
| Watermain Loop-Gomme Street (State To Gore)                             | 165,000           | 165,000          |                |                  |                  |                |                |                  |                  |                |                |         |
| Winter Freeze List-Dig Insulate & Services                              | 40,000            | 40,000           |                |                  |                  |                |                |                  |                  |                |                |         |
| Replacement Of Well Pump 7-44 L/S                                       | 200,000           | 200,000          |                |                  |                  |                |                |                  |                  |                |                |         |
| Sample Monitoring Wells Upstream Of Well 5 (Regulatory)                 | 15,000            | 15,000           |                |                  |                  |                |                |                  |                  |                |                |         |
| Annual Cleaning and CCTV Program-Infiltration                           | 20,000            | 20,000           |                |                  |                  |                |                |                  |                  |                |                |         |
| Radio Frequency Meter Conversions                                       | 25,000            | 25,000           |                |                  |                  |                |                |                  |                  |                |                |         |
| Master Plan-Municipal Class EA/Drinking Water Permit & Licence Fee      | 30,500            | 30,500           |                |                  |                  |                |                |                  |                  |                |                |         |
| Master Plan-Scada Computer, PLC Upgrades and UPS (All Wells)            | 455,000           | 455,000          |                |                  |                  |                |                |                  |                  |                |                |         |
| Trimble RF Meter Reader (Handheld Unit) Software and Support            | 4,000             | 4,000            |                |                  |                  |                |                |                  |                  |                |                |         |
| Update Rate Study/Financial Plan  | 10,000            | 10,000           |                |                  |                  |                |                |                  |                  |                |                |         |
| Pre-Engineering Water and Sewer Replacements (Carryforward from 2014)   | 15,000            | 15,000           |                |                  |                  |                |                |                  |                  |                |                |         |
| EAC Water Filling Stations-Aoth, Library, Arena                         | 7,500             | 7,500            |                |                  |                  |                |                |                  |                  |                |                |         |
| Almonte Downtown Class EA (W&S Share)                                   | 7,500             | 7,500            |                |                  |                  |                |                |                  |                  |                |                |         |
| OCWA Capital Allowance - Water Treatment                                | 358,000           | -                | 37,000         | 37,000           | 38,000           | 39,000         | 40,000         | 41,000           | 41,000           | 42,000         | 43,000         |         |
| Municipal Class EA - Upgrade to Well Pump 7 / Increased Water Treatment | -                 | -                | -              | -                | -                | -              | -              | -                | -                | -              | -              | -       |
| Monitoring Wells Upgradient of WELL 5 (Source Water Protection)         | 150,000           | -                | 15,000         | 16,000           | 16,000           | 16,000         | 17,000         | 17,000           | 17,000           | 18,000         | 18,000         |         |
| Engineering Design / MOE Approvals (Linear Replacements)                | 348,000           | -                | 36,000         | 36,000           | 37,000           | 38,000         | 39,000         | 39,000           | 40,000           | 41,000         | 42,000         |         |
| <b>Growth Related:</b>  |                   |                  |                |                  |                  |                |                |                  |                  |                |                |         |
| Mid-Term Supply Option W2 (wells 7 & 8)                                 | 1,533,000         | -                | 151,000        | 1,382,000        | -                | -              | -              | -                | -                | -              | -              | -       |
| Long-Term Supply Option W3 (wells 7 & 8)                                | 257,000           | -                | -              | -                | -                | -              | -              | -                | -                | 257,000        | -              | -       |
| Mid-Term Storage Option W2 (new reservoir)                              | 4,636,000         | -                | -              | -                | 219,000          | -              | -              | 4,417,000        | -                | -              | -              | -       |
| County Road 29 Looping  | 84,000            | -                | -              | -                | -                | -              | -              | 84,000           | -                | -              | -              | -       |
| Bridge Street Extension   | 182,000           | -                | 182,000        | -                | -                | -              | -              | -                | -                | -              | -              | -       |
| Ottawa Street and Sadler Estates Looping                                | 352,000           | -                | -              | -                | 352,000          | -              | -              | -                | -                | -              | -              | -       |
| Victoria Street Watermain   | 1,063,000         | -                | -              | 1,063,000        | -                | -              | -              | -                | -                | -              | -              | -       |
| Ottawa Street and Industrial Street Looping                             | 799,000           | -                | -              | -                | -                | -              | -              | -                | 799,000          | -              | -              | -       |
| Create Pressure Zone 3  | 65,000            | -                | -              | -                | -                | -              | -              | -                | -                | -              | -              | 65,000  |
| Modify Pressure Zone 2  | 123,000           | -                | -              | -                | -                | -              | -              | -                | -                | -              | -              | 123,000 |
| <b>Studies:</b>   |                   |                  |                |                  |                  |                |                |                  |                  |                |                |         |
| Update to Water/Sewer Master Plan                                       | 27,000            | -                | -              | -                | 27,000           | -              | -              | -                | -                | -              | -              | -       |
| <b>Lifecycle:</b>   |                   |                  |                |                  |                  |                |                |                  |                  |                |                |         |
| Radio Frequency Meter Replacements                                      | 348,000           | -                | 36,000         | 36,000           | 37,000           | 38,000         | 39,000         | 39,000           | 40,000           | 41,000         | 42,000         |         |
| Water Tower   | 92,000            | -                | 15,000         | -                | -                | 60,000         | -              | -                | 17,000           | -              | -              | -       |
| Structural/Architectural - Well Sites (3, 5, 6, 7 & 8)                  | 36,000            | -                | 10,000         | 12,000           | 8,000            | 6,000          | -              | -                | -                | -              | -              | -       |
| Mechanical - Well Sites (3, 5, 6, 7 & 8)                                | 153,000           | -                | -              | 47,000           | -                | 43,000         | -              | -                | 63,000           | -              | -              | -       |
| Electrical/Instrumentation/Controls - Well Sites (3, 5, 6, 7 & 8)       | 71,000            | -                | -              | 26,000           | -                | 16,000         | -              | -                | 29,000           | -              | -              | -       |
| Water Mains   | 2,837,000         | -                | 325,000        | -                | 338,000          | 345,000        | 351,000        | 359,000          | 366,000          | 373,000        | 380,000        |         |
| <b>Total Capital Expenditures</b>                                       | <b>14,548,000</b> | <b>1,034,000</b> | <b>807,000</b> | <b>2,655,000</b> | <b>1,072,000</b> | <b>601,000</b> | <b>486,000</b> | <b>4,996,000</b> | <b>1,412,000</b> | <b>772,000</b> | <b>713,000</b> |         |

**Table 4-1 (continued)**  
**Town of Mississippi Mills**  
**Water Service**  
**Capital Budget Forecast**  
 Inflated \$

| Description                               | Total             | Forecast         |                |                  |                  |                |                |                  |                  |                |                |
|---|-------------------|------------------|----------------|------------------|------------------|----------------|----------------|------------------|------------------|----------------|----------------|
|   |                   | 2015             | 2016           | 2017             | 2018             | 2019           | 2020           | 2021             | 2022             | 2023           | 2024           |
| <b>Capital Financing</b>                  |                   |                  |                |                  |                  |                |                |                  |                  |                |                |
| Provincial/Federal Grants                 | -                 |                  |                |                  |                  |                |                |                  |                  |                |                |
| Development Charges Reserve Fund          | -                 |                  |                |                  |                  |                |                |                  |                  |                |                |
| Non-Growth Related Debenture Requirements | 455,000           | 455,000          | -              | -                | -                | -              | -              | -                | -                | -              | -              |
| Growth Related Debenture Requirements     | 5,086,908         | -                | 225,957        | 1,103,941        | 306,178          | -              | -              | 2,785,283        | 339,575          | 218,450        | 107,525        |
| Long-Term Debt Charges                    |                   |                  |                |                  |                  |                |                |                  |                  |                |                |
| Operating Contributions                   | 183,500           | 183,500          | -              | -                | -                | -              | -              | -                | -                | -              | -              |
| Lifecycle Reserve Fund                    |                   |                  |                |                  |                  |                |                |                  |                  |                |                |
| Water Reserve                             | 8,822,592         | 395,500          | 581,043        | 1,551,059        | 765,823          | 601,000        | 486,000        | 2,210,718        | 1,072,425        | 553,550        | 605,475        |
| <b>Total Capital Financing</b>            | <b>14,548,000</b> | <b>1,034,000</b> | <b>807,000</b> | <b>2,655,000</b> | <b>1,072,000</b> | <b>601,000</b> | <b>486,000</b> | <b>4,996,000</b> | <b>1,412,000</b> | <b>772,000</b> | <b>713,000</b> |

**Table 4-2**  
**Town of Mississippi Mills**  
**Water Service**  
**Schedule of Non-Growth Related Debenture Repayments**  
 Inflated \$

| Debenture<br>Year                | Principal<br>(Inflated) | Forecast |        |        |        |        |        |        |        |        |        |
|----------------------------------|-------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                  |                         | 2015     | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   |
| 2015                             | 455,000                 |          | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 |
| 2016                             | -                       |          |        | -      | -      | -      | -      | -      | -      | -      | -      |
| 2017                             | -                       |          |        |        | -      | -      | -      | -      | -      | -      | -      |
| 2018                             | -                       |          |        |        |        | -      | -      | -      | -      | -      | -      |
| 2019                             | -                       |          |        |        |        |        | -      | -      | -      | -      | -      |
| 2020                             | -                       |          |        |        |        |        |        | -      | -      | -      | -      |
| 2021                             | -                       |          |        |        |        |        |        |        | -      | -      | -      |
| 2022                             | -                       |          |        |        |        |        |        |        |        | -      | -      |
| 2023                             | -                       |          |        |        |        |        |        |        |        |        | -      |
| 2024                             | -                       |          |        |        |        |        |        |        |        |        |        |
| <b>Total Annual Debt Charges</b> | <b>455,000</b>          | -        | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 | 58,925 |

**Table 4-3**  
**Town of Mississippi Mills**  
**Water Service**  
**Schedule of Growth Related Debenture Repayments**  
 Inflated \$

| Debenture<br>Year                | Principal<br>(Inflated) | Forecast |      |        |         |         |         |         |         |         |         |
|----------------------------------|-------------------------|----------|------|--------|---------|---------|---------|---------|---------|---------|---------|
|                                  |                         | 2015     | 2016 | 2017   | 2018    | 2019    | 2020    | 2021    | 2022    | 2023    | 2024    |
| 2015                             | -                       |          | -    | -      | -       | -       | -       | -       | -       | -       | -       |
| 2016                             | 225,957                 |          |      | 29,262 | 29,262  | 29,262  | 29,262  | 29,262  | 29,262  | 29,262  | 29,262  |
| 2017                             | 1,103,941               |          |      |        | 142,965 | 142,965 | 142,965 | 142,965 | 142,965 | 142,965 | 142,965 |
| 2018                             | 306,178                 |          |      |        |         | 39,651  | 39,651  | 39,651  | 39,651  | 39,651  | 39,651  |
| 2019                             | -                       |          |      |        |         |         | -       | -       | -       | -       | -       |
| 2020                             | -                       |          |      |        |         |         |         | -       | -       | -       | -       |
| 2021                             | 2,785,283               |          |      |        |         |         |         |         | 360,707 | 360,707 | 360,707 |
| 2022                             | 339,575                 |          |      |        |         |         |         |         |         | 43,977  | 43,977  |
| 2023                             | 218,450                 |          |      |        |         |         |         |         |         |         | 28,290  |
| 2024                             | 107,525                 |          |      |        |         |         |         |         |         |         |         |
| <b>Total Annual Debt Charges</b> | <b>5,086,908</b>        | -        | -    | 29,262 | 172,228 | 211,879 | 211,879 | 211,879 | 572,586 | 616,563 | 644,853 |

**Table 4-4**  
**Town of Mississippi Mills**  
**Water Service**  
**Water Reserves/ Reserve Funds Continuity**  
 Inflated \$

| Description             | 2015    | 2016    | 2017      | 2018    | 2019    | 2020      | 2021      | 2022      | 2023      | 2024      |
|-------------------------|---------|---------|-----------|---------|---------|-----------|-----------|-----------|-----------|-----------|
| Opening Balance         | 780,328 | 772,842 | 878,297   | 101,425 | 192,857 | 548,835   | 1,126,223 | 92,710    | 301,181   | 1,153,166 |
| Transfer from Operating | 388,014 | 686,499 | 774,187   | 857,254 | 956,978 | 1,063,388 | 1,177,205 | 1,280,896 | 1,405,535 | 1,541,357 |
| Transfer to Capital     | 395,500 | 581,043 | 1,551,059 | 765,823 | 601,000 | 486,000   | 2,210,718 | 1,072,425 | 553,550   | 605,475   |
| Transfer to Operating   |         |         |           |         |         |           |           |           |           |           |
| Closing Balance         | 772,842 | 878,297 | 101,425   | 192,857 | 548,835 | 1,126,223 | 92,710    | 301,181   | 1,153,166 | 2,089,049 |
| Interest                | -       | -       | -         | -       | -       | -         | -         | -         | -         | -         |

**Table 4-5**  
**Town of Mississippi Mills**  
**Water Service**  
**Water Development Charges Reserve Fund Continuity**  
 Inflated \$

| Description                       | 2015    | 2016    | 2017      | 2018    | 2019    | 2020    | 2021      | 2022    | 2023    | 2024      |
|-----------------------------------|---------|---------|-----------|---------|---------|---------|-----------|---------|---------|-----------|
| Opening Balance                   | 46,327  | 248,577 | 456,959   | 643,715 | 701,637 | 728,127 | 760,134   | 797,631 | 505,023 | 174,709   |
| Development Charge Proceeds       | 199,701 | 203,696 | 207,773   | 211,917 | 216,142 | 220,449 | 224,894   | 229,407 | 234,001 | 238,677   |
| Transfer to Capital               | -       | -       | -         | -       | -       | -       | -         | -       | -       | -         |
| Transfer to Operating             | -       | -       | 27,619    | 161,191 | 197,120 | 196,237 | 195,577   | 527,194 | 566,107 | 606,451   |
| Closing Balance                   | 246,028 | 452,273 | 637,114   | 694,441 | 720,660 | 752,339 | 789,451   | 499,844 | 172,917 | (193,065) |
| Interest                          | 2,549   | 4,686   | 6,601     | 7,195   | 7,467   | 7,795   | 8,180     | 5,179   | 1,792   | (2,000)   |
| Required from Development Charges | -       | 225,957 | 1,103,941 | 306,178 | -       | -       | 2,785,283 | 339,575 | 218,450 | 107,525   |

**Table 4-5b**  
**Town of Mississippi Mills**  
**Water Service**  
**Water Development Charges Exemption Funding Reserve Fund Continuity**  
 Inflated \$

| Description             | 2015 | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   |
|-------------------------|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Opening Balance         | -    | -      | 19,688 | 38,313 | 48,042 | 54,520 | 60,591 | 66,485 | 43,483 | 15,571 |
| Transfer from Operating | -    | 19,486 | 19,876 | 20,273 | 20,679 | 21,092 | 21,514 | 21,944 | 22,383 | 22,831 |
| Transfer to Capital     | -    | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| Transfer to Operating   | -    | -      | 1,644  | 11,037 | 14,760 | 15,642 | 16,302 | 45,392 | 50,455 | 38,402 |
| Closing Balance         | -    | 19,486 | 37,920 | 47,549 | 53,961 | 59,970 | 65,803 | 43,037 | 15,411 | -      |
| Interest                | -    | 202    | 393    | 493    | 559    | 621    | 682    | 446    | 160    | -      |

**Note:** The 2015 Rate Study Update did not include a separate reserve fund for DC exemption funding. These amounts were included within the Water/Wastewater DC reserve fund. However, due to the different treatment of DC revenue versus DC exemption funding (i.e. deferred revenue vs. current revenue) from the accounting perspective, exemption funding has been separated from the DC reserve fund for purposes of the financial plan.

**Table 4-6**  
**Town of Mississippi Mills**  
**Water Services**  
**Operating Budget Forecast**  
 Inflated \$

| Description   | Forecast         |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             | 2023             | 2024             |
| <b>Expenditures</b>                                       |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Operating Costs</b>                                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Labour  | 37,375           | 37,800           | 38,200           | 38,600           | 39,000           | 39,400           | 39,800           | 40,200           | 40,600           | 41,000           |
| Vacation Pay  | 6,843            | 6,900            | 7,000            | 7,100            | 7,200            | 7,300            | 7,400            | 7,500            | 7,600            | 7,700            |
| Sick Leave  | 3,585            | 3,600            | 3,600            | 3,600            | 3,600            | 3,600            | 3,600            | 3,600            | 3,600            | 3,600            |
| Statutory Holidays  | 4,116            | 4,200            | 4,200            | 4,200            | 4,200            | 4,200            | 4,200            | 4,200            | 4,200            | 4,200            |
| Bereavment Leave  | 100              | 100              | 100              | 100              | 100              | 100              | 100              | 100              | 100              | 100              |
| CPP   | 4,235            | 4,300            | 4,300            | 4,300            | 4,300            | 4,300            | 4,300            | 4,300            | 4,300            | 4,300            |
| EI  | 2,360            | 2,400            | 2,400            | 2,400            | 2,400            | 2,400            | 2,400            | 2,400            | 2,400            | 2,400            |
| Omers   | 9,405            | 9,500            | 9,600            | 9,700            | 9,800            | 9,900            | 10,000           | 10,100           | 10,200           | 10,300           |
| Group Insurance   | 740              | 700              | 700              | 700              | 700              | 700              | 700              | 700              | 700              | 700              |
| Medical   | 2,773            | 2,800            | 2,800            | 2,800            | 2,800            | 2,800            | 2,800            | 2,800            | 2,800            | 2,800            |
| Dental  | 1,250            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            |
| EHT   | 2,090            | 2,100            | 2,100            | 2,100            | 2,100            | 2,100            | 2,100            | 2,100            | 2,100            | 2,100            |
| WSIB  | 3,085            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            |
| Postage & Courier Services                                | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              |
| Telephone   | 450              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              |
| Audit Fees  | 1,250            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            | 1,300            |
| Other Professional Fees                                   | 6,250            | 6,300            | 6,400            | 6,500            | 6,600            | 6,700            | 6,800            | 6,900            | 7,000            | 7,100            |
| Advertising   | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              |
| Insurance (Building Etc.)                                 | 9,750            | 9,900            | 10,000           | 10,100           | 10,200           | 10,300           | 10,400           | 10,500           | 10,600           | 10,700           |
| Personnel (Clothing, Etc.)                                | 1,025            | 1,000            | 1,000            | 1,000            | 1,000            | 1,000            | 1,000            | 1,000            | 1,000            | 1,000            |
| Technical Courses   | 7,250            | 7,300            | 7,400            | 7,500            | 7,600            | 7,700            | 7,800            | 7,900            | 8,000            | 8,100            |
| Personnel (Courses/Memberships, Etc.)                     | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              | 500              |
| Vehicles & Equipment                                      | 8,075            | 8,200            | 8,300            | 8,400            | 8,500            | 8,600            | 8,700            | 8,800            | 8,900            | 9,000            |
| Water Distribution  | 4,700            | 4,700            | 4,700            | 4,700            | 4,700            | 4,700            | 4,700            | 4,700            | 4,700            | 4,700            |
| Maintenance & Repairs                                     | 117,259          | 118,500          | 119,700          | 120,900          | 122,200          | 123,500          | 124,800          | 126,100          | 127,400          | 128,700          |
| Valve Inspection & Maint.                                 | 34,795           | 35,200           | 35,600           | 36,000           | 36,400           | 36,800           | 37,200           | 37,600           | 38,000           | 38,400           |
| Meter Install, Maint. & Replacement                       | 16,155           | 16,300           | 16,500           | 16,700           | 16,900           | 17,100           | 17,300           | 17,500           | 17,700           | 17,900           |
| Meter Reading & Billing                                   | 6,825            | 6,900            | 7,000            | 7,100            | 7,200            | 7,300            | 7,400            | 7,500            | 7,600            | 7,700            |
| Pump Houses, Lift Stns. & Lagoon                          | 281,427          | 284,300          | 287,200          | 290,200          | 293,200          | 296,200          | 299,300          | 302,400          | 305,500          | 308,700          |
| Ontario One Call  | 3,050            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            | 3,100            |
| <b>Sub Total Operating</b>                                | <b>577,716</b>   | <b>583,800</b>   | <b>589,600</b>   | <b>595,500</b>   | <b>601,500</b>   | <b>607,500</b>   | <b>613,600</b>   | <b>619,700</b>   | <b>625,800</b>   | <b>632,000</b>   |
| <b>Capital-Related</b>                                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Existing Debt (Principal)                                 | 1,142            | 1,209            | 1,280            | 1,355            | 1,435            | 1,519            | 1,609            | 1,703            | 477              | 505              |
| Existing Debt (Interest)                                  | 750              | 683              | 612              | 536              | 457              | 372              | 283              | 188              | 107              | 79               |
| Existing Debt   | -                | -                | 17,965           | 106,631          | 136,305          | 143,121          | 150,277          | 379,233          | 425,192          | 463,820          |
| New Growth Related Debt (Principal)                       | -                | -                | 11,298           | 65,597           | 75,574           | 68,759           | 61,603           | 193,353          | 191,370          | 181,033          |
| New Growth Related Debt (Interest)                        | -                | -                | 37,983           | 39,882           | 41,877           | 43,970           | 46,169           | 48,477           | 50,901           | 53,446           |
| New Non-Growth Related Debt (Principal)                   | -                | 36,175           | 20,941           | 19,042           | 17,048           | 14,954           | 12,756           | 10,447           | 8,023            | 5,478            |
| New Non-Growth Related Debt (Interest)                    | -                | 22,750           | 19,876           | 20,273           | 20,679           | 21,092           | 21,514           | 21,944           | 22,383           | 22,831           |
| Transfer to Exemption Reserve Fund (DC exemption funding) | 183,500          | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Transfer to Capital                                       | 388,014          | 686,499          | 774,187          | 857,254          | 956,978          | 1,063,388        | 1,177,205        | 1,280,896        | 1,405,535        | 1,541,357        |
| Transfer to Capital Reserve                               | 573,406          | 766,801          | 884,141          | 1,110,572        | 1,250,352        | 1,357,176        | 1,471,414        | 1,936,242        | 2,103,989        | 2,268,550        |
| <b>Sub Total Capital Related</b>                          | <b>573,406</b>   | <b>766,801</b>   | <b>884,141</b>   | <b>1,110,572</b> | <b>1,250,352</b> | <b>1,357,176</b> | <b>1,471,414</b> | <b>1,936,242</b> | <b>2,103,989</b> | <b>2,268,550</b> |
| <b>Total Expenditures</b>                                 | <b>1,151,121</b> | <b>1,350,601</b> | <b>1,473,741</b> | <b>1,706,072</b> | <b>1,851,852</b> | <b>1,964,676</b> | <b>2,085,014</b> | <b>2,555,942</b> | <b>2,729,789</b> | <b>2,900,550</b> |

**Table 4-6 (continued)**  
**Town of Mississippi Mills**  
**Water Services**  
**Operating Budget Forecast**  
 Inflated \$

| Description   | Forecast       |                |                |                  |                  |                  |                  |                  |                  |                  |
|---|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2015           | 2016           | 2017           | 2018             | 2019             | 2020             | 2021             | 2022             | 2023             | 2024             |
| <b>Revenues</b>                                     |                |                |                |                  |                  |                  |                  |                  |                  |                  |
| Base Charge   | 640,535        | 685,279        | 732,816        | 782,818          | 835,650          | 891,719          | 950,637          | 1,012,845        | 1,078,834        | 1,148,167        |
| Interest-ORPC Note                                  | 30,420         | 25,000         | 25,000         | 25,000           | 25,000           | 25,000           | 25,000           | 25,000           | 25,000           | 25,000           |
| Interest-MRPC Note                                  | 73,391         | 30,000         | 30,000         | 30,000           | 30,000           | 30,000           | 30,000           | 30,000           | 30,000           | 30,000           |
| Rental Income-MRPC                                  | 7,658          | 7,658          | 7,658          | 7,658            | 7,658            | 7,658            | 7,658            | 7,658            | 7,658            | 7,658            |
| Miscellaneous Waterworks                            | -              | -              | -              | -                | -                | -                | -                | -                | -                | -                |
| Waterworks-Remote meters                            | 15,000         | 15,000         | 15,000         | 15,000           | 16,000           | 16,000           | 16,000           | 16,000           | 16,000           | 16,000           |
| Waterworks-W&S Connections                          | 3,750          | 4,000          | 4,000          | 4,000            | 4,000            | 4,000            | 4,000            | 4,000            | 4,000            | 4,000            |
| Waterworks-Hydrant Rental                           | 3,500          | 4,000          | 4,000          | 4,000            | 4,000            | 4,000            | 4,000            | 4,000            | 4,000            | 4,000            |
| Waterworks-Other Fees & S/C                         | 30             | -              | -              | -                | -                | -                | -                | -                | -                | -                |
| Interest on overdue water accounts                  | 9,117          | 9,000          | 9,000          | 9,000            | 10,000           | 10,000           | 10,000           | 10,000           | 10,000           | 10,000           |
| Interest Income                                     | 8,085          | 8,008          | 9,101          | 1,051            | 1,998            | 5,687            | 11,669           | 961              | 3,121            | 11,949           |
| Contributions from Development Charges Reserve Fund | -              | -              | 27,619         | 161,191          | 197,120          | 196,237          | 195,577          | 527,194          | 566,107          | 606,451          |
| Contributions from Reserves / Reserve Funds         | -              | -              | -              | -                | -                | -                | -                | -                | -                | -                |
| MRPC Dividends                                      | -              | 47,250         | 47,250         | 47,250           | 47,250           | 47,250           | 47,250           | 47,250           | 47,250           | 47,250           |
| <b>Total Operating Revenue</b>                      | <b>791,487</b> | <b>835,195</b> | <b>911,443</b> | <b>1,086,968</b> | <b>1,178,676</b> | <b>1,237,551</b> | <b>1,301,792</b> | <b>1,684,908</b> | <b>1,791,970</b> | <b>1,910,474</b> |
| Water Billing Recovery - Operating                  | 359,634        | 515,406        | 562,297        | 619,103          | 673,176          | 727,125          | 783,222          | 871,035          | 937,819          | 990,075          |
| Lifecycle Reserve Contribution (\$)                 |                |                |                |                  |                  |                  |                  |                  |                  |                  |
| <b>Water Billing Recovery - Total</b>               | <b>359,634</b> | <b>515,406</b> | <b>562,297</b> | <b>619,103</b>   | <b>673,176</b>   | <b>727,125</b>   | <b>783,222</b>   | <b>871,035</b>   | <b>937,819</b>   | <b>990,075</b>   |

**Table 4-7**  
**Town of Mississippi Mills**  
**Water Service**  
**Rate Forecast**  
 Inflated \$

| Description                           | 2015              | 2016               | 2017               | 2018               | 2019               | 2020               | 2021               | 2022               | 2023               | 2024               |
|---------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>FORECAST CONSUMPTION (Gallons)</b> | <b>98,396,841</b> | <b>100,911,687</b> | <b>103,458,818</b> | <b>105,973,664</b> | <b>108,488,510</b> | <b>111,035,641</b> | <b>113,550,487</b> | <b>116,065,333</b> | <b>118,612,464</b> | <b>121,127,310</b> |
| Calculated Water Rate/1,000 gallons   | 3.65              | 5.11               | 5.43               | 5.84               | 6.21               | 6.55               | 6.90               | 7.50               | 7.91               | 8.17               |