

City of Cornwall
Water and Wastewater
Ontario Regulation 453/07
Financial Plans

Financial Plan # 176-301

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 **Planning for growth**

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List of Acronyms

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

1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the City of Cornwall (the City) to prepare water and wastewater financial plans 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 City's water and wastewater systems has been completed and documented in the past through a 2011 Water & Wastewater Rate Study. An updated forecast was prepared for this report (2015 Forecast), and was based on discussions with City staff, existing reserve fund policies, the 2011 Rate Study and the City's current budget and capital forecast. The objective of the report provided herein is to convert the findings of the 2015 Forecast into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

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

“No person shall,

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

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

1. Obtain a drinking water works permit;

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

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

1.2.1 Financial Plan Defined

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

“financial plans’ means,

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

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

1.2.2 Financial Plan Requirements – New System

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

- Financial plans must be approved by Council resolution (or governing body) indicating that the drinking water system is financially viable;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing when the system first serves the public);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations”

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

- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – Existing System

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

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the P.S.A.B.) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per the P.S.A.B.) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per the P.S.A.B.) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;

- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plans are to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.4 Financial Plan Requirements - General

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

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

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

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Chartered Professional Accountants of Canada (formerly 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 are 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 required further changes to the format of existing financial statements. From a financial planning perspective, this change is significant for water and wastewater assets as they can represent a significant portion of the City'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 been eliminated by the new reporting format. The balances and transactions that make up these two statements have been transferred to either the Statement of Operations or the Statement of Financial Position depending on the nature of the account.

Figure 1-1
Statement of Financial Position

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

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

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

Figure 1-2
Statement of Operations

OLD FORMAT (PRE-2009)

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

2009 AND FUTURE

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

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

2009 AND FUTURE

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

Figure 1-4
Statement of Cash Flow¹

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

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

2. Sustainable Financial Planning

2.1 Introduction

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

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
- Principle #4: Lifecycle planning with mid-course corrections is preferable to planning over the short term, or not planning at all.
- Principle #5: An asset management plan is a key input to the development of a financial plan.
- Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
- Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.
- Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff and municipal Council.

2.2 Sustainable Water and Sewage Systems Act

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

2.3 Water Opportunities Act, 2010 (Bill 72)

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

The purposes of the Water Opportunities Act are to foster innovative water, wastewater and storm water technologies, services and practices; to create opportunities for economic development and clean-technology jobs; and to conserve and sustain water resources. To achieve this, Bill 72 provides for the creation of performance targets (financial, operational and maintenance related) which will vary by service type and location, and the required submission of conservation and sustainability plans for water, wastewater and stormwater.

The sustainability plan in Bill 72 expands on interim legislation for financial plans included in O.Reg 453/07, to include the following:

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

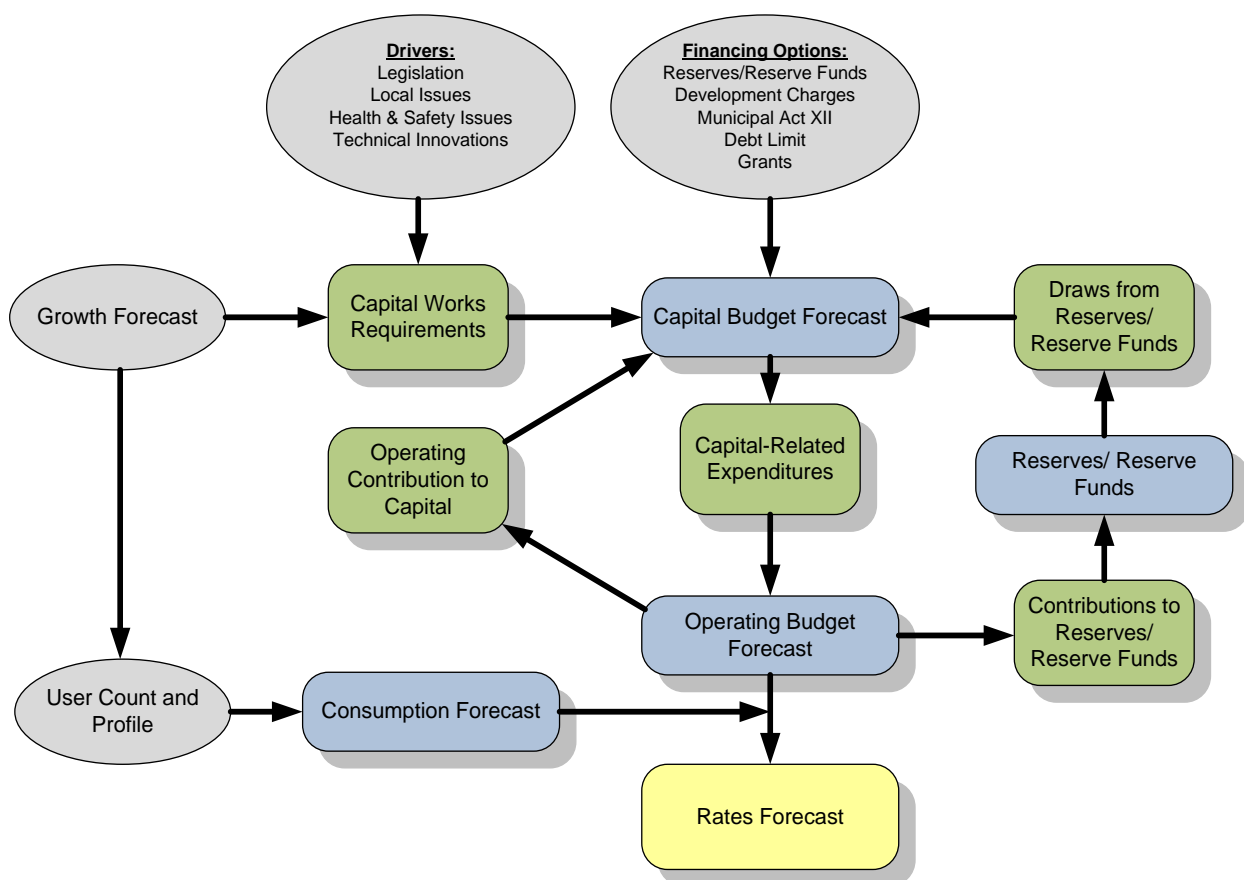
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

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

2.4 2015 Forecast

As noted above, Watson has worked with City staff to prepare required financial planning calculations as shown in the 2015 Forecast. Please note that the 2015 Forecast is not a Rate Study. The Rate Study process is 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, a Rate Study provides a sound financial plan for water and wastewater systems 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 City staff, Council, the general public (specifically the users of the systems) and others, with the aim of gaining input and collaboration on the sustainability of the financial plan.

It is recommended that the City complete an update to its Water & Wastewater Rate Study in the near future.

As mentioned earlier, the financial plan has been formulated by taking into account existing reserve fund policies and recent budget and capital forecast estimates (i.e. the 2015 Forecast described above) in addition to components of the City's 2011 Rate Study. Please refer to Appendix A for details.

3. Approach

3.1 Overview

The 2015 Forecast has been prepared on a modified cash basis; therefore, a conversion was required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan. It is noted that the financial plan has been prepared for both water and wastewater; however, the focus of the remaining chapters will be on water only. The complete financial plan for wastewater is provided in Appendix B.

3.2 Conversion Process

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

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

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the City's annual P.S.A.B. 3150 compliance processes. Given the prospective nature of the 2011 Rate Study, replacement cost is provided for each applicable asset; however, historical cost (which is the original cost to purchase, develop or construct each asset) is required for financial reporting purposes. Once historical cost is established, the following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2015 Forecast. These estimates, however, only represent future assets that the City anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no cost or partial cost to the City). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

3.2.2 Convert Statement of Operations

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

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
Revenues					Revenues
Rate Based Revenue	7,653,487			7,653,487	Rate Based Revenue
Other Revenue	227,885		1,147,258	1,375,143	Other Revenue
Total Revenues	7,881,372			9,028,630	Total Revenues
Expenditures					Expenses
Operating	4,500,372	91,000		4,591,372	Operating Expenses
Capital					
Transfers to Reserves	250,000		250,000		
Transfers to Capital	3,131,000		3,131,000		
		1,106,792		1,106,792	Amortization
Total Expenditures	7,881,372			5,698,164	Total Expenses
Net Expenditures	-			3,330,466	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			47,427,106	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	3,330,466	-	50,757,572	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		4,528,258	4,528,258		

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

3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts, such as accounts receivable, inventory, accounts payable and outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the City 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 City 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
Conversion Adjustments
Statements of Financial Position (Water)

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	4,704,896			4,704,896	Cash
Accounts Receivable	465,181			465,181	Accounts Receivable
<i>Total Financial Assets</i>	<i>5,170,077</i>			<i>5,170,077</i>	<i>Total Financial Assets</i>
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	607,370			607,370	Accounts Payable & Accrued Liabilities
Unearned Revenue	734,003			734,003	Other
<i>Total Liabilities</i>	<i>1,341,373</i>			<i>1,341,373</i>	<i>Total Liabilities</i>
Net Assets/(Debt)	3,828,704			3,828,704	Net Financial Assets/(Debt)
		47,019,868	91,000	46,928,868	Non-Financial Assets
				46,928,868	Tangible Capital Assets
					Total Non-Financial Assets
Municipal Position					
Water Reserves	3,828,704	3,828,704			
Total Municipal Position	3,828,704		50,757,572	50,757,572	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		50,848,572	50,848,572		

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 City 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 City’s ledgers. It may not be possible, however, to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

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

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

4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the City's water system (please refer to Appendix B for the wastewater financial plan). 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 City's water system. It is not an audited document¹ 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 City'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 estimation 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 at the end of 2015, the City's water system will be in a net financial asset position of approximately \$3.8 million. For the remainder of the forecast period the City's net financial asset/(debt) position fluctuates between \$1.5 million and \$3.8 million, eventually reaching a net financial asset position of approximately \$3.6 million at the end of 2021.

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;

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

- These assets represent significant economic resources in terms of their historical and replacement costs; therefore, ongoing capital asset management is essential to managing significant replacements and repairs; and
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital asset balance is expected to increase by approximately \$23.6 million over the forecast period. This indicates that the City 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 remaining relatively consistent between 61% and 69% over the forecast period. As a result, annual surplus fluctuates between \$2.6 million and \$4.2 million. 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 \$23.4 million to a 2014 accumulated surplus of approximately \$47.4 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 from 2016 to 2020, forecasted tangible capital asset acquisitions (net of amortization) exceeds forecasted annual surplus each year, resulting in annual decreases to net financial assets. However in 2015 and 2021, forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization), resulting in annual increases to net financial assets each year. 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 ranging from 0.93 to 1.02 over the forecast period.¹

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash and accrual based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions) and build internal reserve funds over the forecast period. The financial plan projects the cash position of the City's water system to remain relatively consistent between \$2.5 million and \$4.7 million over the forecast period. For further discussions on projected cash balances, please refer to the Notes to the Financial Plan.

¹ A desirable ratio is 1:1 or better.

Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Financial Assets								
Cash	1	4,704,896	4,704,205	4,519,191	3,932,602	3,068,086	2,588,494	4,614,523
Accounts Receivable	1	465,181	489,719	515,551	542,747	571,378	601,519	633,251
Total Financial Assets		5,170,077	5,193,924	5,034,742	4,475,349	3,639,464	3,190,013	5,247,774
Liabilities								
Accounts Payable & Accrued Liabilities	1	607,370	619,518	631,908	644,546	657,437	670,586	683,998
Unearned Revenue	1	734,003	772,721	813,481	856,393	901,569	949,129	999,199
Total Liabilities		1,341,373	1,392,239	1,445,389	1,500,939	1,559,006	1,619,715	1,683,197
Net Financial Assets/(Debt)		3,828,704	3,801,685	3,589,353	2,974,410	2,080,458	1,570,298	3,564,577
Non-Financial Assets								
Tangible Capital Assets	4	46,928,868	49,562,568	52,671,220	56,460,759	60,802,803	65,064,305	67,248,888
Total Non-Financial Assets		46,928,868	49,562,568	52,671,220	56,460,759	60,802,803	65,064,305	67,248,888
Accumulated Surplus/(Deficit)	5	50,757,572	53,364,253	56,260,573	59,435,169	62,883,261	66,634,603	70,813,465
Financial Indicators	Total Change	2015	2016	2017	2018	2019	2020	2021
1) Increase/(Decrease) in Net Financial Assets	(166,869)	97,258	(27,019)	(212,332)	(614,943)	(893,952)	(510,160)	1,994,279
2) Increase/(Decrease) in Tangible Capital Assets	23,553,228	3,233,208	2,633,700	3,108,652	3,789,539	4,342,044	4,261,502	2,184,583
3) Increase/(Decrease) in Accumulated Surplus	23,386,359	3,330,466	2,606,681	2,896,320	3,174,596	3,448,092	3,751,342	4,178,862

Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Water Revenue								
Rate Based Revenue		7,653,487	8,057,199	8,482,213	8,929,655	9,400,708	9,896,618	10,418,698
Other Revenue	6	1,375,143	378,662	375,144	356,233	326,688	311,998	393,733
Total Revenues		9,028,630	8,435,861	8,857,357	9,285,888	9,727,396	10,208,616	10,812,431
Water Expenses								
Operating Expenses	Sch. 4-1	4,591,372	4,657,880	4,732,189	4,825,831	4,921,348	5,018,776	5,118,152
Amortization	4	1,106,792	1,171,300	1,228,848	1,285,461	1,357,956	1,438,498	1,515,417
Total Expenses		5,698,164	5,829,180	5,961,037	6,111,292	6,279,304	6,457,274	6,633,569
Annual Surplus/(Deficit)		3,330,466	2,606,681	2,896,320	3,174,596	3,448,092	3,751,342	4,178,862
Accumulated Surplus/(Deficit), beginning of year	5	47,427,106	50,757,572	53,364,253	56,260,573	59,435,169	62,883,261	66,634,603
Accumulated Surplus/(Deficit), end of year		50,757,572	53,364,253	56,260,573	59,435,169	62,883,261	66,634,603	70,813,465
Note 5:								
Accumulated Surplus/(Deficit) Reconciliation:		2015	2016	2017	2018	2019	2020	2021
Reserve Balances								
Reserves: Capital/Other		3,828,704	3,801,685	3,589,353	2,974,410	2,080,458	1,570,298	3,564,577
Total Reserves Balance		3,828,704	3,801,685	3,589,353	2,974,410	2,080,458	1,570,298	3,564,577
Less: Debt Obligations and Deferred Revenue		-	-	-	-	-	-	-
Add: Tangible Capital Assets	4	46,928,868	49,562,568	52,671,220	56,460,759	60,802,803	65,064,305	67,248,888
Total Ending Balance		50,757,572	53,364,253	56,260,573	59,435,169	62,883,261	66,634,603	70,813,465
Financial Indicators								
	Total Change	2015	2016	2017	2018	2019	2020	2021
1) Expense to Revenue Ratio		63%	69%	67%	66%	65%	63%	61%
2) Increase/(Decrease) in Accumulated Surplus	23,386,359	3,330,466	2,606,681	2,896,320	3,174,596	3,448,092	3,751,342	4,178,862

Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Operating Expenses								
Salaries & Benefits		1,992,588	2,032,440	2,073,089	2,114,551	2,156,842	2,199,979	2,243,979
Purchase of Goods		1,198,408	1,222,376	1,246,824	1,271,760	1,297,195	1,323,139	1,349,602
Services & Rents		689,206	702,990	717,050	731,391	746,019	760,939	776,158
Taxes		57,924	59,082	60,264	61,469	62,698	63,952	65,231
Corporate Costs		476,226	485,751	495,466	505,375	515,483	525,793	536,309
IT Hardware/Software Direct		15,000	15,300	15,606	15,918	16,236	16,561	16,892
Insurance Premiums/Claims		70,380	71,788	73,224	74,688	76,182	77,706	79,260
Financial Costs		640	653	666	679	693	707	721
Non TCA - Expenses from Capital Budget	7	91,000	67,500	50,000	50,000	50,000	50,000	50,000
TOTAL OPERATING EXPENSES		4,591,372	4,657,880	4,732,189	4,825,831	4,921,348	5,018,776	5,118,152

Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Annual Surplus/(Deficit)		3,330,466	2,606,681	2,896,320	3,174,596	3,448,092	3,751,342	4,178,862
Less: Acquisition of Tangible Capital Assets	4	(4,340,000)	(3,805,000)	(4,337,500)	(5,075,000)	(5,700,000)	(5,700,000)	(3,700,000)
Add: Amortization of Tangible Capital Assets	4	1,106,792	1,171,300	1,228,848	1,285,461	1,357,956	1,438,498	1,515,417
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-
		(3,233,208)	(2,633,700)	(3,108,652)	(3,789,539)	(4,342,044)	(4,261,502)	(2,184,583)
Increase/(Decrease) in Net Financial Assets/(Net Debt)		97,258	(27,019)	(212,332)	(614,943)	(893,952)	(510,160)	1,994,279
Net Financial Assets/(Net Debt), beginning of year		3,731,446	3,828,704	3,801,685	3,589,353	2,974,410	2,080,458	1,570,298
Net Financial Assets/(Net Debt), end of year		3,828,704	3,801,685	3,589,353	2,974,410	2,080,458	1,570,298	3,564,577
Financial Indicators		2015	2016	2017	2018	2019	2020	2021
1) Acquisition of Tangible Capital Assets (Cumulative)		4,340,000	8,145,000	12,482,500	17,557,500	23,257,500	28,957,500	32,657,500
2) Annual Surplus/Deficit before Amortization (Cumulative)		4,437,258	8,215,239	12,340,407	16,800,464	21,606,512	26,796,352	32,490,631
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.02	1.01	0.99	0.96	0.93	0.93	0.99

Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Operating Transactions								
Annual Surplus/Deficit		3,330,466	2,606,681	2,896,320	3,174,596	3,448,092	3,751,342	4,178,862
Add: Amortization of TCA's	4	1,106,792	1,171,300	1,228,848	1,285,461	1,357,956	1,438,498	1,515,417
Change in A/R (Increase)/Decrease		(26,247)	(24,538)	(25,832)	(27,196)	(28,631)	(30,141)	(31,732)
Change in A/P Increase/(Decrease)		13,972	12,148	12,390	12,638	12,891	13,149	13,412
Change in Unearned Revenue Increase/(Decrease)		41,415	38,718	40,760	42,912	45,176	47,560	50,070
Less: Interest Proceeds		(147,258)	(146,219)	(138,052)	(114,400)	(80,018)	(60,396)	(137,099)
Cash Provided by Operating Transactions		4,319,140	3,658,090	4,014,434	4,374,011	4,755,466	5,160,012	5,588,930
Capital Transactions								
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(4,340,000)	(3,805,000)	(4,337,500)	(5,075,000)	(5,700,000)	(5,700,000)	(3,700,000)
Cash Applied to Capital Transactions		(4,340,000)	(3,805,000)	(4,337,500)	(5,075,000)	(5,700,000)	(5,700,000)	(3,700,000)
Investing Transactions								
Proceeds from Investments		147,258	146,219	138,052	114,400	80,018	60,396	137,099
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		147,258	146,219	138,052	114,400	80,018	60,396	137,099
Financing Transactions								
Proceeds from Debt Issue	2	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	-	-	-	-	-	-
Cash Applied to Financing Transactions		-	-	-	-	-	-	-
Increase in Cash and Cash Equivalents		126,398	(691)	(185,014)	(586,589)	(864,516)	(479,592)	2,026,029
Cash and Cash Equivalents, beginning of year	1	4,578,498	4,704,896	4,704,205	4,519,191	3,932,602	3,068,086	2,588,494
Cash and Cash Equivalents, end of year	1	4,704,896	4,704,205	4,519,191	3,932,602	3,068,086	2,588,494	4,614,523

Water Notes to Financial Plan

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

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

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

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

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

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

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

In order to show a balanced financial plan in a full accrual format for the City of Cornwall, some of the items listed above have been estimated given that the City 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 water receivables as a percentage of annual water revenues, applied to projected water revenues;
- b) Payables: Based on historical levels of City wide payables as a percentage of annual expenses incurred, applied to projected water expenses; and
- c) Unearned Revenue: Based on historical levels of water unearned revenue as a percentage of annual water revenues, applied to projected water revenues.

2. Debt

There is no outstanding water related debt at the end of 2014, with no water related debt proceeds anticipated throughout the forecast period. For financial reporting purposes, debt principal payments represent a decrease in debt liability and the interest payments represent a current year operating expense.

3. Deferred Revenue

Deferred revenue is typically made up of 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. Given that the City does not collect water development charges, it has been assumed that deferred revenue is not applicable to this financial plan.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water-related assets in the following categories:
 - i. Watermains;
 - ii. Valves and Hydrants;
 - iii. Water Services; and
 - iv. Non-Linear.
- Amortization is calculated based on the straight-line approach.
- Given the planned asset replacement forecast in the 2015 Forecast, useful life on acquisitions is assumed to be equal to typical values assigned by the City for each asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposals are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in subsection 3.2.1, are shown on the Statement of Operations as revenue earned in the year of contribution, if applicable.
- The City is unaware of any specific lead service piping in the City water system. However when older portions of the water main system are replaced as part of the ongoing replacement program, any lead service pipes will be replaced if and when found.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2015	2016	2017	2018	2019	2020	2021
Opening Tangible Capital Asset Balance	69,882,071	74,117,545	77,792,469	81,983,141	86,900,852	92,425,801	97,914,253
Acquisitions	4,340,000	3,805,000	4,337,500	5,075,000	5,700,000	5,700,000	3,700,000
Disposals	104,526	130,076	146,828	157,289	175,051	211,548	206,036
Closing Tangible Capital Asset Balance	74,117,545	77,792,469	81,983,141	86,900,852	92,425,801	97,914,253	101,408,217
Opening Accumulated Amortization	26,186,411	27,188,677	28,229,901	29,311,921	30,440,093	31,622,998	32,849,948
Amortization Expense	1,106,792	1,171,300	1,228,848	1,285,461	1,357,956	1,438,498	1,515,417
Amortization on Disposal	104,526	130,076	146,828	157,289	175,051	211,548	206,036
Ending Accumulated Amortization	27,188,677	28,229,901	29,311,921	30,440,093	31,622,998	32,849,948	34,159,329
Net Book Value	46,928,868	49,562,568	52,671,220	56,460,759	60,802,803	65,064,305	67,248,888

5. Accumulated Surplus

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

Water	2015 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	3,731,446
Total Reserves Balance	3,731,446
Less: Debt Obligations and Deferred Revenue	-
Add: Tangible Capital Assets	43,695,660
Total Opening Balance	47,427,106

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

6. Other Revenue

Other revenue includes general sales and rents, recoveries, water connections, interest, as well as other non-operating general revenues.

7. Operating Expenses

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

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

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

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

6. Recommendations

This report presents the water and wastewater financial plan for the City of Cornwall 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 Forecast as well as City staff prepared budgets and forecasts. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The City of Cornwall Water and Wastewater Financial Plan prepared by Watson & Associates Economists Ltd. dated November 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 – Water and Wastewater 2015 Forecasts

Table 1
City of Cornwall
Water Services Capital Budget Forecast
2015 - 2021

Project Description	Total Expenditures	Forecast						
		2015	2016	2017	2018	2019	2020	2021
WATER DISTRIBUTION								
<i>Watermain Replacement (Joint Projects)</i>								
Various Projects	5,837,500	600,000	725,000	687,500	825,000	1,000,000	1,000,000	1,000,000
<i>Watermain Rehabilitation</i>								
Upgrade / Replacement of Large Diameter Valves	100,000	100,000	-	-	-	-	-	-
400mm Watermain Rehabilitation on Easement	560,000	560,000	-	-	-	-	-	-
Watermain Rehabilitation Improvements (2015)	11,900,000	2,000,000	1,800,000	1,700,000	1,500,000	1,500,000	1,700,000	1,700,000
Water Distribution Network Monitoring	200,000	100,000	100,000	-	-	-	-	-
Water Bottle Filling Stations, from Cornwall Blueprint	60,000	30,000	30,000	-	-	-	-	-
<i>System Growth - New Watermain</i>								
- Powerdam Road (Saunders to Tollgate)	1,100,000	-	-	-	550,000	550,000	-	-
- Business Park	1,000,000	-	-	250,000	-	250,000	250,000	250,000
WATER TREATMENT								
Plant Process	4,250,000	-	650,000	700,000	700,000	700,000	750,000	750,000
Demand Management	6,700,000	-	500,000	1,000,000	1,500,000	1,700,000	2,000,000	-
Hydrofluorosilicic Acid Safety Related Upgrades	300,000	300,000	-	-	-	-	-	-
Water Tower and Locker room	650,000	650,000	-	-	-	-	-	-
- Asset Management	408,500	91,000	67,500	50,000	50,000	50,000	50,000	50,000
Total Capital Expenditures	33,066,000	4,431,000	3,872,500	4,387,500	5,125,000	5,750,000	5,750,000	3,750,000
Capital Financing								
Grants	1,000,000	1,000,000	-	-	-	-	-	-
Debenture/Debt Requirements	-	-	-	-	-	-	-	-
Municipal Act Capital Charges	-	-	-	-	-	-	-	-
Operating Contributions	27,718,509	3,131,000	3,449,262	3,787,116	4,145,657	4,526,030	4,929,444	3,750,000
Water Reserve Fund	4,347,491	300,000	423,238	600,384	979,343	1,223,970	820,556	-
Total Financing	33,066,000	4,431,000	3,872,500	4,387,500	5,125,000	5,750,000	5,750,000	3,750,000

Table 2
City of Cornwall
Reserves Fund Continuity Schedule
2015 - 2021

Water Reserve Fund	Forecast						
	2015	2016	2017	2018	2019	2020	2021
Opening Balance	3,731,446	3,828,704	3,801,684	3,589,352	2,974,410	2,080,457	1,570,298
Transfer from Operating	250,000	250,000	250,000	250,000	250,000	250,000	1,857,180
Transfer to Operating	-	-	-	-	-	-	-
Transfer to Capital	300,000	423,238	600,384	979,343	1,223,970	820,556	
Balance	3,681,446	3,655,466	3,451,300	2,860,009	2,000,440	1,509,901	3,427,478
Interest	147,258	146,219	138,052	114,400	80,018	60,396	137,099

Table 3
City of Cornwall
Water Services Operating Budget Forecast
2015 - 2021

Description	Forecast						
	2015	2016	2017	2018	2019	2020	2021
Expenditures							
Salaries & Benefits	1,992,588	2,032,440	2,073,089	2,114,551	2,156,842	2,199,979	2,243,979
Purchase of Goods	1,198,408	1,222,376	1,246,824	1,271,760	1,297,195	1,323,139	1,349,602
Services & Rents	689,206	702,990	717,050	731,391	746,019	760,939	776,158
Taxes	57,924	59,082	60,264	61,469	62,698	63,952	65,231
Corporate Costs	476,226	485,751	495,466	505,375	515,483	525,793	536,309
IT Hardware/Software Direct	15,000	15,300	15,606	15,918	16,236	16,561	16,892
Insurance Premiums/Claims	70,380	71,788	73,224	74,688	76,182	77,706	79,260
Financial Costs	640	653	666	679	693	707	721
Subtotal - Operating Expenditures	4,500,372	4,590,380	4,682,189	4,775,831	4,871,348	4,968,776	5,068,152
Capital Related Expenditures							
Contribution to Capital	3,131,000	3,449,262	3,787,116	4,145,657	4,526,030	4,929,444	3,750,000
New Debt Charges	-	-	-	-	-	-	-
Existing Debt Charges	-	-	-	-	-	-	-
Reserve Fund Contribution	250,000	250,000	250,000	250,000	250,000	250,000	1,857,180
Subtotal - Capital Related Expenditures	3,381,000	3,699,262	4,037,116	4,395,657	4,776,030	5,179,444	5,607,180
Total Expenditures	7,881,372	8,289,642	8,719,305	9,171,488	9,647,378	10,148,220	10,675,332
Revenues							
General Sales & Rents	87,000	88,740	90,515	92,325	94,172	96,055	97,976
Water Connection	5,000	5,100	5,202	5,306	5,412	5,520	5,630
Recoveries	14,385	14,673	14,966	15,265	15,570	15,881	16,199
Interest on Taxes	57,000	58,140	59,303	60,489	61,699	62,933	64,192
Misc Other Revenue	64,500	65,790	67,106	68,448	69,817	71,213	72,637
Contribution from Reserves	-	-	-	-	-	-	-
Total Revenues	227,885	232,443	237,092	241,833	246,670	251,602	256,634
Water Billing Recovery	7,653,487	8,057,199	8,482,213	8,929,655	9,400,708	9,896,618	10,418,698

Table 4
City of Cornwall
Wastewater Services Capital Budget Forecast
2015 - 2021

Project Description	Total Expenditures	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Sanitary Sewer Replacement (Joint Projects)								
Various Projects	5,837,500	600,000	725,000	687,500	825,000	1,000,000	1,000,000	1,000,000
Cornwall Blueprint - Flood Reduction / Management								
Eamers Corners SWM Pond	350,000	350,000	-	-	-	-	-	-
Culvert Inventory / Replacement	200,000	200,000	-	-	-	-	-	-
Infiltration/Inflow - Reduction Project	700,000	100,000	200,000	200,000	200,000	-	-	-
Grand/ Miron New Sewer Outlet	2,500,000	2,500,000	-	-	-	-	-	-
Drain Ditch and Storm Maintenance	60,000	30,000	30,000	-	-	-	-	-
Easton Ave Sewer Infiltration/Inflow Reduction	600,000	600,000	-	-	-	-	-	-
Christy/Dunkirk Flood Migration	250,000	250,000	-	-	-	-	-	-
Brookdale Ave/North Channel Bridge	4,240,000	-	3,740,000	500,000	-	-	-	-
Fennell Crescent Pumping Station	900,000	-	900,000	-	-	-	-	-
Annual Maintenance								
2015 Sewer Network Improvements/Flood Prevention/C-C2-C3	4,860,000	685,000	800,000	675,000	675,000	675,000	675,000	675,000
Sanitary / Combined Sewer Rehab / Replacement / Spot Repair	750,000	125,000	-	125,000	125,000	125,000	125,000	125,000
Pitt St/Mackenzie Storm Diversion	-	-	-	-	-	-	-	-
Various Drainage Problems	300,000	-	50,000	50,000	50,000	50,000	50,000	50,000
Sanitary Capacity / CSO Abatement	-							
Sanitary/Combined Sewer Rehab/Repl.	-							
Storm and Combined Sewer Separation	3,183,000	335,000	335,000	380,000	525,000	525,000	583,000	500,000
WASTEWATER TREATMENT								
Treatment System Upgrades	3,950,000	550,000	550,000	550,000	550,000	550,000	600,000	600,000
Asset Management	408,500	91,000	67,500	50,000	50,000	50,000	50,000	50,000
Total Capital Expenditures	29,089,000	6,416,000	7,397,500	3,217,500	3,000,000	2,975,000	3,083,000	3,000,000
Capital Financing								
Grants	1,000,000	1,000,000	-	-	-	-	-	-
Debt/Debt Requirements	8,100,000	3,460,000	4,640,000	-	-	-	-	-
Operating Contributions	12,838,179	1,701,000	1,743,525	1,787,113	1,831,791	1,877,586	1,924,525	1,972,639
Operating Contributions (offset debt requirements)	1,212,727	1,212,727						
Wastewater Reserve Fund	7,150,821	255,000	1,013,975	1,430,387	1,168,209	1,097,414	1,158,475	1,027,361
Total Financing	30,301,727	7,628,727	7,397,500	3,217,500	3,000,000	2,975,000	3,083,000	3,000,000

Note: Capital financing exceeds capital expenditures in 2015 due to additional contributions from operations used to offset debt requirements.

Table 5
City of Cornwall
Reserves Fund Continuity Schedule
2015 - 2021

Wastewater Reserve Fund	Forecast						
	2015	2016	2017	2018	2019	2020	2021
Opening Balance	3,930,304	3,822,316	3,439,434	2,320,464	1,880,361	1,981,375	2,544,394
Transfer from Operating	-	498,807	222,168	655,784	1,122,222	1,623,632	2,162,292
Transfer to Operating	-	-	-	-	-	-	-
Transfer to Capital	255,000	1,013,975	1,430,387	1,168,209	1,097,414	1,158,475	1,027,361
Balance	3,675,304	3,307,148	2,231,215	1,808,039	1,905,169	2,446,532	3,679,325
Interest	147,012	132,286	89,249	72,322	76,207	97,861	147,173

Table 6
City of Cornwall
Wastewater Services Operating Budget Forecast
2015 - 2021

Description	Forecast						
	2015	2016	2017	2018	2019	2020	2021
Expenditures							
Salaries & Benefits	1,900,378	1,938,386	1,977,153	2,016,696	2,057,030	2,098,171	2,140,134
Purchase of Goods	1,604,452	1,636,541	1,669,272	1,702,657	1,736,710	1,771,445	1,806,874
Services & Rents	1,154,141	1,177,224	1,200,768	1,224,784	1,249,279	1,274,265	1,299,750
Taxes	96,624	98,556	100,528	102,538	104,589	106,681	108,814
Corporate Costs	454,918	464,016	473,297	482,763	492,418	502,266	512,312
Administration Overhead	-	-	-	-	-	-	-
Insurance Premiums	129,683	132,277	134,922	137,621	140,373	143,181	146,044
Other Transfers	400,000	-	-	-	-	-	-
Subtotal - Operating Expenditures	5,740,196	5,447,000	5,555,940	5,667,059	5,780,400	5,896,008	6,013,928
Capital Related Expenditures							
Contribution to Capital	2,913,727	1,743,525	1,787,113	1,831,791	1,877,586	1,924,525	1,972,639
Transfer to Reserve	-	-	-	-	-	-	-
Debt Charges - Principal	97,057	832,785	1,405,466	1,441,688	1,478,872	1,517,044	1,556,232
Debt Charges - Interest	181,860	533,963	640,733	604,511	567,328	529,155	489,968
Reserve Contribution	-	498,807	222,168	655,784	1,122,222	1,623,632	2,162,292
Subtotal - Capital Related Expenditures	3,192,644	3,609,080	4,055,481	4,533,774	5,046,008	5,594,356	6,181,131
Total Expenditures	8,932,840	9,056,080	9,611,421	10,200,833	10,826,408	11,490,364	12,195,059
Revenues							
Sewer Connection	2,000	2,040	2,081	2,122	2,165	2,208	2,252
Recoveries	2,433	2,482	2,531	2,582	2,634	2,686	2,740
Long-term Loan Proceeds	400,000	-	-	-	-	-	-
Total Revenues	404,433	4,522	4,612	4,704	4,798	4,894	4,992
Wastewater Billing Recovery	8,528,407	9,051,558	9,606,808	10,196,129	10,821,609	11,485,470	12,190,066

Appendix B – Wastewater Financial Plan

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
Revenues					Revenues
Rate Based Revenue	8,528,407			8,528,407	Rate Based Revenue
Other Revenue	404,433		1,147,012	1,551,445	Other Revenue
Total Revenues	8,932,840			10,079,852	Total Revenues
Expenditures					Expenses
Operating	5,740,196	121,000		5,861,196	Operating Expenses
Capital					
Transfers to Reserves	-		-		
Transfers to Capital	2,913,727		2,913,727		
Debt Repayment (Principal & Interest)	278,917		97,057	181,860	Interest on Debt
		1,753,073		1,753,073	Amortization
Total Expenditures	8,932,840			7,796,129	Total Expenses
Net Expenditures	-			2,283,723	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			64,327,309	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	2,283,723		66,611,032	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		4,157,796	4,157,796		

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

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

Modified Cash Basis	Budget 2015	Adjustments		Full Accrual Budget 2015	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	6,048,641			6,048,641	Cash
Accounts Receivable	621,094			621,094	Accounts Receivable
<i>Total Financial Assets</i>	<i>6,669,735</i>			<i>6,669,735</i>	<i>Total Financial Assets</i>
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	774,697			774,697	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	19,462,943			19,462,943	Debt (Principal only)
Other	859,995			859,995	Other
<i>Total Liabilities</i>	<i>21,097,635</i>			<i>21,097,635</i>	<i>Total Liabilities</i>
Net Assets/(Debt)	(14,427,900)			(14,427,900)	Net Financial Assets/(Debt)
		81,159,932	121,000	81,038,932	Non-Financial Assets
				81,038,932	Tangible Capital Assets
					Total Non-Financial Assets
Municipal Position					
Wastewater Reserves	3,822,316	3,822,316			
Amounts to be Recovered	(19,462,943)		19,462,943		
Total Municipal Position	(15,640,627)		65,398,305	66,611,032	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		84,982,248	84,982,248		

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

Table B-1
Statement of Financial Position: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Financial Assets								
Cash	1	6,048,641	5,640,844	4,552,130	4,143,532	4,277,365	4,874,581	6,192,338
Accounts Receivable	1	621,094	659,193	699,630	742,548	788,099	836,446	887,759
Total Financial Assets		6,669,735	6,300,037	5,251,760	4,886,080	5,065,464	5,711,027	7,080,097
Liabilities								
Accounts Payable & Accrued Liabilities	1	774,697	735,127	749,830	764,826	780,123	795,725	811,640
Debt (Principal only)	2	19,462,943	23,270,158	21,864,692	20,423,004	18,944,132	17,427,088	15,870,856
Unearned Revenue	1	859,995	912,749	968,739	1,028,166	1,091,238	1,158,181	1,229,232
Total Liabilities		21,097,635	24,918,034	23,583,261	22,215,996	20,815,493	19,380,994	17,911,728
Net Financial Assets/(Debt)		(14,427,900)	(18,617,997)	(18,331,501)	(17,329,916)	(15,750,029)	(13,669,967)	(10,831,631)
Non-Financial Assets								
Tangible Capital Assets	4	81,038,932	86,786,379	88,475,690	90,030,008	91,536,796	93,250,680	94,847,671
Total Non-Financial Assets		81,038,932	86,786,379	88,475,690	90,030,008	91,536,796	93,250,680	94,847,671
Accumulated Surplus/(Deficit)	5	66,611,032	68,168,382	70,144,189	72,700,092	75,786,767	79,580,713	84,016,040
Financial Indicators								
	Total Change	2015	2016	2017	2018	2019	2020	2021
1) Increase/(Decrease) in Net Financial Assets	1,338,065	(2,258,204)	(4,190,097)	286,496	1,001,585	1,579,887	2,080,062	2,838,336
2) Increase/(Decrease) in Tangible Capital Assets	18,350,666	4,541,927	5,747,447	1,689,311	1,554,318	1,506,788	1,713,884	1,596,991
3) Increase/(Decrease) in Accumulated Surplus	19,688,731	2,283,723	1,557,350	1,975,807	2,555,903	3,086,675	3,793,946	4,435,327

Table B-2
Statement of Operations: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Wastewater Revenue								
Rate Based Revenue		8,528,407	9,051,558	9,606,808	10,196,129	10,821,609	11,485,470	12,190,066
Other Revenue	6	1,551,445	136,808	93,861	77,026	81,006	102,755	152,166
Total Revenues		10,079,852	9,188,366	9,700,669	10,273,155	10,902,615	11,588,225	12,342,232
Wastewater Expenses								
Operating Expenses	Sch. 4-1	5,861,196	5,594,500	5,655,940	5,767,059	5,880,400	5,996,008	6,113,928
Interest on Debt	2	181,860	533,963	640,733	604,511	567,328	529,155	489,968
Amortization	4	1,753,073	1,502,553	1,428,189	1,345,682	1,368,212	1,269,116	1,303,009
Total Expenses		7,796,129	7,631,016	7,724,862	7,717,252	7,815,940	7,794,279	7,906,905
Annual Surplus/(Deficit)		2,283,723	1,557,350	1,975,807	2,555,903	3,086,675	3,793,946	4,435,327
Accumulated Surplus/(Deficit), beginning of year	5	64,327,309	66,611,032	68,168,382	70,144,189	72,700,092	75,786,767	79,580,713
Accumulated Surplus/(Deficit), end of year		66,611,032	68,168,382	70,144,189	72,700,092	75,786,767	79,580,713	84,016,040
Note 5:								
Accumulated Surplus/(Deficit) Reconciliation:		2015	2016	2017	2018	2019	2020	2021
Reserve Balances								
Reserves: Capital/Other		3,822,316	3,439,434	2,320,464	1,880,361	1,981,376	2,544,394	3,826,498
Total Reserves Balance		3,822,316	3,439,434	2,320,464	1,880,361	1,981,376	2,544,394	3,826,498
Less: Debt Obligations and Deferred Revenue		(18,250,216)	(22,057,431)	(20,651,965)	(19,210,277)	(17,731,405)	(16,214,361)	(14,658,129)
Add: Tangible Capital Assets	4	81,038,932	86,786,379	88,475,690	90,030,008	91,536,796	93,250,680	94,847,671
Total Ending Balance		66,611,032	68,168,382	70,144,189	72,700,092	75,786,767	79,580,713	84,016,040
Financial Indicators								
	Total Change	2015	2016	2017	2018	2019	2020	2021
1) Expense to Revenue Ratio		77%	83%	80%	75%	72%	67%	64%
2) Increase/(Decrease) in Accumulated Surplus	19,688,731	2,283,723	1,557,350	1,975,807	2,555,903	3,086,675	3,793,946	4,435,327

Schedule B-1
Schedule of Operating Expenses: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Operating Expenses								
Salaries & Benefits		1,900,378	1,938,386	1,977,153	2,016,696	2,057,030	2,098,171	2,140,134
Purchase of Goods		1,604,452	1,636,541	1,669,272	1,702,657	1,736,710	1,771,445	1,806,874
Services & Rents		1,154,141	1,177,224	1,200,768	1,224,784	1,249,279	1,274,265	1,299,750
Taxes		96,624	98,556	100,528	102,538	104,589	106,681	108,814
Corporate Costs		454,918	464,016	473,297	482,763	492,418	502,266	512,312
Insurance Premiums		129,683	132,277	134,922	137,621	140,373	143,181	146,044
Other Transfers		400,000	-	-	-	-	-	-
Non TCA - Expenses from Capital Budget	7	121,000	147,500	100,000	100,000	100,000	100,000	100,000
TOTAL OPERATING EXPENSES		5,861,196	5,594,500	5,655,940	5,767,059	5,880,400	5,996,008	6,113,928

Table B-3
Statement of Changes in Net Financial Assets/Debt: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Annual Surplus/(Deficit)		2,283,723	1,557,350	1,975,807	2,555,903	3,086,675	3,793,946	4,435,327
Less: Acquisition of Tangible Capital Assets	4	(6,295,000)	(7,250,000)	(3,117,500)	(2,900,000)	(2,875,000)	(2,983,000)	(2,900,000)
Add: Amortization of Tangible Capital Assets	4	1,753,073	1,502,553	1,428,189	1,345,682	1,368,212	1,269,116	1,303,009
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-
		(4,541,927)	(5,747,447)	(1,689,311)	(1,554,318)	(1,506,788)	(1,713,884)	(1,596,991)
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(2,258,204)	(4,190,097)	286,496	1,001,585	1,579,887	2,080,062	2,838,336
Net Financial Assets/(Net Debt), beginning of year		(12,169,696)	(14,427,900)	(18,617,997)	(18,331,501)	(17,329,916)	(15,750,029)	(13,669,967)
Net Financial Assets/(Net Debt), end of year		(14,427,900)	(18,617,997)	(18,331,501)	(17,329,916)	(15,750,029)	(13,669,967)	(10,831,631)
Financial Indicators		2015	2016	2017	2018	2019	2020	2021
1) Acquisition of Tangible Capital Assets (Cumulative)		6,295,000	13,545,000	16,662,500	19,562,500	22,437,500	25,420,500	28,320,500
2) Annual Surplus/Deficit before Amortization (Cumulative)		4,036,796	7,096,699	10,500,695	14,402,280	18,857,167	23,920,229	29,658,565
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.64	0.52	0.63	0.74	0.84	0.94	1.05

Table B-4
Statement of Cash Flow – Indirect Method: Wastewater Services
UNAUDITED: For Financial Planning Purposes Only
2015-2021

	Notes	Forecast						
		2015	2016	2017	2018	2019	2020	2021
Operating Transactions								
Annual Surplus/Deficit		2,283,723	1,557,350	1,975,807	2,555,903	3,086,675	3,793,946	4,435,327
Add: Amortization of TCA's	4	1,753,073	1,502,553	1,428,189	1,345,682	1,368,212	1,269,116	1,303,009
Change in A/R (Increase)/Decrease		14,956	(38,099)	(40,437)	(42,918)	(45,551)	(48,347)	(51,313)
Change in A/P Increase/(Decrease)		166,659	(39,570)	14,703	14,996	15,297	15,602	15,915
Change in Unearned Revenue Increase/(Decrease)		(20,708)	52,754	55,990	59,427	63,072	66,943	71,051
Less: Interest Proceeds		(147,012)	(132,286)	(89,249)	(72,322)	(76,207)	(97,861)	(147,173)
Cash Provided by Operating Transactions		4,050,691	2,902,702	3,345,003	3,860,768	4,411,498	4,999,399	5,626,816
Capital Transactions								
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(6,295,000)	(7,250,000)	(3,117,500)	(2,900,000)	(2,875,000)	(2,983,000)	(2,900,000)
Cash Applied to Capital Transactions		(6,295,000)	(7,250,000)	(3,117,500)	(2,900,000)	(2,875,000)	(2,983,000)	(2,900,000)
Investing Transactions								
Proceeds from Investments		147,012	132,286	89,249	72,322	76,207	97,861	147,173
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		147,012	132,286	89,249	72,322	76,207	97,861	147,173
Financing Transactions								
Proceeds from Debt Issue	2	17,360,000	4,640,000	-	-	-	-	-
Add: Long-term Accounts Receivable Proceeds (recovery of debt)	2	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(13,997,057)	(832,785)	(1,405,466)	(1,441,688)	(1,478,872)	(1,517,044)	(1,556,232)
Cash Applied to Financing Transactions		3,362,943	3,807,215	(1,405,466)	(1,441,688)	(1,478,872)	(1,517,044)	(1,556,232)
Increase in Cash and Cash Equivalents		1,265,646	(407,797)	(1,088,714)	(408,598)	133,833	597,216	1,317,757
Cash and Cash Equivalents, beginning of year	1	4,782,995	6,048,641	5,640,844	4,552,130	4,143,532	4,277,365	4,874,581
Cash and Cash Equivalents, end of year	1	6,048,641	5,640,844	4,552,130	4,143,532	4,277,365	4,874,581	6,192,338

Wastewater Notes to Financial Plan

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

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

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

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

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

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

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

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

1. Cash, Receivables and Payables

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

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

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

- a. Receivables: Based on historical levels of wastewater receivables as a percentage of annual wastewater revenues, applied to projected wastewater revenues;
 - b. Payables: Based on historical levels of City wide payables as a percentage of annual expenses incurred, applied to projected wastewater expenses; and
 - c. Unearned Revenue: Based on historical levels of wastewater unearned revenue as a percentage of annual wastewater revenues, applied to projected wastewater revenues.
- ## 2. Debt

The City has wastewater related outstanding debt at the end of 2014 totalling \$16.1 million with additional debt proceeds anticipated throughout the forecast period. Principal repayments over the forecast period are scheduled as follows:

Year	Principal Payments
2015	13,997,057
2016	832,785
2017	1,405,466
2018	1,441,688
2019	1,478,872
2020	1,517,044
2021	1,556,232
Total	\$ 22,229,144

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

3. Deferred Revenue

Deferred revenue is typically made up of wastewater development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. Given that the City does not collect wastewater development charges, it has been assumed that deferred revenue is not applicable to this financial plan.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes wastewater-related assets in the following categories:
 - i. Sewer mains;
 - ii. Manholes and Catchbasins;
 - iii. Sanitary Services;
 - iv. Land;
 - v. Machinery and Equipment; and
 - vi. Buildings.
- Amortization is calculated based on the straight-line approach.
- Given the planned asset replacement forecast in the 2015 Forecast, useful life on acquisitions is assumed to be equal to typical values assigned by the City for each asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposals are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in subsection 3.2.1, are shown on the Statement of Operations as revenue earned in the year of contribution, if applicable.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2015	2016	2017	2018	2019	2020	2021
Opening Tangible Capital Asset Balance	148,674,800	154,839,586	161,887,937	164,884,444	167,643,594	170,368,075	173,172,533
Acquisitions	6,295,000	7,250,000	3,117,500	2,900,000	2,875,000	2,983,000	2,900,000
Disposals	130,214	201,649	120,993	140,850	150,519	178,542	169,958
Closing Tangible Capital Asset Balance	154,839,586	161,887,937	164,884,444	167,643,594	170,368,075	173,172,533	175,902,575
Opening Accumulated Amortization	72,177,795	73,800,654	75,101,558	76,408,754	77,613,586	78,831,279	79,921,853
Amortization Expense	1,753,073	1,502,553	1,428,189	1,345,682	1,368,212	1,269,116	1,303,009
Amortization on Disposal	130,214	201,649	120,993	140,850	150,519	178,542	169,958
Ending Accumulated Amortization	73,800,654	75,101,558	76,408,754	77,613,586	78,831,279	79,921,853	81,054,904
Net Book Value	81,038,932	86,786,379	88,475,690	90,030,008	91,536,796	93,250,680	94,847,671

5. Accumulated Surplus

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

Wastewater	2015 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	3,930,304
Total Reserves Balance	3,930,304
Less: Debt Obligations and Deferred Revenue	(16,100,000)
Add: Tangible Capital Assets	76,497,005
Total Opening Balance	64,327,309

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

6. Other Revenue

Other revenue includes sewer connections, recoveries, as well as 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.