



 **Watson
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ECONOMISTS LTD.

Water Ontario Regulation 453/07 Financial Plan

Town of Aylmer

Financial Plan #044-301

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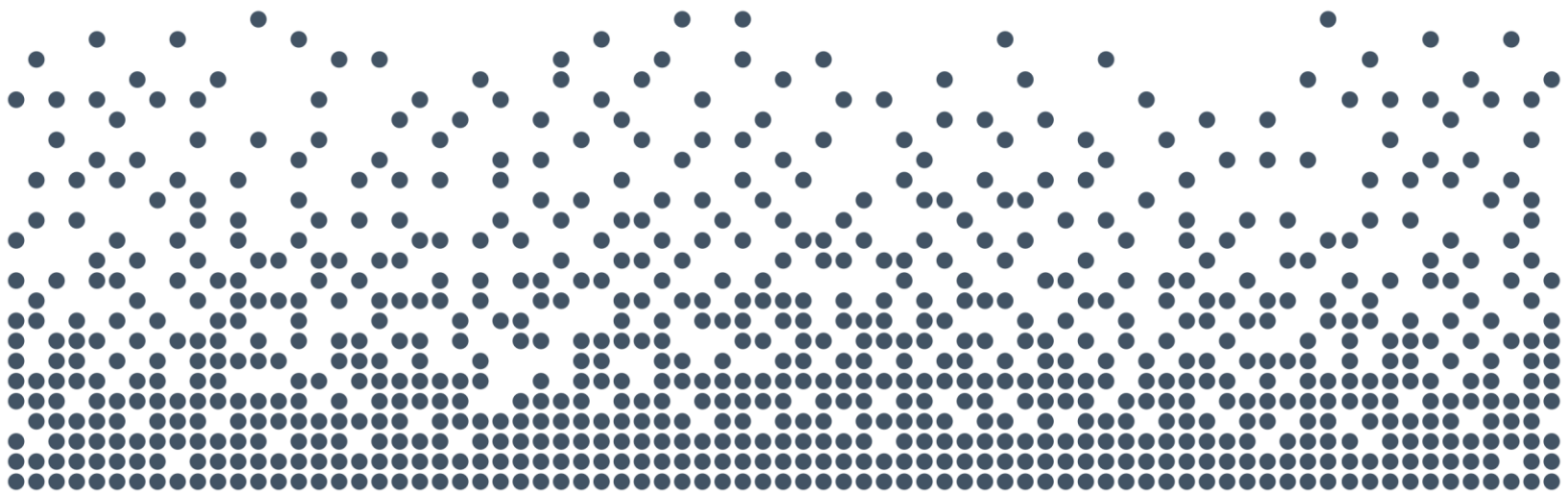
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List of Acronyms and Abbreviations

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



Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Town of Aylmer (Town) to prepare a water financial plan as part of the five submission requirements for the purposes of renewing 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 regard to the Town's water system has already been completed and documented by Watson within the "Town of Aylmer Water and Wastewater Rate Study" (2026 Rate Study). The objective of the report provided herein is to convert the findings of the 2026 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O. Reg. 453/07).

1.2 Background

The *Safe Drinking Water Act* (S.D.W.A.) was passed in December 2002 in order to address some of the recommendations made by the Walkerton Inquiry Part II report. One of the main requirements of the Act is the mandatory licensing of municipal water providers. Subsection 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 subsection 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 of the S.D.W.A. provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister.

These requirements are outlined in O. Reg. 453/07 and are examined in detail below.

1.2.2 Financial Plan Requirements – Existing System (Licence Renewal)

O. Reg. 453/07 provides details on the requirements for existing water systems (licence renewal), which are summarized as follows:

- Financial plans must be approved by resolution of Council (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.

1.2.3 Financial Plan Requirements – General

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

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

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

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

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



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

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

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



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

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

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

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

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

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

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

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

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

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



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

2.2 Sustainable Water and Sewage Systems Act

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

2.3 Water Opportunities Act, 2010

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

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

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

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



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

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

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

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

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

- Phase 1 – Asset Management Plan (by July 1, 2022):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2024):
 - Same elements as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2025):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Lifecycle management and Financial strategy.



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

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

The Town completed an A.M.P. in 2025 which included a review of the Town's water infrastructure. The Town will need to consider the impacts of funding the lifecycle requirements identified in the A.M.P. during the annual budget and forecast process.

2.5 Water Forecast

The Town has already completed financial planning through the 2026 Rate Study. The forecast was designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2026 Rate Study provides the basis for a financial plan for the Town's water system by including:

- A detailed assessment of current and future capital needs, including an analysis of potential funding sources;



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

The background information and details of the financial plan are contained within the Town's 2026 Rate Study.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2026 Rate Study has been used as a starting point to prepare the water financial plan. The water forecast contained in the 2026 Rate Study was prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial 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.

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 as part of the Town's annual P.S.A.B. 3150 compliance processes. As required for P.S.A.B. 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each asset. 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 2026 Rate Study. However, these estimates only represent future assets that the Town anticipates purchasing or constructing. At present, the Town does not anticipate any assets will be contributed by developers and other parties (at no or partial cost to the Town). If, over the forecast period, additional capital needs arise or contributed assets are anticipated, the financial plan may need to be adjusted to properly account for these transactions. Once the sequence and total asset acquisition for the forecast period have been determined, annual amortization of these assets is calculated in a manner similar to that used for existing assets.

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

3.2.2 Convert Statement of Operations

A wide range of adjustments will be considered, dependent on the size and complexity of the system, in order to convert from the cash to full accrual basis (see Table 3-1). For example, debt repayment costs relating to the principal payment portion only need to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives and therefore are added in under the accrual basis.



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

Modified Cash Basis	Budget 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	476,268			476,268	Base Charge Revenue
Rate Based Revenue	4,458,559			4,458,559	Rate Based Revenue
Other Revenue	-		73,446	73,446	Other Revenue
Total Revenues	4,934,827			5,008,273	Total Revenues
Expenditures					Expenses
Operating	3,481,576	27,500		3,509,076	Operating Expenses
Capital					
Transfers to Reserves	728,623		728,623		
Debt Repayment (Principal & Interest)	724,627		446,667	277,961	Interest on Debt
		407,751		407,751	Amortization
Total Expenditures	4,934,827			4,194,788	Total Expenses
Net Expenditures	0			813,485	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			22,796,558	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	813,485	-	23,610,043	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		1,248,736	1,248,736		



3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Table 3-2). 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 PS1201.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Town and as such, it may 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. O. Reg. 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.



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

Modified Cash Basis	Budget 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
<u>ASSETS</u>					<u>ASSETS</u>
<u>Financial Assets</u>					<u>Financial Assets</u>
Cash	5,110,542			5,110,542	Cash
Accounts Receivable	907,440			907,440	Accounts Receivable
Total Financial Assets	6,017,982			6,017,982	Total Financial Assets
<u>LIABILITIES</u>					<u>Liabilities</u>
Accounts Payable & Accrued Liabilities	1,077,304			1,077,304	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	5,360,000			5,360,000	Debt (Principal only)
Deferred Revenue	1,194,960			1,194,960	Deferred Revenue
Total Liabilities	7,632,264			7,632,264	Total Liabilities
Net Assets/(Debt)	(1,614,282)			(1,614,282)	Net Financial Assets/(Debt)
		25,251,825	27,500	25,224,325	<u>Non-Financial Assets</u>
				25,224,325	Tangible Capital Assets
					Total Non-Financial Assets
<u>Municipal Position</u>					
Water Reserves	3,745,718	3,745,718	-		
Development Charge Reserve Fund	1,194,960	1,194,960	-		
Amounts to be Recovered	(6,554,960)	-	6,554,960		
Total Municipal Position	(1,614,282)		23,610,043	23,610,043	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		30,192,503	30,192,503		



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:

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



- b) Amortization Expense – The method and timing of amortization should be based on the Town’s amortization policy. 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 2026 Rate Study.
- 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.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

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

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 for 2026, the Town's water system will be in a net financial debt position of approximately \$1.61 million. The Town's net financial asset position is projected to increase to approximately \$2.56 million by the end of the forecast.

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 and treatment plants 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.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the Town or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows that tangible capital assets are expected to increase by approximately \$5.32 million over the 10-year forecast period. This indicates that the Town's plans to invest in tangible capital assets are greater than its 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 increasing over the forecast period, from 84% in 2026 to 86% by 2035. An annual surplus position is forecasted for over the next ten years, with an ending annual surplus of approximately \$0.89 million by 2035. It is important to note that an annual surplus is beneficial to ensure funding is available for non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is the 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 \$10.31 million to an opening 2026 accumulated surplus of \$22.80 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly



made up of the acquisition of tangible capital assets, as well as reserve and reserve fund balances.

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 in most years, forecasted annual surplus is greater than forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an overall increase to the net financial asset balance from 2026 to 2035. The overall increase in net financial asset balance is the result of capital asset acquisitions over the forecast period. The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is forecasted to increase over the forecast period, from 0.71 in 2026 to 1.32 by 2035 (note: a desirable ratio is 1:1 or better).

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the Town's water system is expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e., tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Town's water system to decrease from a positive balance of approximately \$5.97 million at the beginning of 2026 to a positive balance of approximately \$4.19 million by the end of 2035. For further discussion on projected cash balances, please refer to the Notes to the Financial Plan.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Financial Assets											
Cash	1	5,110,542	5,217,908	5,343,413	5,476,697	5,611,515	5,746,942	5,184,832	3,944,657	4,067,111	4,187,894
Accounts Receivable	1	907,440	930,881	954,541	978,421	1,002,524	1,026,851	1,054,314	1,082,030	1,110,000	1,138,227
Accounts Receivable - Other	3	-	-	-	-	-	-	-	197,956	123,258	45,507
Total Financial Assets		6,017,982	6,148,789	6,297,954	6,455,118	6,614,039	6,773,793	6,239,146	5,224,643	5,300,369	5,371,628
Liabilities											
Accounts Payable & Accrued Liabilities	1	1,077,304	1,114,908	1,151,390	1,193,705	1,236,479	1,279,589	1,323,126	1,369,722	1,418,087	1,468,190
Debt (Principal only)	2	5,360,000	4,913,333	4,466,667	4,020,000	3,573,333	3,126,667	2,680,000	2,233,333	1,786,667	1,340,000
Deferred Revenue	3	1,194,960	1,287,328	1,382,904	1,481,796	1,584,077	1,689,869	1,088,573	-	-	-
Total Liabilities		7,632,264	7,315,569	7,000,961	6,695,501	6,393,889	6,096,125	5,091,699	3,603,055	3,204,754	2,808,190
Net Financial Assets/(Debt)		(1,614,282)	(1,166,780)	(703,007)	(240,383)	220,150	677,668	1,147,447	1,621,588	2,095,615	2,563,438
Non-Financial Assets											
Tangible Capital Assets	4	25,224,325	25,617,058	25,651,429	26,053,087	26,430,970	26,846,241	27,965,299	29,744,207	30,122,465	30,541,223
Total Non-Financial Assets		25,224,325	25,617,058	25,651,429	26,053,087	26,430,970	26,846,241	27,965,299	29,744,207	30,122,465	30,541,223
Accumulated Surplus/(Deficit)	5	23,610,043	24,450,278	24,948,422	25,812,704	26,651,120	27,523,909	29,112,746	31,365,795	32,218,080	33,104,661
Financial Indicators											
	Total Change	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1) Increase/(Decrease) in Net Financial Assets	3,672,444	(505,276)	447,502	463,773	462,624	460,533	457,518	469,779	474,141	474,027	467,823
2) Increase/(Decrease) in Tangible Capital Assets	6,635,659	1,318,761	392,733	34,371	401,658	377,883	415,271	1,119,058	1,778,908	378,258	418,758
3) Increase/(Decrease) in Accumulated Surplus	10,308,103	813,485	840,235	498,144	864,282	838,416	872,789	1,588,837	2,253,049	852,285	886,581



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Water Revenue											
Base Charge Revenue		476,268	491,573	507,301	523,460	540,063	557,121	574,646	592,648	611,140	630,136
Rate Based Revenue		4,458,559	4,570,731	4,683,670	4,797,376	4,911,847	5,027,085	5,158,911	5,291,631	5,425,246	5,559,754
Earned Development Charges	3	-	-	-	-	-	-	696,750	1,358,250	-	-
Other Revenue	6	73,446	73,462	73,796	74,110	74,383	74,595	75,049	75,587	76,123	76,538
Total Revenues		5,008,273	5,135,766	5,264,767	5,394,946	5,526,293	5,658,801	6,505,356	7,318,116	6,112,509	6,266,428
Water Expenses											
Operating Expenses	Sch. 4-1	3,509,076	3,603,101	4,085,001	3,857,753	4,025,989	4,135,309	4,276,012	4,426,596	4,614,900	4,744,820
Interest on Debt	2	277,961	256,163	234,993	212,569	190,771	168,974	147,565	125,379	103,582	81,785
Amortization	4	407,751	436,267	446,629	460,342	471,117	481,729	492,942	513,092	541,742	553,242
Total Expenses		4,194,788	4,295,531	4,766,623	4,530,664	4,687,877	4,786,012	4,916,519	5,065,067	5,260,224	5,379,847
Annual Surplus/(Deficit)		813,485	840,235	498,144	864,282	838,416	872,789	1,588,837	2,253,049	852,285	886,581
Accumulated Surplus/(Deficit), beginning of year	5	22,796,558	23,610,043	24,450,278	24,948,422	25,812,704	26,651,120	27,523,909	29,112,746	31,365,795	32,218,080
Accumulated Surplus/(Deficit), end of year		23,610,043	24,450,278	24,948,422	25,812,704	26,651,120	27,523,909	29,112,746	31,365,795	32,218,080	33,104,661
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Reserve Balances											
Reserves: Development Charges		1,194,960	1,287,328	1,382,904	1,481,796	1,584,077	1,689,869	1,088,573	(197,956)	(123,258)	(45,507)
Reserves: Capital/Other		3,745,718	3,746,553	3,763,660	3,779,617	3,793,483	3,804,335	3,827,447	3,854,921	3,882,282	3,903,438
Total Reserves Balance		4,940,678	5,033,881	5,146,564	5,261,413	5,377,560	5,494,204	4,916,020	3,656,965	3,759,024	3,857,931
Less: Debt Obligations and Deferred Revenue		(6,554,960)	(6,200,661)	(5,849,571)	(5,501,796)	(5,157,410)	(4,816,536)	(3,768,573)	(2,035,377)	(1,663,409)	(1,294,493)
Add: Tangible Capital Assets	4	25,224,325	25,617,058	25,651,429	26,053,087	26,430,970	26,846,241	27,965,299	29,744,207	30,122,465	30,541,223
Total Ending Balance		23,610,043	24,450,278	24,948,422	25,812,704	26,651,120	27,523,909	29,112,746	31,365,795	32,218,080	33,104,661
Financial Indicators											
	Total Change	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1) Expense to Revenue Ratio		84%	84%	91%	84%	85%	85%	76%	69%	86%	86%
2) Increase/(Decrease) in Accumulated Surplus	10,308,103	813,485	840,235	498,144	864,282	838,416	872,789	1,588,837	2,253,049	852,285	886,581



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Operating Expenses											
Salaries & Wages - Full Time		330,534	340,500	347,300	354,200	361,300	368,500	375,900	383,400	391,100	398,900
Self Funded Health Benefits		975	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Canada Pension - Full Time		13,010	13,400	13,700	14,000	14,300	14,600	14,900	15,200	15,500	15,800
Unemployment Insurance - Full T		4,088	4,200	4,300	4,400	4,500	4,600	4,700	4,800	4,900	5,000
Health Benefits		25,705	26,500	27,000	27,500	28,100	28,700	29,300	29,900	30,500	31,100
Group Life Premiums & other taxable benefits		4,311	4,400	4,500	4,600	4,700	4,800	4,900	5,000	5,100	5,200
Long Term Disability Premiums.		9,887	10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800
OMERS Pension - Full Time		34,562	35,600	36,300	37,000	37,700	38,500	39,300	40,100	40,900	41,700
Workers Compensation - Full Tim		11,156	11,500	11,700	11,900	12,100	12,300	12,500	12,800	13,100	13,400
Ontario Health Tax - Full Time		6,445	6,600	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400
Association Fees		2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400
Travel Expenses		750	800	800	800	800	800	800	800	800	800
Tuition Fees, Workshops, Training		8,000	8,200	8,400	8,600	8,800	9,000	9,200	9,400	9,600	9,800
Office Supplies & Printing		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Telephone		2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700
Comm Devices/Cell Phones		1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
SCADA/Cable/IT expense		2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400
Hardware/Software Equipment		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Protective Clothing		515	500	500	500	500	500	500	500	500	500
Liability Insurance		28,900	29,500	30,100	30,700	31,300	31,900	32,500	33,200	33,900	34,600
Legal Fees		1,545	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Engineering		4,035	4,100	4,200	4,300	4,400	4,500	4,600	4,700	4,800	4,900
Consultants		2,060	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Gas or Diesel		3,575	3,800	4,000	4,200	4,400	4,600	4,800	5,000	5,300	5,600
Vehicle Repair & Maintenance		1,030	1,100	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900
Vehicle Insurance		750	800	800	800	800	800	800	800	800	800
Equipment & Tool Purchases		20,000	20,400	20,800	21,200	21,600	22,000	22,400	22,800	23,300	23,800
Janitorial Supplies		515	500	500	500	500	500	500	500	500	500
Repairs, Alterations, Services		45,000	45,900	46,800	47,700	48,700	49,700	50,700	51,700	52,700	53,800
Meter Services/Repairs		2,060	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Water Meter Purchases		45,000	45,900	46,800	47,700	48,700	49,700	50,700	51,700	52,700	53,800
Hydro Costs		5,000	5,300	5,600	5,900	6,200	6,500	6,800	7,100	7,500	7,900
Water Costs		1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	2,300	2,400
Gas/Oil Costs		2,500	2,600	2,700	2,800	2,900	3,000	3,200	3,400	3,600	3,800
Property Insurance		25,170	25,700	26,200	26,700	27,200	27,700	28,300	28,900	29,500	30,100
Water Testing		12,500	12,800	13,100	13,400	13,700	14,000	14,300	14,600	14,900	15,200
Water purchase - Primary		2,687,138	2,787,601	2,888,801	3,008,753	3,129,589	3,251,309	3,373,912	3,506,096	3,643,400	3,786,020
Computer - Hardware & Software		3,900	4,000	4,100	4,200	4,300	4,400	4,500	4,600	4,700	4,800
Erie Thames - Water billing cha		125,660	128,200	130,800	133,400	136,100	138,800	141,600	144,400	147,300	150,200
Equipment Rental & Leases		1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Non TCA - Expenses from Capital Budget	7	27,500	-	364,000	-	30,000	-	-	-	32,000	-
TOTAL OPERATING EXPENSES		3,509,076	3,603,101	4,085,001	3,857,753	4,025,989	4,135,309	4,276,012	4,426,596	4,614,900	4,744,820



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual Surplus/(Deficit)		813,485	840,235	498,144	864,282	838,416	872,789	1,588,837	2,253,049	852,285	886,581
Less: Acquisition of Tangible Capital Assets	4	(1,726,512)	(829,000)	(481,000)	(862,000)	(849,000)	(897,000)	(1,612,000)	(2,292,000)	(920,000)	(972,000)
Add: Amortization of Tangible Capital Assets	4	407,751	436,267	446,629	460,342	471,117	481,729	492,942	513,092	541,742	553,242
Increase/(Decrease) in Net Financial Assets/(Net Debt)		(505,276)	447,502	463,773	462,624	460,533	457,518	469,779	474,141	474,027	467,823
Net Financial Assets/(Net Debt), beginning of year		(1,109,006)	(1,614,282)	(1,166,780)	(703,007)	(240,383)	220,150	677,668	1,147,447	1,621,588	2,095,615
Net Financial Assets/(Net Debt), end of year		(1,614,282)	(1,166,780)	(703,007)	(240,383)	220,150	677,668	1,147,447	1,621,588	2,095,615	2,563,438
Financial Indicators											
1) Acquisition of Tangible Capital Assets (Cumulative)		1,726,512	2,555,512	3,036,512	3,898,512	4,747,512	5,644,512	7,256,512	9,548,512	10,468,512	11,440,512
2) Annual Surplus/Deficit before Amortization (Cumulative)		1,221,236	2,497,738	3,442,511	4,767,135	6,076,668	7,431,186	9,512,965	12,279,106	13,673,133	15,112,956
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.71	0.98	1.13	1.22	1.28	1.32	1.31	1.29	1.31	1.32



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Operating Transactions											
Annual Surplus/Deficit		813,485	840,235	498,144	864,282	838,416	872,789	1,588,837	2,253,049	852,285	886,581
Add: Amortization of TCA's	4	407,751	436,267	446,629	460,342	471,117	481,729	492,942	513,092	541,742	553,242
Less: Earned Deferred Revenue	3	-	-	-	-	-	-	(696,750)	(1,358,250)	-	-
Add: Deferred Revenue Proceeds		89,248	92,368	95,577	98,892	102,281	105,792	95,454	71,722	74,698	77,751
Change in A/R (Increase)/Decrease		-	(23,441)	(23,660)	(23,880)	(24,103)	(24,326)	(27,463)	(27,717)	(27,969)	(28,227)
Change in A/P Increase/(Decrease)		-	37,604	36,482	42,315	42,774	43,110	43,537	46,596	48,365	50,103
Less: Interest Proceeds		(73,445)	(73,462)	(73,797)	(74,110)	(74,382)	(74,595)	(75,048)	(75,587)	(76,123)	(76,538)
Cash Provided by Operating Transactions		1,237,039	1,309,571	979,375	1,367,841	1,356,103	1,404,499	1,421,509	1,422,905	1,412,998	1,462,912
Capital Transactions											
Less: Cash Used to acquire Tangible Capital Assets	4	(1,726,512)	(829,000)	(481,000)	(862,000)	(849,000)	(897,000)	(1,612,000)	(2,292,000)	(920,000)	(972,000)
Cash Applied to Capital Transactions		(1,726,512)	(829,000)	(481,000)	(862,000)	(849,000)	(897,000)	(1,612,000)	(2,292,000)	(920,000)	(972,000)
Investing Transactions											
Proceeds from Investments		73,445	73,462	73,797	74,110	74,382	74,595	75,048	75,587	76,123	76,538
Cash Provided by (applied to) Investing Transactions		73,445	73,462	73,797	74,110	74,382	74,595	75,048	75,587	76,123	76,538
Financing Transactions											
Less: Debt Repayment (Principal only)	2	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)
Cash Applied to Financing Transactions		(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)	(446,667)
Increase in Cash and Cash Equivalents		(862,695)	107,366	125,505	133,284	134,818	135,427	(562,110)	(1,240,175)	122,454	120,783
Cash and Cash Equivalents, beginning of year	1	5,973,237	5,110,542	5,217,908	5,343,413	5,476,697	5,611,515	5,746,942	5,184,832	3,944,657	4,067,111
Cash and Cash Equivalents, end of year	1	5,110,542	5,217,908	5,343,413	5,476,697	5,611,515	5,746,942	5,184,832	3,944,657	4,067,111	4,187,894



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, subsection 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, 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 ratios of Town-wide receivables as a percentage of annual Town-wide revenues (using the Town's financial information return data); and
- b) Payables: Based on ratios of Town-wide payables as a percentage of annual Town-wide expenses (using the Town's financial information return data).

2. Debt

The Town currently has \$5.81 million of outstanding debt. The schedule of principal payments over the 10-year forecast period is provided below:

Year	Principal Payments
2026	446,667
2027	446,667
2028	446,667
2029	446,667
2030	446,667
2031	446,667
2032	446,667
2033	446,667
2034	446,667
2035	446,667
Total	4,466,670



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. In years when the water development charge reserve fund balance is negative, it is shown as an asset (accounts receivable – other) for financial reporting purposes, representing future amounts to be collected from developers. Deferred revenue can also represent grant funding that has not been earned as revenue in any given year. For the purposes of this financial plan it is assumed all grant funding received will be earned in the year it is received.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water-related assets, based on information contained with the Town's asset database.
- Amortization is calculated based on the straight-line approach with amortization applied in the year of acquisition or construction.
- Given the planned asset replacement forecast in the 2026 Rate Study, useful life on acquisitions is assumed to be equal to typical values assigned by the Town 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 disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.
- The Town is unaware of any specific lead service piping in the municipal water system.



The balance of tangible capital assets is summarized on Table 4-5, as follows:



Table 4-5
Tangible Capital Asset Summary

Asset Historical Cost	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Opening Tangible Capital Asset Balance	28,228,284	29,831,189	30,639,432	31,053,884	31,890,455	32,713,258	33,579,028	35,157,948	37,415,398	38,301,273
Acquisitions	1,726,512	829,000	481,000	862,000	849,000	897,000	1,612,000	2,292,000	920,000	972,000
Disposals	123,607	20,757	66,548	25,429	26,197	31,230	33,080	34,550	34,125	36,657
Closing Tangible Capital Asset Balance	29,831,189	30,639,432	31,053,884	31,890,455	32,713,258	33,579,028	35,157,948	37,415,398	38,301,273	39,236,616
Opening Accumulated Amortization	4,322,720	4,606,864	5,022,374	5,402,455	5,837,368	6,282,288	6,732,787	7,192,649	7,671,191	8,178,808
Amortization Expense	407,751	436,267	446,629	460,342	471,117	481,729	492,942	513,092	541,742	553,242
Amortization on Disposal	123,607	20,757	66,548	25,429	26,197	31,230	33,080	34,550	34,125	36,657
Ending Accumulated Amortization	4,606,864	5,022,374	5,402,455	5,837,368	6,282,288	6,732,787	7,192,649	7,671,191	8,178,808	8,695,393
Net Book Value	25,224,325	25,617,058	25,651,429	26,053,087	26,430,970	26,846,241	27,965,299	29,744,207	30,122,465	30,541,223



5. Accumulated Surplus

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

Water	2026 Opening Accumulated Surplus
Reserve Balances	
Reserves: Development Charges	1,105,712
Reserves: Capital/Other	4,697,661
Total Reserves Balance	5,803,373
Less: Debt Obligations and Deferred Revenue	(6,912,379)
Add: Tangible Capital Assets	23,905,564
Total Opening Balance	22,796,558

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

6. Other Revenue

The Town does not have any other revenues related to water services.

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.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



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

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

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, subsection 3 (1), paragraph 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, subsection 3 (1), paragraph 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, subsection 3 (1), paragraph 6).
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. subsection 32 (5), subparagraph 2 ii).



Chapter 6

Recommendations



6. Recommendations

This report presents the water financial plan for the Town of Aylmer in accordance with the mandatory reporting formats for water system 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 2026 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 Aylmer Water Financial Plan prepared by Watson & Associates Economists Ltd. dated June 3, 2026 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Water Financial Plan dated June 3, 2026 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, subsection 3 (1), paragraph 6)
4. The Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation, and Parks satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. subsection 32 (5), subparagraph 2 ii).