

**FINAL REPORT**

PREPARED BY HEMSON FOR MUNICIPALITY OF KINCARDINE

# MUNICIPALITY OF KINCARDINE WATER FINANCIAL PLAN

March 26, 2020

Drinking Water Licence Numbers: 088-101, 088-102, 088-103,  
088-104, and 088-105

Financial Plan Number 088-301A



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# CONTENTS

|           |  |           |
|-----------|--|-----------|
| <b>1.</b> | <b>INTRODUCTION</b>  | <b>1</b>  |
| <b>2.</b> | <b>BACKGROUND</b>  | <b>3</b>  |
| <b>3.</b> | <b>KEY INPUTS</b>  | <b>6</b>  |
| <b>4.</b> | <b>WATER FINANCIAL PLAN</b>                                | <b>9</b>  |
| <b>A.</b> | Statement of Operations – Table 1                          | 9         |
| <b>B.</b> | Statement of Financial Position – Table 2                  | 9         |
| <b>C.</b> | Statement of Cash Flow – Table 3                           | 12        |
| <b>D.</b> | Statement of Change in Net Financial Assets/Debt – Table 4 | 12        |
| <b>5.</b> | <b>NOTES AND ASSUMPTIONS TO FINANCIAL PLAN</b>             | <b>15</b> |
|           | <b>APPENDIX A</b>  |           |

# 1. INTRODUCTION

The Municipality of Kincardine provides potable water to its customers through its extensive water distribution network to two servicing areas: the Kincardine and Tiverton service area. The fee structure for water service in each service area includes an annual fixed fee with an additional consumption charge levied for each cubic metre of water consumed. While the two systems currently employ an independent rate structure to fund each system, Council decided to harmonize the systems so that a uniform rate will be applied to both service areas starting in 2021. The Municipality recovers its costs through user fees charged to its customers on the basis of a full cost recovery system.

In 2015, Hemson completed a water and wastewater rate study and independent financial plans for both the Kincardine and Tiverton servicing areas in the Municipality. The study addressed the full cost of providing water services, including provisions for the periodic rehabilitation and eventual replacement of water infrastructure with an accompanying revenue plan identifying the revenue requirements to finance the systems. Since the completion of the last rate study in 2015, the Municipality has experienced some changes in service delivery costs, capital costs, financing costs, and water usage. In addition, the Municipality's Drinking Water Licence for each system is set to expire in 2020 and is required to be updated in order to renew the Municipality's drinking water licence. These changes prompted an updated utility rate study to ensure the Municipality continues to recover the full cost of providing water services. As part of this rate study process, Hemson also undertook an analysis which calculated harmonized water rates in which uniform charges are applied to both the Kincardine and Tiverton areas. The results of the utility rate study are summarized in the appendix of this plan.

The purpose of this document is to present a water financial plan for the Municipality of Kincardine that applies to both the Kincardine and Tiverton water system. The financial plan was prepared consistent with requirements of the *Safe Drinking Water Act* (the SDWA) and its associated regulation, *Ontario Regulation 453/07*. The water financial plan prepared is part of the process required for the Municipality to renew its municipal drinking water license under the SDWA. The preparation of a financial plan requires a thorough analysis of operating and capital needs, as well as consideration of available funding sources.

The financial plan includes specific statements such as: statement of operations, statement of financial position, and statement of cash flow. In addition, a statement of net financial assets/debt has been prepared. Although this statement is not required under *O.Reg 453/07*, it does provide further information about the financial performance of the

Municipality's water system. Section two of the report explains each statement in greater detail.

The financial plan is prepared for a ten-year period from 2020-2029. For the purpose of this report, 2020 will be used as the reference year. Please note the uniform rates will come into force in 2021 and the harmonized system is illustrated in 2020 for the purposes of reporting the Financial Plan.

## 2. BACKGROUND

In April 2015, the Municipality of Kincardine approved the Kincardine Service Area and Tiverton Service Area Water Financial Plans prepared as one of the submission requirements necessary in renewing their municipal drinking water licence under the *Safe Drinking Water Act, 2002* (SDWA). The Municipality is now required to update the Financial Plans to again renew its drinking water license. This Financial Plan includes both the Kincardine and Tiverton service areas as the Municipality will be transitioning to a harmonized rate structure starting in 2021. The water rates imposed are required to provide services to the communities of Tiverton, Kincardine, Scott Point, Underwood and Armow.

Financial Plans are defined in section 30(1) of the SDWA as follows:

- (a) Financial plans that satisfy the requirements of subsection (2), but only if,
  - (i) Bill 175 (Sustainable Water and Sewage Systems Act, 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).

At this time, Bill 175 (*Sustainable Water and Sewage Systems Act, 2002*) as noted above, is not in force; however, the specific requirements of s.30 (1) part b are outlined in O.Reg. 453/07.

The SDWA and O. Reg. 453/07 include the following general requirements for a financial plan:

- mandatory for all municipal water systems and recommended for wastewater systems;
- include a planning horizon of at least six years (commencing when the system first serves the public, for new systems);
- completed and approved by the later of July 1, 2010 and the date that is six months after the first licence is issued;
- may be amended and additional information may be included beyond what is prescribed, as necessary; and
- must be approved by Council resolution indicating that the drinking water system is financially viable.

As noted, in April 2015 the Council of the Municipality of Kincardine approved the Financial Plans and passed resolutions deeming the Kincardine and Tiverton water systems to be financially viable. The Municipality is now required to update the Financial Plans to renew their drinking water license. The Financial Plan requirement for a licence renewal generally mirrors the requirements to obtain a licence for a new system under the SDWA. In accordance with the regulation, this Financial Plan will apply to the first year to which the drinking water system's existing municipal drinking water licence would expire (in 2020).

In addition to the above noted general requirements, the following specific statements are required in the financial plan:

### **Statement of Operations**

This statement includes details on the projected financial operations itemized by total revenues, total expenses, annual surplus/deficit, and the cumulative surplus/deficit for each year in which the financial plan applies. An annual surplus represents funds available to the Municipality to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve and reserve funds. The Statement of Operations is discussed in more detail later in this report, and is included as Table 1.

### **Statement of Financial Position**

This statement includes details on the financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets. In recording the tangible capital assets the Municipality is able to account for its ability to provide for future benefits. A net financial asset position on this statement indicates whether the water system has the financial resources necessary to fund its future operations. The Statement of Financial Position is discussed in more detail later in this report, and is included as Table 2.

### **Statement of Cash Flow**

This statement provides information on the generation and use of cash resources. The gross cash receipts/payments are itemized by: operating; capital; investing and financial transactions. Itemizing the cash receipts and payments by category allows the reader to understand where the cash is being generated (e.g. water rates), and how the cash is being used (e.g. capital and operating expenses).

## **Statement of Net Financial Assets/Debt**

Although this statement is not required under O.Reg 453/07, it does provide further information about the financial performance of the Municipality's water systems. The Statement of Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

The remainder of this study sets out the information and analysis upon which the statements were prepared.

Section III includes a discussion on the key inputs and documents used to develop the financial plan consistent with the governing legislation.

Section IV includes the Statement of Operations, Statement of Financial Position, Statement of Cash Flows, and Statement of Change in Net Financial Assets/Debt that form the Financial Plan for Water Services.

Section V includes the Notes and Assumptions to the Financial Plan.

## 3. KEY INPUTS

This chapter discusses the key inputs and documents used to develop the financial plan consistent with the governing legislation. The costs, revenues and assumptions used in preparing the financial projections are based on the Municipality's data such as the 2020 operating budget and ten-year capital plan, year-end reserve continuity schedules and other relevant information provided by staff. The five key financial inputs discussed below drive the prescribed statements outlined in Section II and are described in more detail in Section IV of this report.

### I. EXPENDITURE AND REVENUE FORECAST

The expenditure and revenue forecast is based upon the information obtained from the Municipality's 2020 operating budget and the ten-year capital plan. This forecast includes a forecast of operating expenditures and revenues to 2029 with the provision for annual contributions to reserves for the purpose of asset repair and replacement. The Municipality recovers most of its costs through user fees charged to its customers that include an annual fixed fee that is differentiated by meter size, with an additional consumption charge for each cubic metre of water consumed. The forecast of expenditures and revenues is included as Appendix A - Table A-1.

Some main assumptions used to derive the operating and revenue projections are as follows:

Expenditures will increase annually as follows:

- Salaries, Wages, Benefits, and Pensions - 2% per annum;
- Contracts – 3% per annum;
- Materials, Services, Insurance and Rents - 2% per annum;
- Hydro and Utilities – 5% per annum;
- Most non-metered water revenues will increase at 2% per annum; and
- The fixed fee and variable water rates are proposed to increase at a rate of 2.75% per annum.

### II. CAPITAL EXPENDITURES

The Municipality's capital budget forecast used in preparing the financial plan is outlined in Appendix A - Table A-2. This table identifies the cumulative cost for all in-year capital projects over the planning period and identifies the annual funding sources as outlined by Municipal staff and Council.



### **III. RESERVE FUND STATEMENTS**

#### **Water Reserves**

The 2020 Water Reserve Fund opening balance was provided by municipal staff and accounts for the cumulative water reserve funds available for the Kincardine and Tiverton system. The projected transfers to and from the Water Reserve Fund are outlined in Appendix A - Table A-3.

The Water Reserve Fund is used to fund non-growth related capital projects as well as the repair and replacement of water assets. Additionally, these funds can be used to address revenue shortfalls that can arise from fluctuating annual water consumption (i.e. less water is billed during wet summers).

#### **Development Charge Reserve Fund – Water Services**

The Development Charge Reserve Fund is used to fund growth-related capital projects outlined in the Municipality's Development Charges Background Study. The timing and costs of each project is subject to change based on annual capital budget reviews. Please note that the reserve funds identified in this study reflect the reserve fund balances and projects associated with the municipal-wide DC.

### **IV. DEBT REPAYMENT**

As of March 2020, the Municipality had budgeted water-related debt of \$2.3 million relating to the Huron Terrace and Queen Street Bridge projects. Due to the relatively large ten-year capital program, further debt will be required in order to finance other key projects in 2020 and 2021. The annual financing costs associated with the new debt have been incorporated into the analysis and will be funded through the water rates.

### **V. TANGIBLE CAPITAL ASSET ANALYSIS (TCA)**

The Municipality's internal TCA data was used to develop financial information related to the water systems assets. The statements included are not audited documents and contain estimates and assumptions as described below.

The following assumptions were made in regard to tangible capital assets:

- The amortization of assets is based on straight line depreciation;
- The useful life of each asset, as included in the Municipality's asset register, was included in the calculation of amortization;

- It is assumed that no write-offs occurred in any of the years;
- It is assumed that there were no gains or losses on the disposal of assets (assets were disposed when they had reached the end of their useful life and therefore the historic cost is equal to accumulated depreciation); and
- Contributed assets were unknown and therefore not included in the forecast.

A summary of the tangible capital asset balances for the Municipality water system is as follows:

| Municipality of Kincardine TCA Analysis (\$000s) |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2020            | 2021            | 2022            | 2023            | 2024            | 2025            | 2026            | 2027            | 2028            | 2029            |
| <b>Opening Tangible Capital Assets</b>           | <b>\$32,219</b> | <b>\$37,287</b> | <b>\$40,816</b> | <b>\$42,466</b> | <b>\$44,174</b> | <b>\$44,290</b> | <b>\$45,908</b> | <b>\$47,931</b> | <b>\$48,787</b> | <b>\$50,031</b> |
| Plus: Acquisitions - Repair/Replacement          | \$5,069         | \$3,529         | \$1,649         | \$1,709         | \$115           | \$1,619         | \$2,022         | \$856           | \$1,244         | \$800           |
| Plus: Acquisitions - Growth Related              | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             |
| Less: Disposals                                  | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             |
| <b>Closing Tangible Capital Assets</b>           | <b>\$37,287</b> | <b>\$40,816</b> | <b>\$42,466</b> | <b>\$44,174</b> | <b>\$44,290</b> | <b>\$45,908</b> | <b>\$47,931</b> | <b>\$48,787</b> | <b>\$50,031</b> | <b>\$50,831</b> |
| <b>Opening Accumulated Amortization</b>          | <b>\$13,629</b> | <b>\$14,216</b> | <b>\$14,866</b> | <b>\$15,525</b> | <b>\$16,207</b> | <b>\$16,910</b> | <b>\$17,615</b> | <b>\$18,340</b> | <b>\$19,059</b> | <b>\$19,772</b> |
| Plus: Amortization Expense                       | \$587           | \$650           | \$659           | \$682           | \$703           | \$705           | \$725           | \$719           | \$714           | \$723           |
| Less: Amortization of Disposals                  | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             |
| <b>Closing Accumulated Amortization</b>          | <b>\$14,216</b> | <b>\$14,866</b> | <b>\$15,525</b> | <b>\$16,207</b> | <b>\$16,910</b> | <b>\$17,615</b> | <b>\$18,340</b> | <b>\$19,059</b> | <b>\$19,772</b> | <b>\$20,495</b> |
| <b>Net Book Value</b>                            | <b>\$23,071</b> | <b>\$25,950</b> | <b>\$26,940</b> | <b>\$27,967</b> | <b>\$27,379</b> | <b>\$28,293</b> | <b>\$29,591</b> | <b>\$29,728</b> | <b>\$30,259</b> | <b>\$30,336</b> |

Note: These figures are based on unaudited documents

## 4. WATER FINANCIAL PLAN

This section summarizes the complete financial plan for the Municipality of Kincardine's water system, which includes both the Kincardine and Tiverton Service Areas. The financial plan represents a forecast or projection of the Municipality's future financial position. The statements included in this study are not audited documents and contain estimates and assumptions as described in Section V of this report.

### A. STATEMENT OF OPERATIONS – TABLE 1

The Statement of Operations provides information on the revenues and expenses generated from the water system in each year. An annual surplus will be generated where annual revenues exceed annual expenses for the year. Conversely, where the expenses exceed the revenues, an annual deficit will result. The annual surplus is available to fund non-operating expenses such as the acquisition of tangible capital assets, principal payments on debt, and transfers to replenish or grow the reserve funds.

In 2020, the projected revenue is \$3.14 million with expenditures of \$2.16 million. As revenues exceed expenses, an annual surplus is projected of approximately \$983,000. The beginning period accumulated surplus of \$25.25 million is equal to the opening reserve fund balances, plus tangible capital assets, and less any debt obligations and deferred revenue. A reconciliation of this amount can be found in Table 5. The Municipality's forecasted Statement of Operations indicates an annual surplus in each of the 10 years projected, with the accumulated surplus growing by approximately \$12.20 million. This supports the Municipality's need to grow its reserve funds to pay for the repair and replacement of the Municipality's capital assets.

### B. STATEMENT OF FINANCIAL POSITION – TABLE 2

The Statement of Financial Position provides information on the assets and liabilities of the Municipality's water system. Net Financial Assets/(Debt) is the difference between assets and liabilities. A position of net financial assets occurs when assets are greater than liabilities. Conversely, net financial debt occurs when liabilities exceed their assets. A net financial assets position implies that the system has the financial resources required to fund its future operations. A net financial debt position indicates that future revenues will be required to pay for past transactions. The Municipality's water system has a net financial asset position throughout the 10 years. In 2020, liabilities total \$7.15 million due to debt

**Table 1**  
**Municipality of Kincardine**  
**Statement of Operations**  
**in \$000's**

|  | 2020           | 2021           | 2022           | 2023           | 2024           | 2025           | 2026           | 2027           | 2028           | 2029           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                          |                |                |                |                |                |                |                |                |                |                |
| <i>Water Sales</i>                       |                |                |                |                |                |                |                |                |                |                |
| Metered                                  | \$2,737        | \$2,827        | \$2,920        | \$3,016        | \$3,116        | \$3,218        | \$3,324        | \$3,433        | \$3,545        | \$3,662        |
| <i>Non Rate Revenue</i>                  | \$269          | \$274          | \$280          | \$285          | \$291          | \$297          | \$303          | \$309          | \$315          | \$322          |
| <i>Earned DC Revenue</i>                 | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            | \$500          | \$500          | \$500          | \$500          |
| <i>Interest Earned</i>                   | \$134          | \$143          | \$120          | \$117          | \$113          | \$134          | \$134          | \$137          | \$158          | \$174          |
| <b>Total Revenue</b>                     | <b>\$3,140</b> | <b>\$3,244</b> | <b>\$3,320</b> | <b>\$3,418</b> | <b>\$3,520</b> | <b>\$3,649</b> | <b>\$4,261</b> | <b>\$4,379</b> | <b>\$4,518</b> | <b>\$4,658</b> |
| <b>Expenditures</b>                      |                |                |                |                |                |                |                |                |                |                |
| Amortization Expense                     | \$587          | \$650          | \$659          | \$682          | \$703          | \$705          | \$725          | \$719          | \$714          | \$723          |
| Interest on Debt Expense                 | \$87           | \$140          | \$154          | \$152          | \$149          | \$146          | \$143          | \$140          | \$137          | \$134          |
| Operating Expense                        | \$1,483        | \$1,521        | \$1,560        | \$1,600        | \$1,641        | \$1,684        | \$1,728        | \$1,773        | \$1,820        | \$1,868        |
| <b>Total Expenditures</b>                | <b>\$2,157</b> | <b>\$2,312</b> | <b>\$2,373</b> | <b>\$2,434</b> | <b>\$2,493</b> | <b>\$2,534</b> | <b>\$2,595</b> | <b>\$2,632</b> | <b>\$2,670</b> | <b>\$2,724</b> |
| <b>Annual Surplus/(Deficit)</b>          | <b>\$983</b>   | <b>\$932</b>   | <b>\$947</b>   | <b>\$985</b>   | <b>\$1,027</b> | <b>\$1,115</b> | <b>\$1,665</b> | <b>\$1,747</b> | <b>\$1,848</b> | <b>\$1,933</b> |
| Annual Surplus/(Deficit)                 | \$983          | \$932          | \$947          | \$985          | \$1,027        | \$1,115        | \$1,665        | \$1,747        | \$1,848        | \$1,933        |
| Accumulated Surplus, Beginning of Period | \$25,246       | \$26,229       | \$27,162       | \$28,109       | \$29,093       | \$30,120       | \$31,235       | \$32,901       | \$34,648       | \$36,496       |
| Accumulated Surplus, End of Period       | \$26,229       | \$27,162       | \$28,109       | \$29,093       | \$30,120       | \$31,235       | \$32,901       | \$34,648       | \$36,496       | \$38,429       |

**Table 2**  
**Municipality of Kincardine**  
**Statement of Financial Position**  
**in \$000's**

|                                      | 2020            | 2021            | 2022            | 2023            | 2024            | 2025            | 2026            | 2027            | 2028            | 2029            |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Financial Assets</b>              |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Cash                                 | \$10,303        | \$8,924         | \$8,839         | \$8,762         | \$10,350        | \$10,527        | \$10,362        | \$11,426        | \$12,203        | \$13,523        |
| <b>Total Assets</b>                  | <b>\$10,303</b> | <b>\$8,924</b>  | <b>\$8,839</b>  | <b>\$8,762</b>  | <b>\$10,350</b> | <b>\$10,527</b> | <b>\$10,362</b> | <b>\$11,426</b> | <b>\$12,203</b> | <b>\$13,523</b> |
| <b>Liabilities</b>                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Debt                                 | \$6,543         | \$6,976         | \$6,783         | \$6,588         | \$6,390         | \$6,190         | \$5,986         | \$5,779         | \$5,569         | \$5,356         |
| Deferred Revenue                     | \$602           | \$737           | \$888           | \$1,047         | \$1,218         | \$1,395         | \$1,066         | \$728           | \$397           | \$74            |
| <b>Total Liabilities</b>             | <b>\$7,145</b>  | <b>\$7,712</b>  | <b>\$7,671</b>  | <b>\$7,635</b>  | <b>\$7,608</b>  | <b>\$7,585</b>  | <b>\$7,052</b>  | <b>\$6,507</b>  | <b>\$5,966</b>  | <b>\$5,430</b>  |
| <b>Net Financial Assets/(Debt)</b>   | <b>\$3,158</b>  | <b>\$1,212</b>  | <b>\$1,168</b>  | <b>\$1,127</b>  | <b>\$2,741</b>  | <b>\$2,942</b>  | <b>\$3,310</b>  | <b>\$4,920</b>  | <b>\$6,237</b>  | <b>\$8,093</b>  |
| <b>Non-Financial Assets</b>          |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Tangible Capital Assets              | \$23,071        | \$25,950        | \$26,940        | \$27,967        | \$27,379        | \$28,293        | \$29,591        | \$29,728        | \$30,259        | \$30,336        |
| <b>Accumulated Surplus/(Deficit)</b> | <b>\$26,229</b> | <b>\$27,162</b> | <b>\$28,109</b> | <b>\$29,093</b> | <b>\$30,120</b> | <b>\$31,235</b> | <b>\$32,901</b> | <b>\$34,648</b> | <b>\$36,496</b> | <b>\$38,429</b> |

and deferred revenues while total financial assets are approximately \$10.30 million. Overall, net financial assets are expected to increase to approximately \$8.09 million by 2029.

The Statement of Financial Position also provides information on the Municipality's tangible capital assets. The reporting of tangible capital assets is a requirement under PS3150 of the Public Sector Accounting Board. Prior to 2009, the costs to acquire or construct capital assets were expensed in the year in which they occur. As of 2009 municipalities are required to capitalize their assets and account for their ability to provide future benefits. An increase in the tangible capital asset balance suggests that new assets have been acquired, and a decrease in the balance indicates the disposal, write down or use of assets. The Municipality's tangible capital assets are valued at \$23.07 million in 2020 and are anticipated to grow to \$30.34 million by the end of the period.

### **C. STATEMENT OF CASH FLOW – TABLE 3**

The Statement of Cash Flow provides information on the generation and use of cash resources in the following categories: operating; capital; investments; and financing activities. The statement describes how the cash from operations (\$1.57 million) will be used to support the 2020 capital transactions (\$5.07 million). The difference between the total cash generated and cash used results in an increase or decrease in cash and cash equivalents. The beginning of period cash and cash equivalents is equal to the water reserve funds on hand at the start of the period.

In 2020, the Municipality will see an \$878,000 increase in cash equivalents. The Municipality's cash position improves from \$9.43 million in 2020 to \$13.52 million in 2029 despite some intervening years in which a decrease in cash position is realized in order to carry-out the capital program.

### **D. STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/DEBT – TABLE 4**

The Statement of Change in Net Financial Assets/Debt provides information on whether the revenue generated is sufficient to support the operating and tangible capital asset costs. The statement also reconciles the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. The statement outlines that the surplus (\$983,000) and amortization (\$587,000) does not exceed the forecasted capital expenditures of \$5.07 million, resulting in a decrease in net financial assets for the year. However, net financial assets remain positive for most years throughout the period, increasing to \$8.09 million by 2029.

**Table 3**  
**Municipality of Kincardine**  
**Statement of Cash Flow**  
**In \$000's**

|   | 2020             | 2021             | 2022             | 2023             | 2024           | 2025             | 2026             | 2027           | 2028             | 2029           |
|---|------------------|------------------|------------------|------------------|----------------|------------------|------------------|----------------|------------------|----------------|
| <b>Operating Transactions</b>                           |                  |                  |                  |                  |                |                  |                  |                |                  |                |
| Annual Surplus/(Deficit)                                | \$983            | \$932            | \$947            | \$985            | \$1,027        | \$1,115          | \$1,665          | \$1,747        | \$1,848          | \$1,933        |
| Add: Amortization of TCA's                              | \$587            | \$650            | \$659            | \$682            | \$703          | \$705            | \$725            | \$719          | \$714            | \$723          |
| Less: DC Revenues                                       | \$0              | \$0              | \$0              | \$0              | \$0            | \$0              | (\$500)          | (\$500)        | (\$500)          | (\$500)        |
| Add: DC Proceeds  | \$134            | \$135            | \$151            | \$159            | \$171          | \$177            | \$171            | \$162          | \$169            | \$177          |
| Less: Interest Proceeds                                 | (\$134)          | (\$143)          | (\$120)          | (\$117)          | (\$113)        | (\$134)          | (\$134)          | (\$137)        | (\$158)          | (\$174)        |
| <b>Cash Provided by Operating :</b>                     | <b>\$1,569</b>   | <b>\$1,575</b>   | <b>\$1,637</b>   | <b>\$1,709</b>   | <b>\$1,788</b> | <b>\$1,863</b>   | <b>\$1,927</b>   | <b>\$1,991</b> | <b>\$2,073</b>   | <b>\$2,158</b> |
| <b>Capital Transactions</b>                             |                  |                  |                  |                  |                |                  |                  |                |                  |                |
| Proceeds on Sale of Tangible Capital Assets             | \$0              | \$0              | \$0              | \$0              | \$0            | \$0              | \$0              | \$0            | \$0              | \$0            |
| Less: Cash Used to Acquire Tangible Capital Assets      | (\$5,069)        | (\$3,529)        | (\$1,649)        | (\$1,709)        | (\$115)        | (\$1,619)        | (\$2,022)        | (\$856)        | (\$1,244)        | (\$800)        |
| <b>Cash Applied to Capital</b>                          | <b>(\$5,069)</b> | <b>(\$3,529)</b> | <b>(\$1,649)</b> | <b>(\$1,709)</b> | <b>(\$115)</b> | <b>(\$1,619)</b> | <b>(\$2,022)</b> | <b>(\$856)</b> | <b>(\$1,244)</b> | <b>(\$800)</b> |
| <b>Investing Transactions</b>                           |                  |                  |                  |                  |                |                  |                  |                |                  |                |
| Proceeds from Investments                               | \$134            | \$143            | \$120            | \$117            | \$113          | \$134            | \$134            | \$137          | \$158            | \$174          |
| Less: Cash Used to Acquire Investments                  | \$0              | \$0              | \$0              | \$0              | \$0            | \$0              | \$0              | \$0            | \$0              | \$0            |
| <b>Cash Provided by Investing</b>                       | <b>\$134</b>     | <b>\$143</b>     | <b>\$120</b>     | <b>\$117</b>     | <b>\$113</b>   | <b>\$134</b>     | <b>\$134</b>     | <b>\$137</b>   | <b>\$158</b>     | <b>\$174</b>   |
| <b>Financing Transactions</b>                           |                  |                  |                  |                  |                |                  |                  |                |                  |                |
| Proceeds from Debt Issues                               | \$4,332          | \$600            | \$0              | \$0              | \$0            | \$0              | \$0              | \$0            | \$0              | \$0            |
| Less: Debt Repayment (principal only)                   | (\$89)           | (\$167)          | (\$192)          | (\$195)          | (\$198)        | (\$201)          | (\$204)          | (\$207)        | (\$210)          | (\$213)        |
| <b>Cash Applied to Financing</b>                        | <b>\$4,243</b>   | <b>\$433</b>     | <b>(\$192)</b>   | <b>(\$195)</b>   | <b>(\$198)</b> | <b>(\$201)</b>   | <b>(\$204)</b>   | <b>(\$207)</b> | <b>(\$210)</b>   | <b>(\$213)</b> |
| <b>Increase/(Decrease) in Cash and Cash Equivalents</b> | <b>\$878</b>     | <b>(\$1,379)</b> | <b>(\$85)</b>    | <b>(\$78)</b>    | <b>\$1,588</b> | <b>\$177</b>     | <b>(\$165)</b>   | <b>\$1,064</b> | <b>\$777</b>     | <b>\$1,319</b> |
| <b>Cash and Cash Equivalents</b>                        |                  |                  |                  |                  |                |                  |                  |                |                  |                |
| Beginning of Period                                     | \$9,425          | \$10,303         | \$8,924          | \$8,839          | \$8,762        | \$10,350         | \$10,527         | \$10,362       | \$11,426         | \$12,203       |
| Increase/(Decrease)                                     | \$878            | (\$1,379)        | (\$85)           | (\$78)           | \$1,588        | \$177            | (\$165)          | \$1,064        | \$777            | \$1,319        |
| End of Period   | \$10,303         | \$8,924          | \$8,839          | \$8,762          | \$10,350       | \$10,527         | \$10,362         | \$11,426       | \$12,203         | \$13,523       |

**Table 4**  
**Municipality of Kincardine**  
**Statement of Change in Net Financial Assets/(Debt)**  
**in \$000's**

|  | 2020             | 2021             | 2022          | 2023          | 2024           | 2025         | 2026         | 2027           | 2028           | 2029           |
|--|------------------|------------------|---------------|---------------|----------------|--------------|--------------|----------------|----------------|----------------|
| Annual Surplus/(Deficit)                     | \$983            | \$932            | \$947         | \$985         | \$1,027        | \$1,115      | \$1,665      | \$1,747        | \$1,848        | \$1,933        |
| Amortization of Tangible Capital Assets      | \$587            | \$650            | \$659         | \$682         | \$703          | \$705        | \$725        | \$719          | \$714          | \$723          |
| Less: Acquisition of Tangible Capital Assets | (\$5,069)        | (\$3,529)        | (\$1,649)     | (\$1,709)     | (\$115)        | (\$1,619)    | (\$2,022)    | (\$856)        | (\$1,244)      | (\$800)        |
| <b>Change in Net Financial Assets/(Debt)</b> | <b>(\$3,498)</b> | <b>(\$1,946)</b> | <b>(\$43)</b> | <b>(\$42)</b> | <b>\$1,615</b> | <b>\$201</b> | <b>\$368</b> | <b>\$1,610</b> | <b>\$1,318</b> | <b>\$1,856</b> |
| <b>Net Financial Assets/(Debt)</b>           |                  |                  |               |               |                |              |              |                |                |                |
| Beginning of Period                          | \$6,657          | \$3,158          | \$1,212       | \$1,168       | \$1,127        | \$2,741      | \$2,942      | \$3,310        | \$4,920        | \$6,237        |
| Increase/(Decrease)                          | (\$3,498)        | (\$1,946)        | (\$43)        | (\$42)        | \$1,615        | \$201        | \$368        | \$1,610        | \$1,318        | \$1,856        |
| End of Period                                | \$3,158          | \$1,212          | \$1,168       | \$1,127       | \$2,741        | \$2,942      | \$3,310      | \$4,920        | \$6,237        | \$8,093        |



## **5. NOTES AND ASSUMPTIONS TO FINANCIAL PLAN**

Section 3(2) of O Reg. 453/07 states that the information is required only if the information is known to the owner at the time the financial plan is prepared. The assumptions used in preparing the financial plan are noted below.

### **I. CASH**

The beginning of period Cash and Cash equivalents contained in the Statement of Cash Flows is the total of the opening balance of reserve funds. The opening balances were unaudited at the time the Financial Plan was prepared and may change.

### **II. RECEIVABLES AND PAYABLES**

It is assumed that the water receivables and payables are not significant and therefore have not been identified.

### **III. DEBT**

Budgeted debt of \$2.30 million existed at the beginning of 2020 relating to the Huron Terrace and Queen Street Bridge projects. Due to the relatively large ten-year capital program, further debt will be required in order to finance several key projects. As a result, the financial plan shows new debt being incurred in 2020 and 2021 for select projects. The annual financing costs associated with the new debt have been incorporated into the analysis and will be funded through the water rates.

### **IV. DEFERRED REVENUE**

Deferred revenue represents the development charge reserve fund balance. For financial reporting purposes, development charges are deemed a liability until they are used to acquire or construct the infrastructure for which they were collected.

### **V. ACCUMULATED SURPLUS**

The accumulated surplus for all years in the forecast period is contained in Table 5.

**Table 5**  
**Municipality of Kincardine**  
**Reconciliation of Accumulated Surplus**  
**in \$000's**

|   | 2020             | 2021             | 2022            | 2023            | 2024            | 2025            | 2026            | 2027            | 2028            | 2029            |
|---|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Accumulated Surplus consists of:                            |                  |                  |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Opening Reserve Fund Balance</b>                         |                  |                  |                 |                 |                 |                 |                 |                 |                 |                 |
| <i>DC Reserve Fund</i>                                      | \$469            | \$602            | \$737           | \$888           | \$1,047         | \$1,218         | \$1,395         | \$1,066         | \$728           | \$397           |
| <i>Water Reserve Fund</i>                                   | \$8,957          | \$9,701          | \$8,187         | \$7,952         | \$7,715         | \$9,132         | \$9,132         | \$9,296         | \$10,699        | \$11,806        |
| <b>Total Reserve Fund Balance</b>                           | <b>\$9,425</b>   | <b>\$10,303</b>  | <b>\$8,924</b>  | <b>\$8,839</b>  | <b>\$8,762</b>  | <b>\$10,350</b> | <b>\$10,527</b> | <b>\$10,362</b> | <b>\$11,426</b> | <b>\$12,203</b> |
| <i>Less: Debt Obligations and Deferred Revenue</i>          | (\$2,769)        |                  |                 |                 |                 |                 |                 |                 |                 |                 |
| <i>Add: Tangible Capital Assets</i>                         | \$18,590         | \$25,950         | \$26,940        | \$27,967        | \$27,379        | \$28,293        | \$29,591        | \$29,728        | \$30,259        | \$30,336        |
| <b>Total Opening Balance</b>                                | <b>\$25,246</b>  | <b>\$26,229</b>  | <b>\$27,162</b> | <b>\$28,109</b> | <b>\$29,093</b> | <b>\$30,120</b> | <b>\$31,235</b> | <b>\$32,901</b> | <b>\$34,648</b> | <b>\$36,496</b> |
| <i>Add: Contributions to/(from) Reserve Funds (excl DC)</i> |                  |                  |                 |                 |                 |                 |                 |                 |                 |                 |
| <i>Water Reserve Fund</i>                                   | \$744            | (\$1,514)        | (\$236)         | (\$237)         | \$1,417         | (\$0)           | \$164           | \$1,403         | \$1,108         | \$1,643         |
| <b>Total Change in Reserve Funds</b>                        | <b>\$744</b>     | <b>(\$1,514)</b> | <b>(\$236)</b>  | <b>(\$237)</b>  | <b>\$1,417</b>  | <b>(\$0)</b>    | <b>\$164</b>    | <b>\$1,403</b>  | <b>\$1,108</b>  | <b>\$1,643</b>  |
| <i>Add: Changes in TCA during the year</i>                  |                  |                  |                 |                 |                 |                 |                 |                 |                 |                 |
| <i>Capital Assets Acquired/(Disposed)</i>                   | \$5,069          | \$3,529          | \$1,649         | \$1,709         | \$115           | \$1,619         | \$2,022         | \$856           | \$1,244         | \$800           |
| <i>Amortization of Capital Assets</i>                       | (\$587)          | (\$650)          | (\$659)         | (\$682)         | (\$703)         | (\$705)         | (\$725)         | (\$719)         | (\$714)         | (\$723)         |
| <b>Total Changes in Tangible Capital Assets</b>             | <b>\$4,481</b>   | <b>\$2,879</b>   | <b>\$990</b>    | <b>\$1,027</b>  | <b>(\$588)</b>  | <b>\$914</b>    | <b>\$1,297</b>  | <b>\$137</b>    | <b>\$531</b>    | <b>\$77</b>     |
| <b>Subtract Changes in Debt Position</b>                    |                  |                  |                 |                 |                 |                 |                 |                 |                 |                 |
| <i>New Debt</i>   | (\$4,332)        | (\$600)          | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             |
| <i>Debt Repayment</i>                                       | \$89             | \$167            | \$192           | \$195           | \$198           | \$201           | \$204           | \$207           | \$210           | \$213           |
| <b>Total Change in Debt</b>                                 | <b>(\$4,243)</b> | <b>(\$433)</b>   | <b>\$192</b>    | <b>\$195</b>    | <b>\$198</b>    | <b>\$201</b>    | <b>\$204</b>    | <b>\$207</b>    | <b>\$210</b>    | <b>\$213</b>    |
| <b>Total Ending Balance</b>                                 | <b>\$26,229</b>  | <b>\$27,162</b>  | <b>\$28,109</b> | <b>\$29,093</b> | <b>\$30,120</b> | <b>\$31,235</b> | <b>\$32,901</b> | <b>\$34,648</b> | <b>\$36,496</b> | <b>\$38,429</b> |

## **VI. LEAD PIPES**

Ontario Regulation 453/07 regulation contains a requirement for municipalities to include in the Financial Plan the cost associated with replacing lead pipes that are part of the drinking water system. The Municipality currently does not have to replace any lead pipes and does not expect to replace any in the future. Therefore, no provision for lead pipe replacement is required for this plan.

# APPENDIX A

## SUPPORTING TABLES

**Appendix A - Table 1**  
**Municipality of Kincardine**  
**Operating Budget Forecast**  
**in \$000's**

|  | 2020             | 2021               | 2022             | 2023             | 2024             | 2025             | 2026             | 2027             | 2028             | 2029             |
|--|------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Expenditures</b>                        |                  |                    |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Operating Costs</b>                     |                  |                    |                  |                  |                  |                  |                  |                  |                  |                  |
| Salaries/Wages/ Benefits/Pensions          | \$805.9          | \$822.0            | \$838.4          | \$855.2          | \$872.3          | \$889.7          | \$907.5          | \$925.7          | \$944.2          | \$963.1          |
| Materials/Service/Rents                    | \$390.2          | \$398.0            | \$405.9          | \$414.1          | \$422.3          | \$430.8          | \$439.4          | \$448.2          | \$457.1          | \$466.3          |
| Hydro/Utilities                            | \$212.1          | \$222.7            | \$233.8          | \$245.5          | \$257.8          | \$270.6          | \$284.2          | \$298.4          | \$313.3          | \$329.0          |
| Insurance                                  | \$26.2           | \$27.3             | \$28.6           | \$29.8           | \$31.2           | \$32.6           | \$34.1           | \$35.6           | \$37.2           | \$38.9           |
| Contracts                                  | \$48.9           | \$51.0             | \$53.1           | \$55.3           | \$57.7           | \$60.1           | \$62.6           | \$65.3           | \$68.0           | \$70.9           |
|  | <b>\$1,483.2</b> | <b>\$1,520.9</b>   | <b>\$1,559.8</b> | <b>\$1,599.9</b> | <b>\$1,641.2</b> | <b>\$1,683.8</b> | <b>\$1,727.8</b> | <b>\$1,773.1</b> | <b>\$1,819.9</b> | <b>\$1,868.2</b> |
| <b>Capital Related Costs</b>               |                  |                    |                  |                  |                  |                  |                  |                  |                  |                  |
| Non-Growth Capital                         | \$5,068.5        | \$3,529.2          | \$1,649.3        | \$1,708.7        | \$115.3          | \$1,618.9        | \$1,522.2        | \$356.1          | \$744.2          | \$300.1          |
| Growth-Related Capital                     | \$0.0            | \$0.0              | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$500.0          | \$500.0          | \$500.0          | \$500.0          |
| Debt Financing Costs                       | \$175.7          | \$307.6            | \$346.6          | \$346.6          | \$346.6          | \$346.6          | \$346.6          | \$346.6          | \$346.6          | \$346.6          |
| New Capital Related Debt                   | (\$4,331.5)      | (\$600.0)          | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            |
|  | <b>\$912.7</b>   | <b>\$3,236.8</b>   | <b>\$1,996.0</b> | <b>\$2,055.3</b> | <b>\$461.9</b>   | <b>\$1,965.5</b> | <b>\$2,368.8</b> | <b>\$1,202.7</b> | <b>\$1,590.8</b> | <b>\$1,146.7</b> |
| <b>Reserve Fund Contribution</b>           |                  |                    |                  |                  |                  |                  |                  |                  |                  |                  |
| Contributions to/(from) Water Reserve Fund | \$609.8          | (\$1,656.3)        | (\$355.7)        | (\$353.3)        | \$1,303.7        | (\$134.3)        | \$30.1           | \$1,266.1        | \$949.9          | \$1,468.3        |
| Contributions from DC Water Reserve Fund   | \$0.0            | \$0.0              | \$0.0            | \$0.0            | \$0.0            | \$0.0            | (\$500.0)        | (\$500.0)        | (\$500.0)        | (\$500.0)        |
|  | <b>\$609.8</b>   | <b>(\$1,656.3)</b> | <b>(\$355.7)</b> | <b>(\$353.3)</b> | <b>\$1,303.7</b> | <b>(\$134.3)</b> | <b>(\$469.9)</b> | <b>\$766.1</b>   | <b>\$449.9</b>   | <b>\$968.3</b>   |
| <b>Total Expenditures</b>                  | <b>\$3,005.7</b> | <b>\$3,101.4</b>   | <b>\$3,200.1</b> | <b>\$3,301.8</b> | <b>\$3,406.8</b> | <b>\$3,515.1</b> | <b>\$3,626.8</b> | <b>\$3,741.9</b> | <b>\$3,860.7</b> | <b>\$3,983.2</b> |
| <b>Revenues</b>                            |                  |                    |                  |                  |                  |                  |                  |                  |                  |                  |
| Water Billing Revenue                      | \$2,736.7        | \$2,827.0          | \$2,920.2        | \$3,016.4        | \$3,115.6        | \$3,218.1        | \$3,323.8        | \$3,432.9        | \$3,545.5        | \$3,661.7        |
| Transfer From Reserves for Capital         | \$0.0            | \$0.0              | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0            |
| Non-User Rate Revenues                     | \$269.0          | \$274.4            | \$279.9          | \$285.5          | \$291.2          | \$297.0          | \$303.0          | \$309.0          | \$315.2          | \$321.5          |
|  | <b>\$3,005.7</b> | <b>\$3,101.4</b>   | <b>\$3,200.1</b> | <b>\$3,301.8</b> | <b>\$3,406.8</b> | <b>\$3,515.1</b> | <b>\$3,626.8</b> | <b>\$3,741.9</b> | <b>\$3,860.7</b> | <b>\$3,983.2</b> |

**Appendix A-Table 2**  
**Municipality of Kincardine**  
**Capital Budget Forecast**  
**in \$000's**

| <b>Capital Budget Forecast</b>    |                |                |                |                |              |                |                |              |                |              |
|-----------------------------------|----------------|----------------|----------------|----------------|--------------|----------------|----------------|--------------|----------------|--------------|
|                                   | <b>2020</b>    | <b>2021</b>    | <b>2022</b>    | <b>2023</b>    | <b>2024</b>  | <b>2025</b>    | <b>2026</b>    | <b>2027</b>  | <b>2028</b>    | <b>2029</b>  |
| <b>Capital Program</b>            |                |                |                |                |              |                |                |              |                |              |
| Non-Growth Related                | \$5,069        | \$3,529        | \$1,649        | \$1,709        | \$115        | \$1,619        | \$1,522        | \$356        | \$744          | \$300        |
| Growth Related <sup>(1)</sup>     | \$0            | \$0            | \$0            | \$0            | \$0          | \$0            | \$500          | \$500        | \$500          | \$500        |
| <b>Total</b>                      | <b>\$5,069</b> | <b>\$3,529</b> | <b>\$1,649</b> | <b>\$1,709</b> | <b>\$115</b> | <b>\$1,619</b> | <b>\$2,022</b> | <b>\$856</b> | <b>\$1,244</b> | <b>\$800</b> |
| <b>Funding Sources</b>            |                |                |                |                |              |                |                |              |                |              |
| Transfer From Reserve for Capital | \$0            | \$0            | \$0            | \$0            | \$0          | \$0            | \$0            | \$0          | \$0            | \$0          |
| Debenture Requirements            | \$4,332        | \$600          | \$0            | \$0            | \$0          | \$0            | \$0            | \$0          | \$0            | \$0          |
| Transfer from DC Reserves         | \$0            | \$0            | \$0            | \$0            | \$0          | \$0            | \$500          | \$500        | \$500          | \$500        |
| Operating Contributions           | \$737          | \$2,929        | \$1,649        | \$1,709        | \$115        | \$1,619        | \$1,522        | \$356        | \$744          | \$300        |
| <b>Total Funding</b>              | <b>\$5,069</b> | <b>\$3,529</b> | <b>\$1,649</b> | <b>\$1,709</b> | <b>\$115</b> | <b>\$1,619</b> | <b>\$2,022</b> | <b>\$856</b> | <b>\$1,244</b> | <b>\$800</b> |

*Note 1: Cost related to constructing additional water storage as outlined in the 2016 Development Charges Background Study  
 \$ 3.0 million cost allocated over 6-year period as timing is unknown*

**Appendix A - Table 3**  
**Municipality of Kincardine**  
**Reserve Fund Continuity**  
**in \$000's**

|   | 2020           | 2021         | 2022       | 2023       | 2024       | 2025       | 2026       | 2027       | 2028       | 2029       |
|---|----------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Water Reserve Fund</b>                     |                |              |            |            |            |            |            |            |            |            |
| Opening Balance                               | \$8,957        | \$9,701      | \$8,187    | \$7,952    | \$7,715    | \$9,132    | \$9,132    | \$9,296    | \$10,699   | \$11,806   |
| Transfer to Reserve Funds                     | \$610          | (\$1,656)    | (\$356)    | (\$353)    | \$1,304    | (\$134)    | \$30       | \$1,266    | \$950      | \$1,468    |
| Transfer from Reserves (To Capital)           | \$0            | \$0          | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Interest Earned                               | \$134          | \$143        | \$120      | \$117      | \$113      | \$134      | \$134      | \$137      | \$158      | \$174      |
| Ending Balance                                | \$9,701        | \$8,187      | \$7,952    | \$7,715    | \$9,132    | \$9,132    | \$9,296    | \$10,699   | \$11,806   | \$13,449   |
| <b>Debenture Requirements</b>                 | <b>\$4,332</b> | <b>\$600</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |
| <b>Development Charges Water Reserve Fund</b> |                |              |            |            |            |            |            |            |            |            |
| Opening Balance                               | \$469          | \$602        | \$737      | \$888      | \$1,047    | \$1,218    | \$1,395    | \$1,066    | \$728      | \$397      |
| Revenue                                       | \$134          | \$135        | \$151      | \$159      | \$171      | \$177      | \$171      | \$162      | \$169      | \$177      |
| Transfer to Capital                           | \$0            | \$0          | \$0        | \$0        | \$0        | \$0        | (\$500)    | (\$500)    | (\$500)    | (\$500)    |
| Transfer to Operating                         | \$0            | \$0          | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Interest                                      | \$0            | \$0          | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        | \$0        |
| Ending Balance                                | \$602          | \$737        | \$888      | \$1,047    | \$1,218    | \$1,395    | \$1,066    | \$728      | \$397      | \$74       |
| <b>Debenture Requirements</b>                 | <b>\$0</b>     | <b>\$0</b>   | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

*Note: Reserve fund balances are unaudited at the time of study*

**Appendix A - Table 4**  
**Municipality of Kincardine**  
**Non- Growth Related Debenture Schedule**  
**in \$000's**

|               | 2020      |          | 2021      |          | 2022      |          | 2023      |          | 2024      |          | 2025      |          |
|---------------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|
|               | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| New Debt      | \$0.0     | \$0.0    | \$78      | \$54     | \$103     | \$68     | \$106     | \$65     | \$109     | \$62     | \$112     | \$59     |
| Existing Debt | \$89      | \$87     | \$89      | \$87     | \$89      | \$87     | \$89      | \$87     | \$89      | \$87     | \$89      | \$87     |
| Total         | \$89      | \$87     | \$167     | \$140    | \$192     | \$154    | \$195     | \$152    | \$198     | \$149    | \$201     | \$146    |

|               | 2026      |          | 2027      |          | 2028      |          | 2029      |          | Total     |          |
|---------------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|
|               | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| New Debt      | \$115     | \$56     | \$118     | \$53     | \$121     | \$50     | \$124     | \$47     | \$986     | \$513    |
| Existing Debt | \$89      | \$87     | \$89      | \$87     | \$89      | \$87     | \$89      | \$87     | \$889     | \$868    |
| Total         | \$204     | \$143    | \$207     | \$140    | \$210     | \$137    | \$213     | \$134    | \$1,875   | \$1,381  |