



# Water Ontario Regulation 453/07 Financial Plan

Town of Erin

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Financial Plan #102-301A

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## List of Acronyms and Abbreviations

<b>Acronym</b>	<b>Full Description of Acronym</b>
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

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The Town of Erin (the Town) retained Watson & Associates Economists Ltd. (Watson) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. The detailed financial planning and forecasting regarding the Town's water systems has already been completed based on the Town's 2019 Water Rate Study (2019 Rate Study), dated December 12, 2019 (see Appendix A). The objective of the report provided herein is to convert the findings of the 2019 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

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The *Safe Drinking Water Act* (S.D.W.A.), "the Act," was passed in December 2002 in order to address the recommendations made by the Walkerton Inquiry Part II report. Note that S.D.W.A. has been amended several times since 2002. One of the main requirements of the Act is the mandatory licensing of municipal water providers. Section 31 (1) specifically states:

"No person shall,

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

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

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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.

For licence renewals, the application must be accompanied by proof that the financial plan meets the prescribed requirements as per the Act s. 32 (5) 2 ii.

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

### **1.2.1 Financial Plan Defined**

Subsection 30 of the Act provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister. 2017, c. 2, Sched. 11, s. 6 (3)

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

### **1.2.2 Financial Plan Requirements – Existing System**

The O. Reg. 453/07 provides details with regards to the financial plans for existing water systems. The requirements for existing systems 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 PSAB) 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 PSAB) 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 PSAB) 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 requirements for a financial plan is legislated under the Act, 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 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) 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 will be submitted to the Ministry of Municipal Affairs and Housing (MMAH) and not the 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 (PSAB) Requirements**

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1200 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

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

The format required is to conform to the requirements of PS1200 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 are 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.

#### **1.2.5 The Town’s Financial Plan**

The Town is currently in the process of renewing the drinking water licenses and the previous version of the financial plan no longer meets the requirements as it must apply to a period of a least six years beginning in the year that the licenses would otherwise expire. Although the Act requires at least six years to be included, this financial plan provides for the current 2019 budget ten-year forecast period 2020 to 2029.



# Chapter 2

## Sustainable Financial Planning



## 2. Sustainable Financial Planning

### 2.1 Introduction

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In general, sustainability refers to the ability to maintain a certain position over time. While the Act 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 and Wastewater Services are provided below:

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

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

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

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

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

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

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



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

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

## 2.2 Sustainable Water and Sewage Systems Act

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

## 2.3 Water Opportunities Act, 2010

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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, as the *Water Opportunities Act*.

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

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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 asset management plans for all infrastructure they own. On December 27, 2017, the Province of Ontario released Ontario Regulation 588/17 under I.J.P.A. which has 3 phases that municipalities must meet.

Every municipality in Ontario will have to prepare 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, 2021):
  - 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, 2023):
  - Same steps as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2024):
  - 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 will need to have an asset management plan that addresses the related infrastructure by July 1, 2021 (Phase 1). O. Reg. 588/17 specifies that the municipality's asset management plan 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 asset management plan.
- 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 municipality'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.

Upon completion of the asset management plan for water, the Town will need to consider the impacts during the annual budget and forecast process.

## **2.5 Water Forecast**

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The Town has already completed extensive financial planning through its 2019 Water budget and forecasting exercise and through the 2019 Rate Study. The budget & rate study processes are designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2019 Rate Study provides the basis for a sound financial plan for the Town's water systems by assessing:

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- 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 system growth;
- A review and recommendation on rate structure that ensure revenues are equitable and sufficient to meet system 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 financial plan.



# Chapter 3

## Approach



## 3. Approach

### 3.1 Overview

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The 2019 Rate Study has been used as a starting point to prepare the water financial plan. The Water forecast is 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

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The conversion from the existing modified cash basis identified in the 2019 Rate Study 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 by the Town for the purposes of their annual PSAB 3150 compliance process. As required, for PSAB 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 and any anticipated salvage value is recorded. 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 2019 Rate Study. These estimates, however, only represent future assets that the Town anticipates purchasing or constructing without consideration for future assets that may be contributed by developers and other parties (at no or partial cost to the Town). These contributed assets will form part of the infrastructure going forward in terms of the sustainability of the system and despite their non-monetary nature; future financial plans may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

### **3.2.2 Convert Statement of Operations**

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. For example, debt repayment costs relating to the principal payment portion only needs 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  
Town of Erin  
Conversion Adjustments  
Statement of Operations (Water)

Modified Cash Basis	Budget 2019	Adjustments		Full Accrual Budget 2019	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	246,400			246,400	Base Charge Revenue
Rate Based Revenue	1,127,011			1,127,011	Rate Based Revenue
Transfers from Reserves	-	-			
			784,900	784,900	Earned Development Charges and Gas Tax Revenue
Contributions from Ratepayers	-	-		-	Developer Contributions
Other Revenue	22,437			22,437	Interest Earned on Long-term Accounts Receivable
<b>Total Revenues</b>	<b>1,395,848</b>			<b>2,180,748</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	828,100	1,153,900		1,982,000	Operating Expenses
Capital					
Transfers to Reserves	567,748		567,748		
Transfers to Capital	-				
Debt Repayment (Principal & Interest)	-				Interest on Debt
		295,844		295,844	Amortization
					Loss on Disposal of Tangible Capital Assets
<b>Total Expenditures</b>	<b>1,395,848</b>			<b>2,277,844</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>(97,096)</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			11,991,071	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>97,096</b>	<b>11,893,975</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>1,449,744</b>	<b>1,449,744</b>		

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



### **3.2.3 Convert Statement of Financial Position**

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Figure 3-2). The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1200.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Town and as such, will be difficult to isolate the information that is relevant to water. An example of this is accounts receivable, which may be administered centrally by the Finance Department. Ontario Regulation 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

### **3.2.4 Convert Statement of Cash Flow and Net Financial Assets/Debt**

The Statement of Cash Flow summarizes how the Town financed its activities or in other words, how the costs of providing services were recovered. The statement is derived using comparative Statement of Financial Position, the current Statement of Operations and other available transaction data.

The Statement of Change in Net Financial Assets/Debt is a 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, 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  
Town of Erin  
Conversion Adjustments  
Statement of Financial Position (Water)

Modified Cash Basis	Budget 2019	Adjustments		Full Accrual Budget 2019	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	1,890,765			1,890,765	Cash
Accounts Receivable	473,751			473,751	Accounts Receivable
Long-term Accounts Receivable	526,414			526,414	Long-term Accounts Receivable
				-	Investments
				-	Inventory for resale
<b>Total Financial Assets</b>	<b>2,890,930</b>			<b>2,890,930</b>	<b>Total Financial Assets</b>
<b>Non-Financial Assets</b>					
Inventory of Supplies	-		-		
Prepaid Expenses	-		-		
<b>Total Non-Financial Assets</b>	<b>-</b>				
<b>LIABILITIES</b>					<b>Liabilities</b>
Accounts Payable & Accrued Liabilities	178,309			178,309	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	-			-	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Other	-			-	Other
<b>Total Liabilities</b>	<b>178,309</b>			<b>178,309</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>2,712,621</b>			<b>2,712,621</b>	<b>Net Financial Assets/(Debt)</b>
		10,335,254	1,153,900	9,181,354	<b>Non-Financial Assets</b>
		-		-	Tangible Capital Assets
		-		-	Inventory of Supplies
					Prepaid Expenses
				<b>9,181,354</b>	<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Water Reserves	2,712,621	2,712,621	-		
Gas Tax Reserve Fund	-	-	-		
Development Charge Reserve Fund	(526,414)	-	526,414		
Amounts to be Recovered	526,414	526,414	-		
<b>Total Municipal Position</b>	<b>2,712,621</b>		11,893,975	<b>11,893,975</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>13,574,289</b>	<b>13,574,289</b>		

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



### **3.2.5 Verification and Note Preparation**

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

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

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



- 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 capital asset listing provided.
- 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 minor miscellaneous revenues.



# Chapter 4

## Financial Plan



## 4. Financial Plan

### 4.1 Introduction

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The following tables provide the complete financial plan for the Town's water systems. 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 systems. It is not an audited document<sup>1</sup> and it contains various estimates as detailed in the "Notes to the Financial Plan" section below.

### 4.2 Water Financial Plan

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#### 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 systems. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2019, the Town's water system was in a net financial asset position of approximately \$2.71 million. The financial plan forecasts an overall improving net financial asset position throughout the forecast period. Net financial assets are projected to grow to \$2.95 million by the end of 2029.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance under section PS3150. 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 watermains and treatment facilities are imperative to water service delivery.

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

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

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to increase by approximately \$2.85 million over the forecast period. This indicates that the Town plans to continue to add to the existing tangible capital 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 with an increase over the forecast period from 104% in 2019 to 68% in 2029. As a result, annual surplus/deficit increases from a deficit of approximately \$97,100 to a surplus of approximately \$593,000. This is due to a general increasing trend in the revenues anticipated based on the rate study. It is important to note that an annual surplus is beneficial to ensure funding is available for costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future capital 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 \$2.98 million to a 2019 accumulated deficit of approximately \$97,100 over the forecast period. This accumulated deficit, as indicated in Table 4-2, is



predominantly made up of reserve fund balances as well as historical investments in tangible capital assets by the Town.

#### **4.2.3 Statement of Change in Net Financial Assets/Debt (Table 4-3)**

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that the forecasted annual surplus/(deficit) exceeds the forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an increase to net financial assets over the forecast period. This allows for a long-term plan of funding capital through accumulated surplus (i.e. reserves and reserve funds). The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is 2.1 in 2019 and decreases to 1.06 over the forecast period.<sup>1</sup>

#### **4.2.4 Statement of Cash Flow (Table 4-4)**

The Statement of Cash Flow summarizes how water systems are expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions and non-tangible capital asset maintenance) and build internal reserve funds over the forecast period. The financial plan projects the cash position of Town's water system to decrease from a balance of approximately \$2.82 million at the beginning of 2019, to just over \$2.06 million by the end of 2029. For further discussions, on projected cash balances please refer to the Notes to the Financial Plan.

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



Table 4-1  
Town of Erin  
Statement of Financial Position: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Financial Assets</b>												
Cash	1	1,890,765	2,175,407	2,544,001	2,928,609	2,293,276	2,677,505	3,115,195	2,197,199	2,684,487	3,183,035	2,061,928
Accounts Receivable	1	473,751	439,682	454,389	469,265	484,313	500,513	516,897	534,451	552,204	570,161	589,315
Long-term Accounts Receivable	2	526,414	471,533	414,243	354,470	292,139	329,459	367,985	407,715	448,641	491,697	515,658
<b>Total Financial Assets</b>		<b>2,890,930</b>	<b>3,086,622</b>	<b>3,412,633</b>	<b>3,752,344</b>	<b>3,069,728</b>	<b>3,507,477</b>	<b>4,000,077</b>	<b>3,139,365</b>	<b>3,685,332</b>	<b>4,244,893</b>	<b>3,166,901</b>
<b>Liabilities</b>												
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	178,309	183,434	185,874	187,984	190,331	194,803	199,411	204,148	209,015	214,010	219,178
Debt (Principal only)	2	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>		<b>178,309</b>	<b>183,434</b>	<b>185,874</b>	<b>187,984</b>	<b>190,331</b>	<b>194,803</b>	<b>199,411</b>	<b>204,148</b>	<b>209,015</b>	<b>214,010</b>	<b>219,178</b>
<b>Net Financial Assets/(Debt)</b>		<b>2,712,621</b>	<b>2,903,188</b>	<b>3,226,759</b>	<b>3,564,360</b>	<b>2,879,397</b>	<b>3,312,674</b>	<b>3,800,666</b>	<b>2,935,217</b>	<b>3,476,317</b>	<b>4,030,883</b>	<b>2,947,723</b>
<b>Non-Financial Assets</b>												
Tangible Capital Assets	4	9,181,354	9,036,371	8,831,533	8,603,920	9,470,347	9,338,672	9,229,499	10,498,337	10,379,343	10,350,506	12,026,669
<b>Total Non-Financial Assets</b>		<b>9,181,354</b>	<b>9,036,371</b>	<b>8,831,533</b>	<b>8,603,920</b>	<b>9,470,347</b>	<b>9,338,672</b>	<b>9,229,499</b>	<b>10,498,337</b>	<b>10,379,343</b>	<b>10,350,506</b>	<b>12,026,669</b>
<b>Accumulated Surplus/(Deficit)</b>	5	<b>11,893,975</b>	<b>11,939,559</b>	<b>12,058,292</b>	<b>12,168,280</b>	<b>12,349,744</b>	<b>12,651,346</b>	<b>13,030,165</b>	<b>13,433,554</b>	<b>13,855,660</b>	<b>14,381,389</b>	<b>14,974,392</b>
<b>Financial Indicators</b>												
	<b>Total Change</b>	<b>2019</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>
1) Increase/(Decrease) in Net Financial Assets	339,050	103,948	190,567	323,571	337,601	(684,963)	433,277	487,992	(865,449)	541,100	554,566	(1,083,160)
2) Increase/(Decrease) in Tangible Capital Assets	2,644,271	(201,044)	(144,983)	(204,838)	(227,613)	866,427	(131,675)	(109,173)	1,268,838	(118,994)	(28,837)	1,676,163
3) Increase/(Decrease) in Accumulated Surplus	2,983,321	(97,096)	45,584	118,733	109,988	181,464	301,602	378,819	403,389	422,106	525,729	593,003



Table 4-2  
Town of Erin  
Statement of Operations: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Water Revenue</b>												
Base Charge Revenue		246,400	254,362	262,973	271,871	281,067	290,569	300,389	310,536	321,022	331,857	343,054
Rate Based Revenue		1,127,011	1,018,904	1,053,562	1,088,429	1,123,504	1,161,657	1,200,038	1,241,535	1,283,278	1,325,268	1,370,421
Earned Development Charges Revenue	3	784,900	-	-	-	-	100,280	102,120	103,960	105,800	108,560	110,400
Other Revenue	6	22,437	22,201	22,265	22,330	22,395	22,471	22,545	22,620	22,700	22,781	22,865
<b>Total Revenues</b>		<b>2,180,748</b>	<b>1,295,467</b>	<b>1,338,800</b>	<b>1,382,630</b>	<b>1,426,966</b>	<b>1,574,977</b>	<b>1,625,092</b>	<b>1,678,651</b>	<b>1,732,800</b>	<b>1,788,466</b>	<b>1,846,740</b>
<b>Water Expenses</b>												
Operating Expenses	Sch. 4-1	1,982,000	951,900	918,229	967,029	937,929	947,700	942,100	979,100	993,700	1,033,900	1,024,900
Interest on Debt	2	-	-	-	-	-	-	-	-	-	-	-
Amortization	4	295,844	297,983	301,838	305,613	307,573	325,675	304,173	296,162	316,994	228,837	228,837
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>		<b>2,277,844</b>	<b>1,249,883</b>	<b>1,220,067</b>	<b>1,272,642</b>	<b>1,245,502</b>	<b>1,273,375</b>	<b>1,246,273</b>	<b>1,275,262</b>	<b>1,310,694</b>	<b>1,262,737</b>	<b>1,253,737</b>
<b>Annual Surplus/(Deficit)</b>		<b>(97,096)</b>	<b>45,584</b>	<b>118,733</b>	<b>109,988</b>	<b>181,464</b>	<b>301,602</b>	<b>378,819</b>	<b>403,389</b>	<b>422,106</b>	<b>525,729</b>	<b>593,003</b>
Accumulated Surplus/(Deficit), beginning of year	5	11,991,071	11,893,975	11,939,559	12,058,292	12,168,280	12,349,744	12,651,346	13,030,165	13,433,554	13,855,660	14,381,389
Accumulated Surplus/(Deficit), end of year		11,893,975	11,939,559	12,058,292	12,168,280	12,349,744	12,651,346	13,030,165	13,433,554	13,855,660	14,381,389	14,974,392
<b>Note 5:</b>												
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>												
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Reserve Balances</b>												
Reserves: Development Charges		(526,414)	(471,533)	(414,243)	(354,470)	(292,139)	(329,459)	(367,985)	(407,715)	(448,641)	(491,697)	(515,658)
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		2,712,621	2,903,188	3,226,759	3,564,360	2,879,397	3,312,674	3,800,666	2,935,217	3,476,317	4,030,883	2,947,723
<b>Total Reserves Balance</b>		<b>2,186,207</b>	<b>2,431,655</b>	<b>2,812,516</b>	<b>3,209,890</b>	<b>2,587,258</b>	<b>2,983,215</b>	<b>3,432,681</b>	<b>2,527,502</b>	<b>3,027,676</b>	<b>3,539,186</b>	<b>2,432,065</b>
Less: Debt Obligations and Deferred Revenue		-	-	-	-	-	-	-	-	-	-	-
Add: Long-term Accounts Receivable		526,414	471,533	414,243	354,470	292,139	329,459	367,985	407,715	448,641	491,697	515,658
Add: Tangible Capital Assets	4	9,181,354	9,036,371	8,831,533	8,603,920	9,470,347	9,338,672	9,229,499	10,498,337	10,379,343	10,350,506	12,026,669
<b>Total Ending Balance</b>		<b>11,893,975</b>	<b>11,939,559</b>	<b>12,058,292</b>	<b>12,168,280</b>	<b>12,349,744</b>	<b>12,651,346</b>	<b>13,030,165</b>	<b>13,433,554</b>	<b>13,855,660</b>	<b>14,381,389</b>	<b>14,974,392</b>
<b>Financial Indicators</b>												
	Total Change	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
1) Expense to Revenue Ratio		104%	96%	91%	92%	87%	81%	77%	76%	76%	71%	68%
2) Increase/(Decrease) in Accumulated Surplus	2,983,321	(97,096)	45,584	118,733	109,988	181,464	301,602	378,819	403,389	422,106	525,729	593,003



Schedule 4-1  
 Town of Erin  
 Statement of Operating Expenses: Water Services  
 UNAUDITED: For Financial Planning Purposes Only  
 2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Operating Expenses</b>												
Labour Costs		15,300	51,100	51,100	51,100	52,100	53,100	54,200	55,300	56,400	57,500	58,700
Consulting		27,000	-	-	-	-	-	-	-	-	-	-
Service Agreements		656,000	645,300	654,900	664,700	674,600	688,100	701,900	715,900	730,200	744,800	759,700
General Maintenance		6,500	15,200	16,929	16,929	16,929	17,300	17,600	18,000	18,400	18,800	19,200
Telephone & Mobile		2,700	700	700	700	700	700	700	700	700	700	700
Hydro		115,600	115,600	115,600	115,600	115,600	121,400	127,500	133,900	140,600	147,600	155,000
Other Expenses		-	4,500	4,500	4,500	4,500	4,600	4,700	4,800	4,900	5,000	5,100
Insurance		-	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Inter Dept Expenses		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Non TCA - Expenses from Capital Budget	7	1,153,900	100,000	55,000	94,000	54,000	43,000	16,000	31,000	23,000	40,000	7,000
<b>TOTAL OPERATING EXPENSES</b>		<b>1,982,000</b>	<b>951,900</b>	<b>918,229</b>	<b>967,029</b>	<b>937,929</b>	<b>947,700</b>	<b>942,100</b>	<b>979,100</b>	<b>993,700</b>	<b>1,033,900</b>	<b>1,024,900</b>



Table 4-3  
Town of Erin  
Statement of Changes in Net Financial Assets/Debt: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Annual Surplus/(Deficit)		(97,096)	45,584	118,733	109,988	181,464	301,602	378,819	403,389	422,106	525,729	593,003
Less: Acquisition of Tangible Capital Assets	4	(94,800)	(153,000)	(97,000)	(78,000)	(1,174,000)	(194,000)	(195,000)	(1,565,000)	(198,000)	(200,000)	(1,905,000)
Add: Amortization of Tangible Capital Assets	4	295,844	297,983	301,838	305,613	307,573	325,675	304,173	296,162	316,994	228,837	228,837
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
		201,044	144,983	204,838	227,613	(866,427)	131,675	109,173	(1,268,838)	118,994	28,837	(1,676,163)
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in Net Financial Assets/(Net Debt)</b>		<b>103,948</b>	<b>190,567</b>	<b>323,571</b>	<b>337,601</b>	<b>(684,963)</b>	<b>433,277</b>	<b>487,992</b>	<b>(865,449)</b>	<b>541,100</b>	<b>554,566</b>	<b>(1,083,160)</b>
Net Financial Assets/(Net Debt), beginning of year		2,608,673	2,712,621	2,903,188	3,226,759	3,564,360	2,879,397	3,312,674	3,800,666	2,935,217	3,476,317	4,030,883
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>2,712,621</b>	<b>2,903,188</b>	<b>3,226,759</b>	<b>3,564,360</b>	<b>2,879,397</b>	<b>3,312,674</b>	<b>3,800,666</b>	<b>2,935,217</b>	<b>3,476,317</b>	<b>4,030,883</b>	<b>2,947,723</b>
<b>Financial Indicators</b>		<b>2019</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>
1) Acquisition of Tangible Capital Assets (Cumulative)		94,800	247,800	344,800	422,800	1,596,800	1,790,800	1,985,800	3,550,800	3,748,800	3,948,800	5,853,800
2) Annual Surplus/Deficit before Amortization (Cumulative)		198,748	542,315	962,886	1,378,487	1,867,524	2,494,801	3,177,793	3,877,344	4,616,444	5,371,010	6,192,850
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		2.10	2.19	2.79	3.26	1.17	1.39	1.60	1.09	1.23	1.36	1.06



Table 4-4  
Town of Erin  
Statement of Cash Flow – Indirect Method: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2019 to 2029

	Notes	Forecast										
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Operating Transactions</b>												
Annual Surplus/Deficit		(97,096)	45,584	118,733	109,988	181,464	301,602	378,819	403,389	422,106	525,729	593,003
Add: Amortization of TCA's	4	295,844	297,983	301,838	305,613	307,573	325,675	304,173	296,162	316,994	228,837	228,837
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(784,900)	-	-	-	-	(100,280)	(102,120)	(103,960)	(105,800)	(108,560)	(110,400)
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		42,494	54,881	57,290	59,773	62,331	62,960	63,594	64,230	64,874	65,504	86,439
Change in A/R (Increase)/Decrease		(473,751)	34,069	(14,707)	(14,876)	(15,048)	(16,200)	(16,384)	(17,554)	(17,753)	(17,957)	(19,154)
Change in A/P Increase/(Decrease)		178,309	5,125	2,440	2,110	2,347	4,472	4,608	4,737	4,867	4,995	5,168
Less: Interest Proceeds		-	-	-	-	-	-	-	-	-	-	-
<b>Cash Provided by Operating Transactions</b>		<b>(839,100)</b>	<b>437,642</b>	<b>465,594</b>	<b>462,608</b>	<b>538,667</b>	<b>578,229</b>	<b>632,690</b>	<b>647,004</b>	<b>685,288</b>	<b>698,548</b>	<b>783,893</b>
<b>Capital Transactions</b>												
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(94,800)	(153,000)	(97,000)	(78,000)	(1,174,000)	(194,000)	(195,000)	(1,565,000)	(198,000)	(200,000)	(1,905,000)
<b>Cash Applied to Capital Transactions</b>		<b>(94,800)</b>	<b>(153,000)</b>	<b>(97,000)</b>	<b>(78,000)</b>	<b>(1,174,000)</b>	<b>(194,000)</b>	<b>(195,000)</b>	<b>(1,565,000)</b>	<b>(198,000)</b>	<b>(200,000)</b>	<b>(1,905,000)</b>
<b>Investing Transactions</b>												
Proceeds from Investments		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-	-
<b>Cash Provided by (applied to) Investing Transactions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financing Transactions</b>												
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Applied to Financing Transactions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase in Cash and Cash Equivalents		(933,900)	284,642	368,594	384,608	(635,333)	384,229	437,690	(917,996)	487,288	498,548	(1,121,107)
Cash and Cash Equivalents, beginning of year	1	2,824,665	1,890,765	2,175,407	2,544,001	2,928,609	2,293,276	2,677,505	3,115,195	2,197,199	2,684,487	3,183,035
<b>Cash and Cash Equivalents, end of year</b>	<b>1</b>	<b>1,890,765</b>	<b>2,175,407</b>	<b>2,544,001</b>	<b>2,928,609</b>	<b>2,293,276</b>	<b>2,677,505</b>	<b>3,115,195</b>	<b>2,197,199</b>	<b>2,684,487</b>	<b>3,183,035</b>	<b>2,061,928</b>



## Notes to Financial Plan

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

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

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

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

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

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

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

In order to show a balanced financial plan in a full accrual format for the 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*

For the Town, receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on the historical levels of Town-wide receivables as a percentage of annual Town-wide revenue from user fees earned; and
- b) Payables: Based on historical levels of Town-wide payables as a percentage of annual Town-wide expenses.

## 2. Debt

The Town currently has no outstanding water related debt and no additional debt contemplated over the forecast period.

## 3. Deferred Revenue

Deferred revenue is made up of the water development charge (D.C.) reserve fund which is 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 (“long-term accounts receivable”) for financial reporting purposes, representing future amounts to be collected from developers. Note that the 2019 Water and Wastewater Rate Study anticipates that the water D.C. reserve fund will continue to stay in a deficit position throughout the forecast. Therefore, the deficit balances are being financed internally through the overall general water revenues. In future years, as D.C. revenue is received, there will



be an adjustment to refund the overall water account to repay the internal financing.

#### 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - i. Town-owned Assets:
    - a. Land
    - b. Linear Infrastructure (watermains)
    - c. Facilities
    - d. Vehicles, and
    - e. Machinery and Equipment.
- Amortization is calculated based on using the straight-line approach with no amortization in the year of acquisition or construction.
- Given the planned asset replacement forecast provided by the Town, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, the replacement value (of each new asset that has been identified as a “replacement”) has been deflated (by weighted average useful life for all assets on hand in the respective asset category) to an estimated historical cost. This figure was used to calculate disposals only. Future assets are disposed of when fully amortized.
- 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. When older portions of the watermain system are replaced



as part of the ongoing replacement program, however, any lead service pipes will be replaced if and when found.



- The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Tangible Capital Asset Balance	15,790,556	15,866,492	15,962,331	16,017,606	16,057,682	17,140,230	17,289,805	17,438,220	18,881,567	19,026,220	19,168,127
Acquisitions	94,800	153,000	97,000	78,000	1,174,000	194,000	195,000	1,565,000	198,000	200,000	1,905,000
Disposals	18,864	57,161	41,725	37,924	91,452	44,425	46,585	121,653	53,347	58,093	155,710
<b>Closing Tangible Capital Asset Balance</b>	<b>15,866,492</b>	<b>15,962,331</b>	<b>16,017,606</b>	<b>16,057,682</b>	<b>17,140,230</b>	<b>17,289,805</b>	<b>17,438,220</b>	<b>18,881,567</b>	<b>19,026,220</b>	<b>19,168,127</b>	<b>20,917,417</b>
Opening Accumulated Amortization	6,408,158	6,685,138	6,925,960	7,186,073	7,453,762	7,669,883	7,951,133	8,208,721	8,383,230	8,646,877	8,817,621
Amortization Expense	295,844	297,983	301,838	305,613	307,573	325,675	304,173	296,162	316,994	228,837	228,837
Amortization on Disposal	18,864	57,161	41,725	37,924	91,452	44,425	46,585	121,653	53,347	58,093	155,710
<b>Ending Accumulated Amortization</b>	<b>6,685,138</b>	<b>6,925,960</b>	<b>7,186,073</b>	<b>7,453,762</b>	<b>7,669,883</b>	<b>7,951,133</b>	<b>8,208,721</b>	<b>8,383,230</b>	<b>8,646,877</b>	<b>8,817,621</b>	<b>8,890,748</b>
<b>Net Book Value</b>	<b>9,181,354</b>	<b>9,036,371</b>	<b>8,831,533</b>	<b>8,603,920</b>	<b>9,470,347</b>	<b>9,338,672</b>	<b>9,229,499</b>	<b>10,498,337</b>	<b>10,379,343</b>	<b>10,350,506</b>	<b>12,026,669</b>



## 5. Accumulated Surplus

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

Water	2019 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Development Charges	215,992
Reserves: Capital/Other	2,608,673
<b>Total Reserves Balance</b>	<b>2,824,665</b>
Less: Debt Obligations and Deferred Revenue	(215,992)
Less: Unfinanced Capital	-
Add: Long-term Accounts Receivable	-
Add: Tangible Capital Assets	9,382,398
<b>Total Opening Balance</b>	<b>11,991,071</b>

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

## 6. Other Revenue

Other revenue in 2019 includes funding from miscellaneous revenues and revenues from five non-metered customers that are charged on a flat rate billing system.

## 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 of 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, section 3 (1) 1)
2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O. Reg. 453/07, section 3 (1) 5)
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6)

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. section 32 (5) 2. ii.)



# Chapter 6

## Recommendations



## 6. Recommendations

This report presents the water financial plan for the Town in accordance with the mandatory reporting formats for water systems as detailed in O. Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for Council's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the 2019 Rate Study, dated December 12, 2019. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Town of Erin Water Financial Plan prepared by Watson & Associates Economists Ltd. dated April 27, 2020 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan dated April 27, 2020 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, section 3 (1) 6)

The resolution of Council approving the Financial Plan be submitted to the MECP, satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. section 32 (5) 2. ii.)



# Appendix A

## Water Rate Study, December 12, 2019 – Water Summary Tables (as per Appendix B)



# Water Rate Study Summary Tables B-1 to B-9, from the Town's Rate Study, Dated December 12, 2019

Table B-1  
Town of Erin  
Water Service  
Capital Budget Forecast  
Uninflated \$

Description	Budget 2019	Total	Forecast									
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Capital Expenditures</b>												
Building and grounds minor repairs	15,000	-	-	-	-	-	-	-	-	-	-	-
Energy Efficiency Upgrades		120,000	30,000	30,000	30,000	30,000	-	-	-	-	-	-
Other Capital Replacement		3,600,000				1,000,000			1,200,000			1,400,000
<b>Erin Well # 7</b>												
Clear well Video inspection & Cleaning		27,500	5,500	-	5,500	-	5,500	-	5,500		5,500	
upgraded chlorine gas scale		2,500	2,500	-	-	-	-	-	-	-	-	-
new spare gas chlorinator		15,000	-	-	5,000	-	-	5,000	-	-	5,000	-
gas chlorinator rebuilds	11,500	23,000	-	11,500	-	11,500	-	-	-	-	-	-
DWQMS external 3rd Party Audit for Erin and Hillsburgh. - third party		3,000	-	-	3,000	-	-	-	-	-	-	-
well inspection / video well casing		10,500	3,500	-	-	-	3,500	-	-	-	3,500	-
Gas alarm system tested . Portable meter tested - third party		15,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
upgrade SCBA, have operators fit tested		5,000	5,000	-	-	-	-	-	-	-	-	-
Pull pump and check foot valve		5,000	5,000	-	-	-	-	-	-	-	-	-
remove old booster pump and relabel MCC panel		2,000	2,000	-	-	-	-	-	-	-	-	-
<b>Erin Well # 8</b>												
Clear well Video inspection & Cleaning		27,500	5,500	-	5,500	-	5,500	-	5,500		5,500	-
well inspection / video well casing		12,000	6,000	-	6,000	-	-	-	-	-	-	-
gas chlorinator rebuilds	11,500	23,000	-	11,500	-	11,500	-	-	-	-	-	-
new spare gas chlorinator		15,000	-	-	5,000	-	5,000	5,000	-	-	-	-
upgrade SCBA, have operators fit tested		5,000	5,000	-	-	-	-	-	-	-	-	-
install new Cl2 analyzer with logger data back-up		5,000	5,000	-	-	-	-	-	-	-	-	-
Gas alarm system tested .		10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
install ladder on outside of reservoir		8,000	8,000	-	-	-	-	-	-	-	-	-
Items from recommendations		1,500	500	500	500	-	-	-	-	-	-	-
Trolley/Crane - lifting device inspection - third party		10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000



**Table B-1**  
**Town of Erin**  
**Water Service**  
**Capital Budget Forecast**  
 Uninflated \$

Description	Budget 2019	Total	Forecast									
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Water Tower</b>												
inspection of all lifting devices - third party		15,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
video tower internal inspection		22,500	-	7,500	-	-	-	7,500	7,500	-	-	-
Altitude valve inspection - third party		10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Booster Station</b>												
PRV rebuilds and replacements		25,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
<b>Hillsburgh and Erin Distribution</b>												
Meter replacement program	11,000	300,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Fire Hydrant rehabilitation/replacement program	17,000	170,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Distribution Valve exercising program/ hydrant fire flow testing		65,000	20,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Barbour St. Blow Off		1,500	1,500	-	-	-	-	-	-	-	-	-
<b>Hillsburgh Height's</b>												
Clear well Video inspection & Cleaning		27,500	5,500	-	5,500	-	5,500	-	5,500	-	5,500	-
well inspection / video well casing		12,000	6,000	-	6,000	-	-	-	-	-	-	-
install new Cl2 analyzer with logger data back-up		5,000	5,000	-	-	-	-	-	-	-	-	-
new chemical Hypo metering pump		10,000	-	3,000	-	-	3,500	-	-	-	3,500	-
new chemical Ferric metering pump		10,000	-	3,000	-	-	3,500	-	-	-	3,500	-
rebuilds of chemical pumps/ injectors/lines		5,000	500	500	500	500	500	500	500	500	500	500
VFD's for high lift pumps		12,000	12,000	-	-	-	-	-	-	-	-	-
inspection of pressure relief valve		3,000	-	-	1,000	-	-	1,000	-	-	1,000	-
Lead Filter Replacement		75,000	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Items from recommendations		10,500	3,500	3,500	3,500	-	-	-	-	-	-	-
<b>Glendevon</b>												
Clear well Video inspection & Cleaning		27,500	5,500	-	5,500	-	5,500	-	5,500	-	5,500	-
well inspection / video well casing		12,000	6,000	-	6,000	-	-	-	-	-	-	-
install new Cl2 analyzer with logger data back-up		5,000	5,000	-	-	-	-	-	-	-	-	-
rebuilds of chemical pumps/ injectors/lines		5,000	500	500	500	500	500	500	500	500	500	500
VFD's for high lift pumps		12,000	12,000	-	-	-	-	-	-	-	-	-
Milltonics level sensor for Reservoir/ SCADA hook up		10,000	10,000	-	-	-	-	-	-	-	-	-
Items from recommendations		10,500	3,500	3,500	3,500	-	-	-	-	-	-	-
<b>Studies:</b>												
Water Rate Study	13,900	27,800					13,900				13,900	



**Table B-1**  
**Town of Erin**  
**Water Service**  
**Capital Budget Forecast**  
Uninflated \$

Description	Budget 2019	Total	Forecast										
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
<b>Growth Related:</b>		-											
New Water Supply (Erin and Hillsburgh)		590,200	-	-	-	-	98,367	98,367	98,367	98,367	98,367	98,367	98,367
Water Equipment	43,800	-											
Water Environmental Assessment	1,125,000	-											
<b>Total Capital Expenditures</b>	<b>1,248,700</b>	<b>5,424,500</b>	<b>243,000</b>	<b>143,000</b>	<b>160,500</b>	<b>1,135,900</b>	<b>212,367</b>	<b>185,867</b>	<b>1,389,367</b>	<b>188,267</b>	<b>198,867</b>	<b>1,567,367</b>	



**Table B-2  
Town of Erin  
Water Service  
Capital Budget Forecast  
Inflated \$**

Description	Budget 2019	Total	Forecast										
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
<b>Capital Expenditures</b>													
Building and grounds minor repairs	15,000	-	-	-	-	-	-	-	-	-	-	-	-
Energy Efficiency Upgrades	-	126,000	31,000	31,000	32,000	32,000	-	-	-	-	-	-	-
Other Capital Replacement	-	4,167,000	-	-	-	1,082,000	-	-	1,378,000	-	-	-	1,707,000
<b>Erin Well # 7</b>													
Clear well Video inspection & Cleaning	-	31,000	6,000	-	6,000	-	6,000	-	6,000	-	7,000	-	-
upgraded chlorine gas scale	-	3,000	3,000	-	-	-	-	-	-	-	-	-	-
new spare gas chlorinator	-	17,000	-	-	5,000	-	-	6,000	-	-	6,000	-	-
gas chlorinator rebuilds	11,500	24,000	-	12,000	-	12,000	-	-	-	-	-	-	-
DWQMS external 3rd Party Audit for Erin and Hillsburgh. - third party	-	3,000	-	-	3,000	-	-	-	-	-	-	-	-
well inspection / video well casing	-	12,000	4,000	-	-	-	4,000	-	-	-	4,000	-	-
Gas alarm system tested . Portable meter tested - third party	-	20,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
upgrade SCBA, have operators fit tested	-	5,000	5,000	-	-	-	-	-	-	-	-	-	-
Pull pump and check foot valve	-	5,000	5,000	-	-	-	-	-	-	-	-	-	-
remove old booster pump and relabel MCC panel	-	2,000	2,000	-	-	-	-	-	-	-	-	-	-
<b>Erin Well # 8</b>													
Clear well Video inspection & Cleaning	-	31,000	6,000	-	6,000	-	6,000	-	6,000	-	7,000	-	-
well inspection / video well casing	-	12,000	6,000	-	6,000	-	-	-	-	-	-	-	-
gas chlorinator rebuilds	11,500	24,000	-	12,000	-	12,000	-	-	-	-	-	-	-
new spare gas chlorinator	-	17,000	-	-	5,000	-	6,000	6,000	-	-	-	-	-
upgrade SCBA, have operators fit tested	-	5,000	5,000	-	-	-	-	-	-	-	-	-	-
install new Cl2 analyzer with logger data back-up	-	5,000	5,000	-	-	-	-	-	-	-	-	-	-
Gas alarm system tested .	-	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
install ladder on outside of reservoir	-	8,000	8,000	-	-	-	-	-	-	-	-	-	-
Items from recommendations	-	3,000	1,000	1,000	1,000	-	-	-	-	-	-	-	-
Trolley/Crane - lifting device inspection - third party	-	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Water Tower</b>													
inspection of all lifting devices - third party	-	20,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
video tower internal inspection	-	24,000	-	8,000	-	-	8,000	8,000	-	-	-	-	-
Altitude valve inspection - third party	-	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Booster Station</b>													
PRV rebuilds and replacements	-	30,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
<b>Hillsburgh and Erin Distribution</b>													
Meter replacement program	11,000	335,000	31,000	31,000	32,000	32,000	33,000	34,000	34,000	35,000	36,000	37,000	37,000
Fire Hydrant rehabilitation/replacement program	17,000	190,000	17,000	18,000	18,000	18,000	19,000	19,000	20,000	20,000	20,000	21,000	21,000
Distribution Valve exercising program/ hydrant fire flow testing	-	71,000	20,000	5,000	5,000	5,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Barbour St. Blow Off	-	2,000	2,000	-	-	-	-	-	-	-	-	-	-
<b>Hillsburgh Height's</b>													
Clear well Video inspection & Cleaning	-	31,000	6,000	-	6,000	-	6,000	-	6,000	-	7,000	-	-
well inspection / video well casing	-	12,000	6,000	-	6,000	-	-	-	-	-	-	-	-
install new Cl2 analyzer with logger data back-up	-	5,000	5,000	-	-	-	-	-	-	-	-	-	-



**Table B-2  
Town of Erin  
Water Service  
Capital Budget Forecast  
Inflated \$**

Description	Budget 2019	Total	Forecast									
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
new chemical Hypo metering pump	-	11,000	-	3,000	-	-	4,000	-	-	4,000	-	-
new chemical Ferric metering pump	-	11,000	-	3,000	-	-	4,000	-	-	4,000	-	-
rebuilt of chemical pumps/ injectors/lines	-	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
VFD's for high lift pumps	-	12,000	12,000	-	-	-	-	-	-	-	-	-
inspection of pressure relief valve	-	3,000	-	-	1,000	-	-	1,000	-	-	1,000	-
Lead Filter Replacement	-	84,000	8,000	8,000	8,000	8,000	8,000	8,000	9,000	9,000	9,000	9,000
Items from recommendations	-	12,000	4,000	4,000	4,000	-	-	-	-	-	-	-
<b>Glendevon</b>	-	-	-	-	-	-	-	-	-	-	-	-
Clear well Video inspection & Cleaning	-	31,000	6,000	-	6,000	-	6,000	-	6,000	-	7,000	-
well inspection / video well casing	-	12,000	6,000	-	6,000	-	-	-	-	-	-	-
install new Cl2 analyzer with logger data back-up	-	5,000	5,000	-	-	-	-	-	-	-	-	-
rebuilt of chemical pumps/ injectors/lines	-	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
VFD's for high lift pumps	-	12,000	12,000	-	-	-	-	-	-	-	-	-
Milltonics level sensor for Reservoir/ SCADA hook up	-	10,000	10,000	-	-	-	-	-	-	-	-	-
Items from recommendations	-	12,000	4,000	4,000	4,000	-	-	-	-	-	-	-
<b>Studies:</b>	-	-	-	-	-	-	-	-	-	-	-	-
Water Rate Study	13,900	31,000	-	-	-	15,000	-	-	-	16,000	-	-
<b>Growth Related:</b>	-	-	-	-	-	-	-	-	-	-	-	-
New Water Supply (Erin and Hillsburgh)	-	686,000	-	-	-	-	109,000	111,000	113,000	115,000	118,000	120,000
Water Equipment	43,800	-	-	-	-	-	-	-	-	-	-	-
Water Environmental Assessment	1,125,000	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditures</b>	<b>1,248,700</b>	<b>6,222,000</b>	<b>253,000</b>	<b>152,000</b>	<b>172,000</b>	<b>1,228,000</b>	<b>237,000</b>	<b>211,000</b>	<b>1,596,000</b>	<b>221,000</b>	<b>240,000</b>	<b>1,912,000</b>
<b>Capital Financing</b>												
Provincial/Federal Grants		-										
Development Charges Reserve Fund	784,900	631,120	-	-	-	-	100,280	102,120	103,960	105,800	108,560	110,400
Non-Growth Related Debenture Requirements	-	-	-	-	-	-	-	-	-	-	-	-
Growth Related Debenture Requirements	-	-	-	-	-	-	-	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Lifecycle Reserve Fund	338,054	5,590,880	253,000	152,000	172,000	1,228,000	136,720	108,880	1,492,040	115,200	131,440	1,801,600
Water Reserve	125,746	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Financing</b>	<b>1,248,700</b>	<b>6,222,000</b>	<b>253,000</b>	<b>152,000</b>	<b>172,000</b>	<b>1,228,000</b>	<b>237,000</b>	<b>211,000</b>	<b>1,596,000</b>	<b>221,000</b>	<b>240,000</b>	<b>1,912,000</b>



**Table B-3**  
**Town of Erin**  
**Water Service**  
**Schedule of Non-Growth Related Debenture Repayments**  
 Inflated \$

Debenture Year	2019	Principal (Inflated)	Forecast										
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
2020		-		-	-	-	-	-	-	-	-	-	-
2021		-			-	-	-	-	-	-	-	-	-
2022		-				-	-	-	-	-	-	-	-
2023		-					-	-	-	-	-	-	-
2024		-						-	-	-	-	-	-
2025		-							-	-	-	-	-
2026		-								-	-	-	-
2027		-									-	-	-
2028		-										-	-
2029		-											-
<b>Total Annual Debt Charges</b>	-	-	-	-	-	-	-	-	-	-	-	-	-

**Table B-4**  
**Town of Erin**  
**Water Service**  
**Schedule of Growth Related Debenture Repayments**  
 Inflated \$

Debenture Year	2019	Principal (Inflated)	Forecast										
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
2020		-		-	-	-	-	-	-	-	-	-	-
2021		-			-	-	-	-	-	-	-	-	-
2022		-				-	-	-	-	-	-	-	-
2023		-					-	-	-	-	-	-	-
2024		-						-	-	-	-	-	-
2025		-							-	-	-	-	-
2026		-								-	-	-	-
2027		-									-	-	-
2028		-										-	-
2029		-											-
<b>Total Annual Debt Charges</b>	-	-	-	-	-	-	-	-	-	-	-	-	-



**Table B-5**  
**Town of Erin**  
**Water Service**  
**Water Reserve Funds Continuity**  
 Inflated \$

Description	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Balance	125,746	-	-	-	-	-	-	-	-	-	-
Transfer from Operating	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	125,746	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-

**Table B-6**  
**Town of Erin**  
**Water Service**  
**Water Development Charges Reserve Fund Continuity**  
 Inflated \$

Description	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Balance	215,992	(526,414)	(471,532)	(414,243)	(354,470)	(292,140)	(329,460)	(367,986)	(407,717)	(448,643)	(491,699)
Development Charge Proceeds	52,816	64,127	65,412	66,723	68,059	69,420	70,809	72,224	73,671	75,145	96,550
Transfer to Capital	784,900	-	-	-	-	100,280	102,120	103,960	105,800	108,560	110,400
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>(516,092)</b>	<b>(462,287)</b>	<b>(406,120)</b>	<b>(347,520)</b>	<b>(286,412)</b>	<b>(323,000)</b>	<b>(360,771)</b>	<b>(399,723)</b>	<b>(439,846)</b>	<b>(482,058)</b>	<b>(505,549)</b>
Interest	(10,322)	(9,246)	(8,122)	(6,950)	(5,728)	(6,460)	(7,215)	(7,994)	(8,797)	(9,641)	(10,111)
Required from Development Charges	784,900	-	-	-	-	100,280	102,120	103,960	105,800	108,560	110,400

**Table B-7**  
**Town of Erin**  
**Water Service**  
**Water Lifecycle Reserve Continuity**  
 Inflated \$

Description	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Opening Balance	2,482,927	2,712,621	2,903,188	3,226,759	3,564,360	2,879,397	3,312,674	3,800,666	2,935,217	3,476,317	4,030,882
Transfer from Operating	567,748	443,567	475,571	509,601	543,037	569,997	596,872	626,591	656,300	686,006	718,440
Transfer to Capital	338,054	253,000	152,000	172,000	1,228,000	136,720	108,880	1,492,040	115,200	131,440	1,801,600
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>2,712,621</b>	<b>2,903,188</b>	<b>3,226,759</b>	<b>3,564,360</b>	<b>2,879,397</b>	<b>3,312,674</b>	<b>3,800,666</b>	<b>2,935,217</b>	<b>3,476,317</b>	<b>4,030,882</b>	<b>2,947,723</b>



**Table B-8  
Town of Erin  
Water Services  
Operating Budget Forecast  
Inflated \$**

Description	Budget 2019	Forecast										
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
<b>Expenditures</b>												
<u>Operating Costs</u>												
Labour Costs	15,300	51,100	51,100	51,100	52,100	53,100	54,200	55,300	56,400	57,500	58,700	
Supplies & Material	-	-	-	-	-	-	-	-	-	-	-	
Consulting	27,000	-	-	-	-	-	-	-	-	-	-	
Service Agreements	656,000	645,300	654,900	664,700	674,600	688,100	701,900	715,900	730,200	744,800	759,700	
General Maintenance	6,500	15,200	16,929	16,929	16,929	17,300	17,600	18,000	18,400	18,800	19,200	
Telephone & Mobile	2,700	700	700	700	700	700	700	700	700	700	700	
Hydro	115,600	115,600	115,600	115,600	115,600	121,400	127,500	133,900	140,600	147,600	155,000	
Natural Gas	-	-	-	-	-	-	-	-	-	-	-	
Equipment / Small Tools	-	-	-	-	-	-	-	-	-	-	-	
Vehicle Maintenance	-	-	-	-	-	-	-	-	-	-	-	
Other Expenses	-	4,500	4,500	4,500	4,500	4,600	4,700	4,800	4,900	5,000	5,100	
Insurance	-	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	
Debt Servicing	-	-	-	-	-	-	-	-	-	-	-	
Inter Dept Expenses	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
<b>Sub Total Operating</b>	<b>828,100</b>	<b>851,900</b>	<b>863,229</b>	<b>873,029</b>	<b>883,929</b>	<b>904,700</b>	<b>926,100</b>	<b>948,100</b>	<b>970,700</b>	<b>993,900</b>	<b>1,017,900</b>	
<u>Capital-Related</u>												
Existing Debt (Principal) - Growth Related	-	-	-	-	-	-	-	-	-	-	-	
Existing Debt (Interest) - Growth Related	-	-	-	-	-	-	-	-	-	-	-	
New Growth Related Debt (Principal)	-	-	-	-	-	-	-	-	-	-	-	
New Growth Related Debt (Interest)	-	-	-	-	-	-	-	-	-	-	-	
Existing Debt (Principal) - Non-Growth Related	-	-	-	-	-	-	-	-	-	-	-	
Existing Debt (Interest) - Non-Growth Related	-	-	-	-	-	-	-	-	-	-	-	
New Non-Growth Related Debt (Principal)	-	-	-	-	-	-	-	-	-	-	-	
New Non-Growth Related Debt (Interest)	-	-	-	-	-	-	-	-	-	-	-	
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-	
Transfer to Capital Reserve	-	-	-	-	-	-	-	-	-	-	-	
Lifecycle Reserve Contribution (\$)	567,748	443,567	475,571	509,601	543,037	569,997	596,872	626,591	656,300	686,006	718,440	
<b>Sub Total Capital Related</b>	<b>567,748</b>	<b>443,567</b>	<b>475,571</b>	<b>509,601</b>	<b>543,037</b>	<b>569,997</b>	<b>596,872</b>	<b>626,591</b>	<b>656,300</b>	<b>686,006</b>	<b>718,440</b>	
<b>Total Expenditures</b>	<b>1,395,848</b>	<b>1,295,467</b>	<b>1,338,800</b>	<b>1,382,630</b>	<b>1,426,966</b>	<b>1,474,697</b>	<b>1,522,972</b>	<b>1,574,691</b>	<b>1,627,000</b>	<b>1,679,906</b>	<b>1,736,340</b>	
<b>Revenues</b>												
Base Charge	246,400	254,362	262,973	271,871	281,067	290,569	300,389	310,536	321,022	331,857	343,054	
Flat Rate	2,437	2,200	2,265	2,330	2,395	2,470	2,545	2,620	2,700	2,780	2,865	
Miscellaneous Revenue	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
Contributions from Development Charges Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Operating Revenue</b>	<b>268,837</b>	<b>276,562</b>	<b>285,238</b>	<b>294,201</b>	<b>303,462</b>	<b>313,039</b>	<b>322,934</b>	<b>333,156</b>	<b>343,722</b>	<b>354,637</b>	<b>365,919</b>	
<b>Water Billing Recovery - To be Recovered from Volume Rates</b>	<b>1,127,011</b>	<b>1,018,904</b>	<b>1,053,562</b>	<b>1,088,429</b>	<b>1,123,504</b>	<b>1,161,657</b>	<b>1,200,038</b>	<b>1,241,535</b>	<b>1,283,278</b>	<b>1,325,268</b>	<b>1,370,421</b>	
<b>Total Revenues (Fixed + Volumes)</b>	<b>1,395,848</b>	<b>1,295,467</b>	<b>1,338,800</b>	<b>1,382,630</b>	<b>1,426,966</b>	<b>1,474,697</b>	<b>1,522,972</b>	<b>1,574,691</b>	<b>1,627,000</b>	<b>1,679,906</b>	<b>1,736,340</b>	



**Table B-9**  
**Town of Erin**  
**Water Services**  
**Water Rate Forecast**  
 Inflated \$

Description	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Water Billing Recovery	1,127,011	1,018,904	1,053,562	1,088,429	1,123,504	1,161,657	1,200,038	1,241,535	1,283,278	1,325,268	1,370,421
Total Volume (m <sup>3</sup> )	282,459	283,029	283,979	284,929	285,879	286,829	287,779	288,729	289,679	290,629	291,579
<b>Constant Rate</b>	<b>3.99</b>	<b>3.60</b>	<b>3.71</b>	<b>3.82</b>	<b>3.93</b>	<b>4.05</b>	<b>4.17</b>	<b>4.30</b>	<b>4.43</b>	<b>4.56</b>	<b>4.70</b>
<b>Annual Percentage Change</b>		<b>-10%</b>	<b>3%</b>								