

TOWNSHIP OF GUELPH/ERAMOSA

**WATER
ONTARIO REGULATION 453/07
FINANCIAL PLAN**

FINANCIAL PLAN # 104-301A

JULY 20, 2011



4304 Village Centre Court
Mississauga, Ontario
Canada L4Z 1S2

Phone: (905)272-3600

Fax: (905)272-3602

e-mail: info@watson-econ.ca

 **Planning for growth**

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1. INTRODUCTION

1. INTRODUCTION

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Township of Guelph/Eramosa (the Township) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regards to the Township's water systems has already been completed and documented by Watson within the "Township of Guelph/Eramosa 2011 Water and Wastewater Rate Study" (2011 Rate Study). The objective of the report provided herein is to convert the findings of the 2011 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

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

"No person shall,

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

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

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

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

1.2.1 Financial Plan Defined

Section 30 (1) of the SDWA provides the following definition of financial plans:

"financial plans" means,

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

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 (SWSSA) cited above is not in force (see Section 2.2 of this report) however, the standards that it directs will underpin the specific requirements of s.30 (1) part b as they are outlined in O.Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – New System

O.Reg. 453/07 provides the following parameters with regards to s.30 (1) part b of the SDWA for new water systems:

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

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

- Financial plans must be approved by Council resolution (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six year period (commencing when the system first serves the public);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated

surplus/deficit (i.e. the components of a “Statement of Operations” as per the 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; and
- 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.

1.2.4 Financial Plan Requirements - General

Given that the legislation falls under the SDWA, a financial plan is mandatory for water systems and encouraged for wastewater systems. The financial plans shall be for a period of at least six years but longer planning horizons are encouraged. The financial plan is to be completed and approved by the later of July 1, 2010 and the date that is six months after the first license is issued. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary.

Where a licence has been issued, the financial plan must contain on the front page, the appropriate financial plan number as set out in Schedule A of the Municipal Drinking Water Licence document.

1.2.5 Public Sector Accounting Board (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 (CICA) Public Sector Accounting Handbook:

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

Both the Statement of Financial Position and the Statement of Operations were required for financial reporting purposes in pre-2009 reporting years. However, the format changed in 2009 to conform to the requirements of PS1200 and PS3150 (see Figures 1-1 and 1-2). For example, the financial statements were reported on a full accrual accounting basis for 2009 and this will continue in future years. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of a municipality's financial position. Before 2009, municipalities reported their financial results on a modified cash basis of accounting whereby revenues and expenses are recognized when cash is paid or received and only certain accrual-type items such as payables and receivables are recognized at year-end. The difference between the methods is in the timing of when transactions are reported. This timing difference has impacted the presentation of the statements in that various accounts have been added or deleted in order to properly report the transactions.

Moreover, since the 2009 fiscal year, municipalities have been required to report additional information relating to the accounting treatment of tangible capital assets as indicated by the requirements under section PS3150. Pre-2009, the costs to acquire, develop and/or construct capital assets were expensed in the year in which they occur. Going forward, tangible capital assets will be capitalized so as to create an inventory of the assets owned and to account for their ability to provide future benefits. The reporting of tangible capital assets requires further changes to the format of existing financial statements. From a financial planning perspective, this change is significant for water assets as they represent a significant portion of the Township's infrastructure.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt (which is a new statement as of 2009) are required statements going forward. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities (see Figure 1-3). The Statement of Cash Flow reports on how activities were financed for a given period which provides a measure of the changes in cash for that period (see Figure 1-4).

It should be noted that the Statement of Reserves and Reserve Funds and the Statement of Capital, as used by municipalities pre-2009, have now been eliminated by the new reporting format. The balances and transactions that make up these two statements have been transferred to either the Statement of Operations or the Statement of Financial Position depending on the nature of the account.

FIGURE 1-1 STATEMENT OF FINANCIAL POSITION

OLD FORMAT (PRE-2009)

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

2009 AND FUTURE

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

FIGURE 1-2 STATEMENT OF OPERATIONS

OLD FORMAT (PRE-2009)

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

2009 AND FUTURE

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

FIGURE 1-3
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/DEBT

2009 AND FUTURE

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

FIGURE 1-4 STATEMENT OF CASH FLOW¹

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

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

2. SUSTAINABLE FINANCIAL PLANNING

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2.1 Introduction

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

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
- Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- Principle #5: An asset management plan is a key input to the development of a financial plan.
- Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.

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

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

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (SWSSA) was passed on December 13, 2002. The intent of the Act is to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and the wastewater services. It is noted that, at the time of writing, the regulations, which accompany the Act, have not been issued. In total, there are 40 areas within the Act to which the Minister may make Regulations.

The Act would require the preparation of two reports for submission to the Ministry of the Environment (or such other member of the Executive Council as may be assigned the administration of this Act under the Executive Council Act). The first report is on the “full cost of services” and the second is the “cost recovery plan.” Once these reports have been reviewed and approved by the Ministry, the municipality will be required to implement the plans within a specified time period.

The Act provides the Minister the power to approve or not approve the plans. If the Minister is not satisfied with the report or if a municipality does not submit a plan, the Minister may have a plan prepared. The cost to the Crown for preparing the plan will be recovered from the municipality. Once the plans are approved and in place, the municipality will be required to submit progress reports. The timing of these reports and the information to be contained therein will be established by the regulations. A municipal auditor’s opinion must be provided with the progress report.

As of the time of writing, the regulations to implement this Act have not been passed; hence the Act will not be in effect until these regulations are passed.

2.3 Water Opportunities Act, 2010 (Bill 72)

Since the passage of the *Safe Drinking Water Act*, continuing changing and refinements to the legislation has been introduced, including Bill 72. Bill 72 was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010.

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

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

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

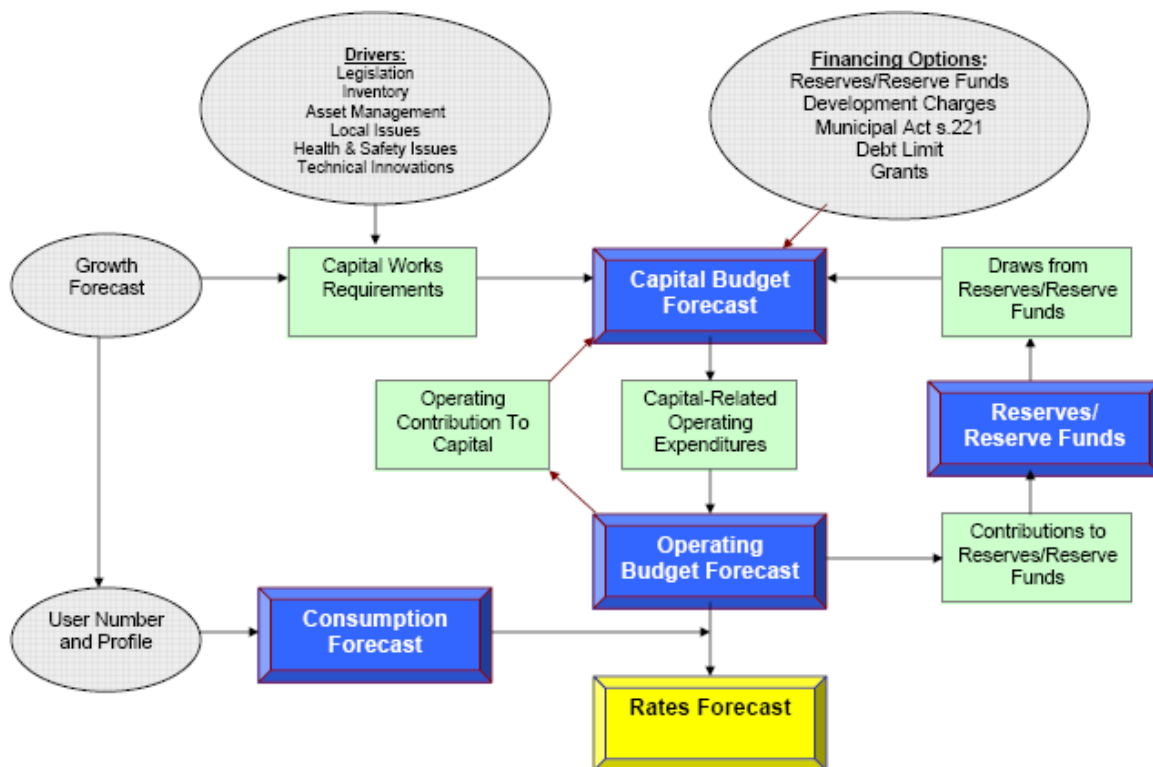
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

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

2.4 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2011 Rate Study conducted on behalf of the Township. The study process was designed to address the “full cost” principles within SWSSA and does so in a manner that also reflects the guiding principles toward sustainable financial planning. Figure 2-1 below summarizes the process.

**FIGURE 2-1
WATER AND WASTEWATER RATE CALCULATION PROCESS**



As a result of employing this process, the 2011 Rate Study provides a sound financial plan for the Township’s water (and wastewater) systems by providing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources (*Principles 2, 4, 5, 6, 9*);

- An analysis of fixed and variable operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth (*Principles 2, 3, 6, 7, 9*);
- A review and recommendation on rate structures that ensure revenues are equitable and sufficient to meet system needs (*Principles 2, 3, 6, 7, 9*); and
- A public process that involves ongoing consultation with the main stakeholders including the Township 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 (*Principles 1, 9*).

The details of the financial plan arising from the 2011 Rate Study are contained in Appendix A. A summary of the water rates projected for the Township are as follows:

Water:

Water Rate Summary - Rockwood

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rockwood Operating Rate per m ³		\$1.60	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
Rockwood Capital Water Rate per m ³		\$0.02	\$0.04	\$0.05	\$0.06	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08
Rockwood Lifecycle Capital Water Rate per m ³		\$0.01	\$0.05	\$0.09	\$0.13	\$0.16	\$0.21	\$0.25	\$0.30	\$0.34
Total Rockwood Rate per m ³	\$1.60	\$1.63	\$1.77	\$1.82	\$1.87	\$1.91	\$1.96	\$2.01	\$2.06	\$2.10
Monthly Base Rate	\$4.00	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20

Water Rate Summary - Hamilton Drive

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hamilton Drive Operating Rate per m ³		\$1.60	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
Hamilton Drive Capital Water Rate per m ³		\$0.02	\$0.05	\$0.07	\$0.07	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08
Hamilton Drive Lifecycle Capital Water Rate per m ³		\$0.05	\$0.20	\$0.36	\$0.62	\$0.80	\$0.98	\$1.24	\$1.42	\$1.60
Total Hamilton Drive Rate per m ³	\$1.34	\$1.67	\$1.93	\$2.11	\$2.37	\$2.55	\$2.73	\$3.00	\$3.18	\$3.36
Monthly Base Rate	\$4.00	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20

Water Rate Summary - Gazer Mooney

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Constant Rate (13% of combined Water and WW)	\$23.32	\$24.95	\$26.70	\$28.57	\$30.57	\$32.71	\$35.00	\$37.45	\$40.07	\$42.87

3. APPROACH

3. APPROACH

3.1 Overview

The 2011 Rate Study has been prepared on a modified cash basis; therefore a conversion was required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan. It is noted that the financial plan has been prepared for water only.

3.2 Conversion Process

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

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

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

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized within the 2011 Rate Study as well as part of the Township's efforts to become compliant with PSAB 3150. Given the prospective nature of the 2011 Rate Study, replacement cost is provided for each asset. However, historical cost (which is the original cost to purchase, develop, or construct each asset) is required for financial reporting purposes. Once historical cost is established, the following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2011 Rate Study. However, these estimates only represent future assets that the Township anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the Township). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

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

3.2.2 Convert Statement of Operations

As per section 1.2.5 above, the new Statement of Operations eliminates and/or adds certain transactions that have been reported differently by municipalities since 2009 (see Figure 3-1). A wide range of adjustments will be considered and will depend on the size and complexity of the system. For example, the revenues and expenses associated with the now obsolete Statement of Capital and Statement of Reserves and Reserve Funds (see Section 1.2.5) will need to be adjusted for and included within the Statement of Operations. This includes all non tangible capital asset costs previously included in the capital statement (i.e. expenses related to various studies) while at the same time eliminating all expenditures incurred to acquire tangible capital assets which will now form part of the tangible capital asset balance discussed in section 3.2.1.

**FIGURE 3-1
Township of Guelph/Eramosa
Conversion Adjustments
Statement of Operations (Water)**

Modified Cash Basis	Budget 2011	Adjustments		Full Accrual Budget 2011	Accrual Basis	Notes on Adjustments
		DR	CR			
Revenues						
Base Charge Revenue	90,120			90,120	Revenues	No change
Rate Based Revenue	565,941			565,941	Base Charge Revenue Rate Based Revenue	No change
Other Revenue	50,691		104,351	104,351	Earned Development Charges Revenue	New Account to reflect earned Development Charge Revenue
Total Revenues	706,752		1,026,070	1,076,761	Other Revenue Total Revenues	To Account for Interest Revenue and Capital Grants
Expenditures						
Operating	605,364	38,600		643,964	Operating Expenses	Various Expenses previously classified as capital expenditures
Capital						
Transfers to Reserves	46,656		46,656	-	Interest on Debt	Removes non-accrual reserve account
Debt Repayment (Principal & Interest)	54,732		52,400	2,332	Amortization	Removes principal portion of debt - now reflected on statement of cash flow.
Total Expenditures	706,752	275,853		922,149	Total Expenses	New account created as a result of PSAB 3150 - reflects cost of using TCA
Net Expenditures					Annual Surplus/(Deficit)	Represents difference between Revenues and Expenditures
Increase (decrease) in amounts to be recovered	-			10,111,436	Accumulated Surplus/(Deficit), beginning of year	
Change in fund balances		915,024		11,026,460	Accumulated Surplus/(Deficit), end of year	To transfer annual surplus to accumulated surplus
TOTAL ADJUSTMENTS		1,229,477	1,229,477			

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

Transfers to and from reserves are no longer explicitly reported on the Statement of Operations. Instead, these transactions are represented by changes in cash and accumulated surplus. Also, debt repayment costs relating to the principal payment portion only need to be removed, as they no longer qualify as an expense for reporting purposes. Principal payments will now be reported as a decrease in debt liability on the Statement of Financial Position. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets will be reported on the Statement of Operations in order to capture the allocation of the cost of these assets to operating activities over their useful lives.

3.2.3 Convert Statement of Financial Position

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

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Township 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 Township 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.

FIGURE 3-2
Township of Guelph/Eramosa
Conversion Adjustments
Statement of Financial Position (Water)

Modified Cash Basis	Budget 2011	Adjustments		Full Accrual Budget 2011	Accrual Basis	Notes on Adjustments
		DR	CR			
Assets						
Financial Assets						
Cash	957,219			957,219	Cash	No change
Accounts Receivable	145,504			145,504	Accounts Receivable	No change
Total Financial Assets	1,102,723			1,102,723	Total Financial Assets	
Non-Financial Assets						
Prepaid Expenses	7,182		7,182			Presented below Net Financial Asset/(Debt) section
Total Non-Financial Assets	7,182		7,182			
Liabilities						
Accounts Payable & Accrued Liabilities	12,650			12,650	Accounts Payable & Accrued Liabilities	No Change
Gross Long-term Liabilities	909,693			909,693	Debt (Principal only)	No Change
Deferred Revenue	52,814			52,814	Deferred Revenue	No Change
Total Liabilities	975,157			975,157	Total Liabilities	
Net Assets/(Debt)	134,748			127,566	Net Financial Assets/(Debt)	
					Non-Financial Assets	
		10,930,312	38,600	10,891,712	Tangible Capital Assets	Adds NBV of Tangible Capital Assets - offset entry is to accumulated surplus
		7,182		7,182	Prepaid Expenses	Account reclassified as Non-Financial Asset
				10,898,894	Total Non-Financial Assets	
Municipal Position						
Water Reserves	1,044,441	1,044,441		-		Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Development Charge Reserve Fund	52,814	52,814		-		Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Amounts to be Recovered	(962,507)		962,507			Removes account - balance to be transferred to accumulated surplus
Total Municipal Position	134,748			11,026,460	Accumulated Surplus/(Deficit)	Represents offset entry for TCA's and existing reserve fund balances
TOTAL ADJUSTMENTS		12,034,749	12,034,749			

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

The Statement of Change in Net Financial Assets/Debt is a new statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant, as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, additional information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary, (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O.Reg. 453/07, it has been included in this report as a further indicator of financial viability.

3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all of the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Township 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 with the Township's ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore a reasonable

proxy will be needed. One approach is to assume 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 Township's amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.
- c. Accumulated Amortization Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2011 Rate Study.
- d. Contributed Assets As noted earlier, contributed assets could represent a significant part of the Township's infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of "no contributed assets within the forecast period" will be made.
- e. Accumulated Surplus The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f. Other Revenues Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.

4. FINANCIAL PLAN

4. FINANCIAL PLAN

4.1 Introduction

The following tables provide the complete financial plan for the Township'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 Township's water systems. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

4.2.1 *Statement of Financial Position (Table 4-1)*

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Township's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement". A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that at the end of 2011, the Township's water systems will be in a net financial asset position of approximately \$128,000. After 2011, the financial plan forecasts an improving net financial asset position in each subsequent year of the forecast period. Net financial assets are projected to grow to approximately \$2.9 million by the end of 2020.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a new requirement of municipalities as part of PS3150 compliance and is significant from a financial planning perspective for the following reasons:

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

- Tangible capital assets such as water mains and treatment plants are imperative to water service delivery.
- 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 decline by approximately \$1.5 million over the 10-year forecast period. This indicates that the Township anticipates the use of existing assets (i.e. amortization and disposals) will exceed investment in new 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 increasing from 50% in 2011 to 118% in 2012. The ratio decreases annually after 2012, remaining at, or in excess of 100% through 2015, and then subsequently achieving results below 100% thereafter, with a value of 81% in 2020. As a result, annual surplus declines from approximately \$915,000 in 2011 to a net annual loss of just over \$138,000 in 2012. Diminishing net losses are projected through 2014, then increasing annual surpluses are projected thereafter, reaching over \$224,000 in 2020. Overall, the forecast illustrates an improving expense to revenue ratio and corresponding surplus position. The exception being 2011, where anticipated up-front capital agreements and development charge revenue result in a high surplus. It is important to note that an annual surplus is beneficial to ensure funding is

available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately \$1.3 million to a 2010 accumulated surplus of \$10.1 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominately made up of reserve and reserve fund balances as well as historical investments in tangible capital assets.

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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that in each year of the 10-year forecast period, forecasted annual surplus exceeds the forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an increase in net financial assets. This allows for a long term plan of funding capital through accumulated surplus (i.e. reserves and reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 1.04 to 2.97 over the forecast period¹.

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the planning period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash and accrual based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions) and build internal reserves and

¹ A desirable ratio is 1:1 or better.

reserve funds over the forecast period. The financial plan projects the cash position of the Township's water system to improve from a balance of approximately \$894,000 at the beginning of 2011, to over \$4.8 million by the end of 2020. For further discussions, on projected cash balances please refer to the Notes to the Financial Plan.

TABLE 4-1
Township of Guelph/Eramosa
Statement of Financial Position (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2011- 2020

	Notes	Forecast									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financial Assets											
Cash		957,219	1,234,030	1,566,236	1,805,784	2,243,892	2,691,344	3,183,475	3,726,202	4,245,380	4,838,914
Accounts Receivable	1	145,504	154,608	164,914	174,156	184,368	192,151	200,605	210,089	218,544	227,000
Total Financial Assets	1	1,102,723	1,388,638	1,731,150	1,979,940	2,428,260	2,883,495	3,384,080	3,936,291	4,463,924	5,065,914
Liabilities											
Accounts Payable & Accrued Liabilities	1	12,650	12,678	13,906	14,443	15,142	15,882	16,723	17,668	18,520	19,377
Debt (Principal only)	2	909,693	866,565	823,438	780,310	737,183	694,055	650,928	607,800	564,673	521,545
Deferred Revenue	3	52,814	217,204	388,789	570,860	760,752	912,731	1,071,846	1,238,371	1,412,587	1,594,760
Total Liabilities		975,157	1,096,447	1,227,133	1,365,613	1,513,077	1,622,668	1,739,497	1,863,839	1,995,780	2,135,682
Net Financial Assets/(Debt)		127,566	292,191	504,017	614,327	915,183	1,260,827	1,644,583	2,072,452	2,468,144	2,930,232
Non-Financial Assets											
Tangible Capital Assets	4	10,891,712	10,588,446	10,285,407	10,134,314	9,833,090	9,532,068	9,251,443	8,971,039	8,755,152	8,517,363
Prepaid Expenses		7,182	7,198	7,895	8,200	8,597	9,017	9,495	10,031	10,515	11,002
Total Non-Financial Assets		10,898,894	10,595,644	10,293,302	10,142,514	9,841,687	9,541,085	9,260,938	8,981,070	8,765,667	8,528,365
Accumulated Surplus/(Deficit)	5	11,026,460	10,887,835	10,797,319	10,756,841	10,756,870	10,801,912	10,905,521	11,053,522	11,233,811	11,458,597
Financial Indicators											
1) Increase/(Decrease) in Net Financial Assets	Total Change	48,507	164,625	211,826	110,310	300,856	345,644	383,756	427,869	395,692	462,068
2) Increase/(Decrease) in Tangible Capital Assets		866,647	(303,266)	(303,039)	(151,093)	(301,224)	(301,022)	(280,625)	(280,404)	(215,887)	(237,789)
3) Increase/(Decrease) in Accumulated Surplus		915,024	(138,625)	(90,516)	(40,478)	29	45,042	103,609	148,001	180,289	224,766

TABLE 4-2
Township of Guelph/Eramosa
Statement of Operations (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2011- 2020

	Notes	Forecast																		
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020									
Water Revenue																				
Base Charge Revenue		90,120	96,725	99,016	101,216	103,323	105,138	106,712	108,297	109,895	111,505									
Rate Based Revenue		565,941	612,926	665,194	727,612	775,131	810,835	850,027	894,219	933,412	972,604									
Earned Development Charges Revenue	3	104,351	-	-	-	-	-	-	-	-	-									
Other Revenue	6	1,076,761	75,290	55,723	57,989	65,508	74,681	84,975	96,560	107,199	119,797									
Total Revenues		1,837,173	784,941	839,933	866,817	943,962	990,654	1,041,714	1,099,076	1,150,506	1,203,906									
Water Expenses																				
Operating Expenses	Sched. 4-1	643,964	620,300	627,411	624,502	635,708	637,390	650,180	663,170	682,330	690,030									
Interest on Debt	2	2,332	-	-	-	-	-	-	-	-	-									
Amortization	4	275,853	303,266	303,038	302,793	308,225	308,222	287,925	287,905	287,887	289,090									
Total Expenses		922,149	923,566	930,449	927,295	943,933	945,612	938,105	951,075	970,217	979,120									
Annual Surplus/(Deficit)		915,024	(138,625)	(90,516)	(40,478)	29	45,042	103,609	148,001	180,289	224,786									
Accumulated Surplus/(Deficit), beginning of year	5	10,111,436	11,026,460	10,887,835	10,797,319	10,756,841	10,756,870	10,801,912	10,905,521	11,053,522	11,233,811									
Accumulated Surplus/(Deficit), end of year		11,026,460	10,887,835	10,797,319	10,756,841	10,756,870	10,801,912	10,905,521	11,053,522	11,233,811	11,458,597									
Note 5:																				
Accumulated Surplus/(Deficit) is made up of:																				
Reserve Balances																				
Reserves: Development Charges		52,814	217,204	388,789	570,860	760,752	912,731	1,071,846	1,238,371	1,412,587	1,594,760									
Reserves: Capital/Other		1,044,441	1,165,954	1,335,350	1,402,837	1,660,963	1,963,899	2,305,006	2,690,283	3,043,332	3,462,779									
Total Reserves Balance		1,097,255	1,383,158	1,725,139	1,973,697	2,421,715	2,876,630	3,376,852	3,928,654	4,455,919	5,057,539									
Less: Debt Obligations and Deferred Revenue		(962,507)	(1,083,769)	(1,213,227)	(1,351,170)	(1,497,935)	(1,606,786)	(1,722,774)	(1,846,171)	(1,977,260)	(2,116,305)									
Add: Tangible Capital Assets	4	10,891,712	10,588,446	10,285,407	10,134,314	9,833,090	9,532,068	9,251,443	8,971,039	8,755,152	8,517,363									
Total Ending Balance		11,026,460	10,887,835	10,797,319	10,756,841	10,756,870	10,801,912	10,905,521	11,053,522	11,233,811	11,458,597									
Financial Indicators																				
1) Expense to Revenue Ratio		50%	118%	111%	105%	100%	95%	90%	87%	84%	81%									
2) Increase/(Decrease) in Accumulated Surplus		1,347,161	(138,625)	(90,516)	(40,478)	29	45,042	103,609	148,001	180,289	224,786									

Schedule 4-1
Township of Guelph/Eramosa
Schedule of Operating Expenses
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2011 - 2020

	Notes	Forecast																		
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020									
Expenditures																				
Operating Costs																				
Advertising		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,020	1,040	1,060	1,080	1,100					
Communications		2,941	3,029	3,120	3,213	3,277	3,340	3,410	3,480	3,550	3,620	3,690	3,760	3,830	3,900					
Fees - Audit		15,000	2,200	11,000	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200					
Fees - Engineering		25,199	17,842	25,199	18,956	16,600	16,930	17,270	17,620	17,970	18,330									
Fees - Legal		500	500	500	500	500	500	500	500	500	500	500	500	500	500					
Fleet		17,745	18,100	18,460	18,830	18,300	18,670	19,040	19,420	19,810	20,210									
Grounds Maintenance		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500					
Hydro		50,300	51,300	52,300	53,370	54,430	55,520	56,630	57,760	58,920	60,100									
Insurance		9,530	12,679	13,313	13,968	14,240	14,520	14,810	15,110	15,410	15,720									
Licenses		1,100	1,100	2,900	1,100	1,100	1,120	1,140	1,160	1,180	1,200									
Locales		500	500	500	500	500	500	500	500	500	500	500	500	500	500					
Memberships and Dues		750	750	750	750	750	750	750	750	750	750	750	750	750	750					
Meter Reading		36,545	39,579	41,000	41,475	42,304	43,150	44,010	44,890	45,790	46,710									
Meter Repairs		1,100	1,000	1,000	1,000	1,000	1,020	1,040	1,060	1,080	1,100									
Contracted Services		27,234	27,800	28,350	28,900	29,478	30,070	30,670	31,280	31,910	32,550									
Postage & Shipping		8,000	1,000	1,000	1,000	1,000	1,020	1,040	1,060	1,080	1,100									
Repairs & Maintenance - Buildings		3,000	3,000	3,000	3,000	3,000	3,060	3,120	3,180	3,240	3,300									
Repairs & Maintenance - Equipment		28,300	31,100	31,100	31,000	31,000	31,620	32,250	32,900	33,560	34,230									
Safety		2,600	2,600	2,600	2,600	2,600	2,650	2,700	2,750	2,810	2,870									
Salaries & Wages		214,627	221,066	227,698	234,529	233,244	237,910	242,670	247,520	252,470	257,520									
Salaries Benefits		65,864	61,998	63,755	65,668	65,308	66,610	67,940	69,300	70,690	72,100									
Seminars & Training		6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500									
Supplies and Services		33,890	25,570	26,080	26,600	27,132	27,670	28,220	28,780	29,360	29,950									
Telephone		4,220	4,300	4,366	4,475	4,564	4,660	4,750	4,850	4,950	5,050									
Uniforms		1,122	1,144	1,166	1,188	1,211	1,240	1,260	1,290	1,320	1,350									
Water Meter Stock		8,000	8,500	9,000	9,500	10,000	10,200	10,400	10,610	10,820	11,040									
Overhead Costs		37,297	38,043	38,804	39,580	40,370	41,180	42,000	42,840	43,700	44,570									
Non-TCA - Expenses from Capital Budget	7	38,600	35,700	10,400	10,600	21,600	11,000	11,300	11,500	17,600	12,000									
TOTAL OPERATING EXPENSES		643,964	620,300	627,411	624,502	635,708	637,390	650,180	663,170	682,330	690,030									

TABLE 4-3
Township of Guelph/Eramosa
Statement of Changes in Net Financial Assets/Debt (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2011-2020

	Notes	Forecast									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Surplus/(Deficit)		915,024	(138,625)	(90,516)	(40,478)	29	45,042	103,609	148,001	180,289	224,766
Less: Acquisition of Tangible Capital Assets	4	(1,142,500)	-	-	(151,700)	(7,000)	(7,200)	(7,300)	(7,500)	(72,000)	(51,300)
Add: Amortization of Tangible Capital Assets	4	275,853	303,266	303,038	302,793	308,225	308,222	287,925	287,905	287,887	289,090
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		48,377	164,641	212,522	110,615	301,253	346,064	384,234	428,405	396,176	462,576
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	(16)	(697)	(305)	(397)	(420)	(478)	(536)	(484)	(487)
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		130	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		48,507	164,625	211,825	110,310	300,856	345,644	383,756	427,869	395,692	462,069
Net Financial Assets/(Net Debt), beginning of year		79,059	127,566	292,191	504,017	614,327	915,183	1,260,827	1,644,583	2,072,452	2,468,144
Net Financial Assets/(Net Debt), end of year		127,566	292,191	504,017	614,327	915,183	1,260,827	1,644,583	2,072,452	2,468,144	2,930,232

Financial Indicators

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1) Acquisition of Tangible Capital Assets (Cumulative)	1,142,500	1,142,500	1,142,500	1,294,200	1,301,200	1,308,400	1,315,700	1,323,200	1,395,200	1,446,500
2) Annual Surplus/Deficit before Amortization (Cumulative)	1,190,877	1,355,518	1,568,040	1,830,355	2,138,609	2,491,873	2,883,407	3,319,313	3,787,489	4,301,365
3) Ratio of Annual Surplus before Amortization to Acquisition of TCAs (Cumulative)	1.04	1.19	1.37	1.41	1.64	1.90	2.19	2.51	2.71	2.97

TABLE 4-4
Township of Guelph/Eramosa
Statement of Cash Flow - Indirect Method (Water)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2011-2020

	Notes	Forecast									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Transactions											
Annual Surplus/Deficit		915,024	(138,625)	(90,516)	(40,478)	29	45,042	103,609	148,001	180,289	224,766
Add: Amortization of TCA's	4	275,853	303,266	303,038	302,793	308,225	308,222	287,925	287,905	287,887	289,090
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(104,351)	-	-	-	-	-	-	-	-	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-
Add: Development Charge Proceeds		186,507	164,390	172,585	181,071	189,892	151,979	159,115	166,525	174,216	182,173
Change in A/R (Increase)/Decrease		17,307	(9,104)	(10,304)	(9,242)	(10,212)	(7,783)	(8,453)	(9,485)	(8,454)	(8,457)
Change in A/P (Increase)/Decrease		(2,566)	28	1,228	537	699	740	841	945	852	857
Change in Prepaid Expenses (Increase)/Decrease		130	(16)	(697)	(305)	(397)	(420)	(478)	(536)	(484)	(487)
Less: Interest Proceeds		(30,421)	(33,960)	(38,894)	(40,859)	(48,378)	(57,201)	(67,136)	(78,358)	(88,641)	(100,858)
Cash Provided by Operating Transactions		1,227,483	285,979	336,440	393,517	439,858	440,579	475,423	514,997	545,665	587,104
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(1,142,500)	-	-	(151,700)	(7,000)	(7,200)	(7,300)	(7,500)	(72,000)	(51,300)
Cash Applied to Capital Transactions		(1,142,500)	-	-	(151,700)	(7,000)	(7,200)	(7,300)	(7,500)	(72,000)	(51,300)
Investing Transactions											
Proceeds from Investments		30,421	33,960	38,894	40,859	48,378	57,201	67,136	78,358	88,641	100,858
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		30,421	33,960	38,894	40,859	48,378	57,201	67,136	78,358	88,641	100,858
Financing Transactions											
Proceeds from Debt Issue		-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (principal only)	2	(52,400)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)
Cash Applied to Financing Transactions	2	(52,400)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)	(43,128)
Increase in Cash and Cash Equivalents		63,004	276,811	332,206	239,548	438,108	447,452	492,131	542,727	519,178	593,534
Cash and Cash Equivalents, beginning of year	1	894,215	957,219	1,234,030	1,566,236	1,805,784	2,243,892	2,691,344	3,183,475	3,726,202	4,245,360
Cash and Cash Equivalents, end of year	1	957,219	1,234,030	1,566,236	1,805,784	2,243,892	2,691,344	3,183,475	3,726,202	4,245,360	4,838,914

WATER

NOTES TO FINANCIAL PLAN

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

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

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

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

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

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

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

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

1. Cash, Receivables and Payables

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

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

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

- a. Receivables: Based on historical levels of receivables as a percentage of annual revenue earned (source: historical actual provided by staff); and
- b. Payables: Based on historical levels of payables as a percentage of annual expenses incurred (source: historical actual provided by staff).
- c. Prepaid Expenses: Based on historical levels of prepaid expenses as a percentage of annual expenses incurred (source: historical actual provided by staff).

2. Debt

Outstanding water related debt at the end of 2010 was \$962,093. No additional debt proceeds are anticipated throughout the forecast period. *Principal* repayments for existing over the forecast period are scheduled as follows:

Year	Principal Payments
2011	\$ 52,400
2012	\$ 43,128
2013	\$ 43,128
2014	\$ 43,128
2015	\$ 43,128
2016	\$ 43,128
2017	\$ 43,128
2018	\$ 43,128
2019	\$ 43,128
2020	\$ 43,128
Total	\$ 440,552

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

3. Deferred Revenue

Deferred revenue is made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected.

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
 - i. Infrastructure
 - ii. Facilities
 - iii. Vehicles and Equipment
 - iv. Land
- 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 in the 2011 Rate Study, 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, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/unknown during the forecast period and are therefore assumed to be \$0.
- The Township is unaware of any specific lead service piping in the municipal water system. However when older portions of the water main system are replaced as part of the ongoing replacement program, any lead service pipes will be replaced if and when found.

The balance of tangible capital assets is summarized as follows:

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening TCA Balance (Historical Cost)	13,147,816	14,283,822	14,277,027	14,269,741	14,413,579	14,412,083	14,410,241	14,407,989	14,405,714	14,432,641
Acquisitions	1,142,500	-	-	151,700	7,000	7,200	7,300	7,500	72,000	51,300
Disposals	6,494	6,795	7,286	7,862	8,496	9,042	9,552	9,775	45,073	28,729
Closing TCA Balance (Historical Cost)	14,283,822	14,277,027	14,269,741	14,413,579	14,412,083	14,410,241	14,407,989	14,405,714	14,432,641	14,455,212
Opening Accumulated Amortization	3,122,751	3,392,110	3,688,582	3,984,334	4,279,264	4,578,993	4,878,173	5,156,545	5,434,675	5,677,488
Amortization Expense	275,853	303,266	303,038	302,793	308,225	308,222	287,925	287,905	287,887	289,090
Amortization on Disposal	6,494	6,795	7,286	7,862	8,496	9,042	9,552	9,775	45,073	28,729
Ending Accumulated Amortization	3,392,110	3,688,581	3,984,334	4,279,265	4,578,993	4,878,173	5,156,546	5,434,675	5,677,489	5,937,849
Net Book Value	10,891,712	10,588,446	10,285,407	10,134,314	9,833,090	9,532,068	9,251,443	8,971,039	8,755,152	8,517,363

5. Accumulated Surplus

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

Water	2011 Opening Accumulated Surplus
Reserve Balances	
Reserves: Development Charges	658
Reserves: Capital/Other	1,048,464
Total Reserves Balance	1,049,122
Less: Debt Obligations and Deferred Revenue	(962,751)
Add: Tangible Capital Assets	10,025,065
Total Opening Balance	10,111,436

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

6. Other revenue

Other revenue includes interest, developer contributions, maintenance charges, water meters, operational grant funding, frontage charges, service charges, penalties and other non-operating general revenues.

7. Operating Expenses

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

5. PROCESS FOR FINANCIAL PLAN APPROVAL AND SUBMISSION TO THE PROVINCE

5. PROCESS FOR APPROVAL AND SUBMISSION TO THE PROVINCE

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

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

6. RECOMMENDATIONS

6. RECOMMENDATIONS

This report presents the water financial plan for the Township of Guelph/Eramosa 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 2011 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Township of Guelph/Eramosa Water Financial Plan prepared by Watson & Associates Economists Ltd. dated July 20, 2011 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. Submit the Financial Plan, the Council Resolution approving the Financial Plan, and the Water Rate Study Presentation underpinning the Financial Plan, to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. Submit the Council Resolution approving the Financial Plan, to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (SDWA Section 32 (5) 2 ii)¹

¹ Note: The Ministry of the Environment does not require the Council Resolution for the initial financial plan submission. We encourage the municipality to contact the Ministry of the Environment to verify all requirements have been met.

APPENDIX A
2011 WATER AND WASTEWATER RATE STUDY –
WATER SUMMARY TABLES

Table A-1
Township of Guelph/Eramosa
Water Service
Water Operating Reserve/ Reserve Funds Continuity - 01-0000-2791
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	-413,108	-425,501	29,618	9,050	5,548	15,900	26,234	34,528	40,412	43,535
Loan from Rockwood Lifecycle Reserve		340,000								
Loan from Hamilton Drive Lifecycle Reserve		60,000								
Transfer from Operating	0	54,257	41,057	58,225	71,778	71,459	69,177	66,595	63,744	60,672
Loan Repayment - Rockwood Reserve			52,605	52,605	52,605	52,605	52,605	52,605	52,605	52,605
Loan Repayment - Hamilton Drive Reserve			9,283	9,283	9,283	9,283	9,283	9,283	9,283	9,283
Transfer to Operating	0	0	0	0	0	0	0	0	0	0
Closing Balance	-413,108	28,756	8,786	5,386	15,437	25,470	33,523	39,235	42,267	42,319
Interest	-12,393	863	264	162	463	764	1,006	1,177	1,268	1,270

Note: Loan from Lifecycle Reserve has an 8 year term and is fully paid off in 2020.

Table A-2
Township of Guelph/Eramosa
Water Services
Operating Budget Forecast
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Costs										
Advertising	1,000	1,000	1,000	1,000	1,000	1,020	1,040	1,060	1,080	1,100
Communications	2,941	3,029	3,120	3,213	3,277	3,340	3,410	3,480	3,550	3,620
Fees - Audit	15,000	2,200	11,000	2,200	2,200	2,240	2,280	2,330	2,380	2,430
Fees - Engineering	25,199	17,842	25,199	18,956	16,600	16,930	17,270	17,620	17,970	18,330
Fees - Legal	500	500	500	500	500	510	520	530	540	550
Fleet	17,745	18,100	18,460	18,830	18,300	18,670	19,040	19,420	19,810	20,210
Grounds Maintenance	2,500	2,500	2,500	2,500	2,500	2,550	2,600	2,650	2,700	2,750
Hydro	50,300	51,300	52,330	53,370	54,430	55,520	56,630	57,760	58,920	60,100
Insurance	9,530	12,679	13,313	13,968	14,240	14,520	14,810	15,110	15,410	15,720
Licenses	1,100	1,100	2,900	1,100	1,100	1,120	1,140	1,160	1,180	1,200
Locates	500	500	500	500	500	510	520	530	540	550
Memberships and Dues	750	750	750	750	750	770	790	810	830	850
Meter Reading	36,545	39,579	41,000	41,475	42,304	43,150	44,010	44,890	45,790	46,710
Meter Repairs	1,100	1,000	1,000	1,000	1,000	1,020	1,040	1,060	1,080	1,100
Contracted Services	27,234	27,800	28,350	28,900	29,478	30,070	30,670	31,280	31,910	32,550
Postage & Shipping	8,000	1,000	1,000	1,000	1,000	1,020	1,040	1,060	1,080	1,100
Repairs & Maintenance - Buildings	3,000	3,000	3,000	3,000	3,000	3,060	3,120	3,180	3,240	3,300
Repairs & Maintenance - Equipment	28,300	31,100	31,100	31,000	31,000	31,620	32,250	32,900	33,560	34,230
Safety	2,600	2,600	2,600	2,600	2,600	2,650	2,700	2,750	2,810	2,870
Salaries & Wages	214,627	221,066	227,698	234,529	233,244	237,910	242,670	247,520	252,470	257,520
Salaries Benefits	65,864	61,898	63,755	65,668	65,308	66,610	67,940	69,300	70,690	72,100
Seminars & Training	6,500	6,500	6,500	6,500	6,500	6,630	6,760	6,900	7,040	7,180
Supplies and Services	33,890	25,570	26,080	26,600	27,132	27,670	28,220	28,780	29,360	29,950
Telephone	4,220	4,300	4,386	4,475	4,564	4,660	4,750	4,850	4,950	5,050
Uniforms	1,122	1,144	1,166	1,188	1,211	1,240	1,260	1,290	1,320	1,350
Water Meter Stock	8,000	8,500	9,000	9,500	10,000	10,200	10,400	10,610	10,820	11,040
Transfer To Insurance Claims Reserve	0	1,500	1,500	1,500	1,500	1,530	1,560	1,590	1,620	1,650
Overhead Costs	37,297	38,043	38,804	39,580	40,370	41,180	42,000	42,840	43,700	44,570
Transfer to Water Operating Reserve	0	54,257	41,057	58,225	71,778	71,459	69,177	66,595	63,744	60,672
Sub Total Operating Costs	605,364	640,357	659,568	673,627	687,386	699,379	709,617	719,855	730,094	740,352
Penalty and Interest	750	750	750	750	750	770	790	810	830	850
Miscellaneous Revenue	9,580	9,580	9,580	9,580	9,580	9,770	9,970	10,170	10,370	10,580
Grant Funding - Operational	25,000	25,000	0	0	0	0	0	0	0	0
Tax rev - Frontage Charges	9,861	0	0	0	0	0	0	0	0	0
Water Meters	5,500	6,000	6,500	6,800	6,800	6,940	7,080	7,220	7,360	7,510
Meter Maintenance Charges	0	0	0	0	0	0	0	0	0	0
Water Operating	0	0	0	0	0	0	0	0	0	0
Total Operating Revenue	\$50,691	\$41,330	\$16,830	\$17,130	\$17,130	\$17,480	\$17,840	\$18,200	\$18,560	\$18,940
Water Billing Recovery - Operating	\$554,673	\$599,027	\$642,738	\$656,497	\$670,256	\$681,899	\$691,777	\$701,655	\$711,534	\$721,412

Table A-3
Township of Guelph/Eramosa
Water Rate Forecast - Operating

Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Water Billing Recovery - Operating	\$554,673	\$599,027	\$642,738	\$656,497	\$670,256	\$681,899	\$691,777	\$701,655	\$711,534	\$721,412
Total Consumption	366,202	374,392	382,582	390,772	398,962	405,892	411,772	417,652	423,532	429,412
Constant Rate per m ³	\$1.51	\$1.60	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
Consumption - Rockwood	310,349	318,539	326,729	334,919	343,109	350,039	355,919	361,799	367,679	373,559
Consumption - Hamilton Drive	55,853	55,853	55,853	55,853	55,853	55,853	55,853	55,853	55,853	55,853
Total Consumption	366,202	374,392	382,582	390,772	398,962	405,892	411,772	417,652	423,532	429,412
Rockwood Rate per m ³	\$1.60	\$1.60	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
Rockwood Operating % Increase	0.00%	0.00%	5%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hamilton Drive Rate per m ³	\$1.34	\$1.60	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
Hamilton Operating % Increase	19.40%	19.40%	5%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water Billing Recovery - Operating	\$554,673	\$599,027	\$642,738	\$656,497	\$670,256	\$681,899	\$691,777	\$701,655	\$711,534	\$721,412
Rockwood % of consumption	85%	85%	85%	86%	86%	86%	86%	87%	87%	87%
Hamilton Drive % of total consumption	15%	15%	15%	14%	14%	14%	14%	13%	13%	13%
Transfer to Water Operating Reserve - by Share (based on consumption pro-rata)										
Rockwood Share	0	46,163	35,063	49,903	61,730	61,625	59,794	57,689	55,338	52,781
Hamilton Drive Share	0	8,094	5,994	8,322	10,049	9,833	9,383	8,906	8,406	7,892
Transfer to Water Operating Reserve		54,257	41,057	58,225	71,778	71,459	69,177	66,595	63,744	60,672

Table A-4
Township of Guelph/Eramosa
Water Service
Hamilton Drive Capital Budget Forecast
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital Expenditures										
Hamilton Drive:										
Water Tower - Clean & Disinfection	8,600	0	0	0	0	0	0	0	0	0
Mapping Water System	10,000	0	0	0	0	0	0	0	0	0
Water Rate Study	5,000	0	0	0	5,400	0	0	0	5,900	0
Pig and Swab watermains	0	25,500	0	0	0	0	0	0	0	0
SCADA Archive Server	7,500	0	0	0	0	0	0	0	0	0
SCADA remote data collection and reporting intergration	3,800	0	0	0	0	0	0	0	0	0
Standby Generator (Huntington)	0	0	0	86,000	0	0	0	0	0	0
Lifecycle Capital Replacement										
Hamilton Drive Lifecycle Replacements	0	0	0	0	0	0	0	0	0	0
Lifecycle Capital Replacement - From Inventory										
Hamilton Drive Water Hydrants	0	0	0	0	0	0	0	0	4,100	4,200
Hamilton Drive Water Facilities	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditures	34,900	25,500	0	86,000	5,400	0	0	0	10,000	4,200
Capital Financing										
Provincial/Federal Grants										
Non-Growth Related Debenture Requirements	0	0	0	0	0	0	0	0	0	0
Hamilton Drive Water Capital Reserve	34,900	0	0	0	5,400	0	0	0	5,900	0
Hamilton Drive Water Lifecycle Reserve Fund	0	25,500	0	86,000	0	0	0	0	4,100	4,200
Total Capital Financing	34,900	25,500	0	86,000	5,400	0	0	0	10,000	4,200

Table A-5
Township of Guelph/Eramosa
Water Service
Hamilton Drive Water Capital Reserve/ Reserve Funds Continuity 01-0000-2806
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	\$43,609	\$8,970	\$14,389	\$19,971	\$25,720	\$26,080	\$32,012	\$38,123	\$44,416	\$44,822
Transfer from Operating	\$0	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Unrealized (Gain) Loss on Investments 2010										
Transfer to Capital	\$34,900	\$0	\$0	\$0	\$5,400	\$0	\$0	\$0	\$5,900	\$0
Unrealized (Gain) Loss on Investments 2009										
Transfer to Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Balance	\$8,709	\$13,970	\$19,389	\$24,971	\$25,320	\$31,080	\$37,012	\$43,123	\$43,516	\$49,822
Interest	\$261	\$419	\$582	\$749	\$760	\$932	\$1,110	\$1,294	\$1,305	\$1,495

Table A-6
Township of Guelph/Eramosa
Water Service
Hamilton Drive Water Lifecycle Reserve Fund Continuity - 01-0000-2808
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	\$130,108	\$134,012	\$60,267	\$92,237	\$46,886	\$104,204	\$173,542	\$255,260	\$354,880	\$463,565
Loan to Water Capital - Repayment Revenue			\$9,283	\$9,283	\$9,283	\$9,283	\$9,283	\$9,283	\$9,283	\$9,283
Transfer from Operating	\$0	\$10,000	\$20,000	\$30,000	\$45,000	\$55,000	\$65,000	\$80,000	\$90,000	\$100,000
Unrealized (Gain) Loss on Investments 2010										
Unrealized (Gain) Loss on Investments 2009		\$60,000								
Loan to Water Capital Reserve - 01-000-2791	\$0	\$25,500	\$0	\$86,000	\$0	\$0	\$0	\$0	\$4,100	\$4,200
Transfer to Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer to Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Balance	\$130,108	\$58,512	\$89,550	\$45,520	\$101,169	\$168,487	\$247,825	\$344,543	\$450,063	\$568,648
Interest	\$3,903	\$1,755	\$2,687	\$1,366	\$3,035	\$5,055	\$7,435	\$10,336	\$13,502	\$17,059

Table A-7
Township of Guelph/Eramosa
Water Services
Hamilton Drive Operating Budget Forecast
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenditures										
Capital-Related										
Hamilton Drive Water Capital	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Hamilton Drive Water Life Cycle		10,000	20,000	30,000	45,000	55,000	65,000	80,000	90,000	100,000
Sub Total Capital Related	0	15,000	25,000	35,000	50,000	60,000	70,000	85,000	95,000	105,000
Revenues										
Base Charge - Hamilton Drive	10,320	10,937	11,138	11,239	11,239	11,239	11,239	11,239	11,239	11,239
Total Base Charge Revenue	10,320	10,937	11,138	11,239	11,239	11,239	11,239	11,239	11,239	11,239
Hamilton Dr Water Capital Billing Recovery - Total	-\$10,320	\$4,063	\$13,862	\$23,761	\$38,761	\$48,761	\$58,761	\$73,761	\$83,761	\$93,761

**Table A-8
Township of Guelph/Eramosa
Water Services**

Hamilton Drive Capital - Water Rate Forecast

Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Water Billing Recovery	-10,320	4,063	13,862	23,761	38,761	48,761	58,761	73,761	83,761	93,761
Consumption - Hamilton Drive	55,853	55,853	55,853	55,853	55,853	55,853	55,853	55,853	55,853	55,853
Hamilton Dr. Capital Water Rate per m ³		\$0.07	\$0.25	\$0.43	\$0.69	\$0.87	\$1.05	\$1.32	\$1.50	\$1.68
Hamilton Drive Lifecycle Capital Water Rate per m ³		\$0.05	\$0.20	\$0.36	\$0.62	\$0.80	\$0.98	\$1.24	\$1.42	\$1.60
Hamilton Drive Capital Water Rate per m ³		\$0.02	\$0.05	\$0.07	\$0.07	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08
Total Hamilton Drive Capital Water Rate per m ³		\$0.07	\$0.25	\$0.43	\$0.69	\$0.87	\$1.05	\$1.32	\$1.50	\$1.68

Table A-9
Township of Guelph/Eramosa
Water Service
Capital Budget Forecast
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital Expenditures										
Rockwood:										
Swabb Water Mains - Rockwood	10,000	10,200	10,400	10,600	10,800	11,000	11,300	11,500	11,700	12,000
Water Rate Study	5,000	0	0	0	5,400	0	0	0	0	0
Development of New Well - 2C	200,000	0	0	0	0	0	0	0	0	0
Construction of New Pumping Station 2C	900,000	0	0	0	0	0	0	0	0	0
SCADA Archive Server	17,000	0	0	0	0	0	0	0	0	0
SCADA remote data collection and reporting integration	14,200	0	0	0	0	0	0	0	0	0
Operational and Office space	0	0	0	58,800	0	0	0	0	0	0
Pick-up Truck	0	0	0	0	0	0	0	0	0	0
Implement Software Update Equipment - Data Reader	0	0	0	0	0	0	0	0	0	0
Other Capital Costs	0	0	0	0	0	0	0	0	0	0
Rockwood Lifecycle Replacements	0	0	0	0	0	0	0	0	0	0
Lifecycle Capital Replacement - From Inventory										
Water Meters	0	0	0	6,900	7,000	7,200	7,300	7,500	7,600	7,800
Water Vehicles	0	0	0	0	0	0	0	0	43,900	22,600
Rockwood Water Hydrants	0	0	0	0	0	0	0	0	16,400	16,700
Rockwood Water Facilities	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditures	1,146,200	10,200	10,400	76,300	23,200	18,200	18,600	19,000	79,600	59,100
Capital Financing										
Section 110 Upfront Agreements	995,649	0	0	0	0	0	0	0	0	0
Growth Related Debenture Requirements	0	0	0	0	0	0	0	0	0	0
Water Development Charges Reserve Fund	104,351	0	0	0	0	0	0	0	0	0
Non-Growth-Related Debenture Payments	0	0	0	0	0	0	0	0	0	0
Rockwood Water Capital Reserve	46,200	10,200	10,400	69,400	16,200	11,000	11,300	11,500	11,700	12,000
Rockwood Water Lifecycle Reserve Fund	0	0	0	6,900	7,000	7,200	7,300	7,500	67,900	47,100
Total Capital Financing	1,146,200	10,200	10,400	76,300	23,200	18,200	18,600	19,000	79,600	59,100
Green Shading indicates Growth Related Projects										

Table A-10
Township of Guelph/Eramosa
Water Service
Rockwood Water Capital Reserves/ Reserve Funds Continuity - 01-0000-2815
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	\$205,938	\$190,280	\$195,782	\$201,244	\$146,099	\$144,096	\$142,239	\$140,017	\$137,523	\$134,747
Transfer from Operating	\$25,000	\$10,000	\$10,000	\$10,000	\$10,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Unrealized (Gain) Loss on Investments 2010										
Transfer to Capital	\$46,200	\$10,200	\$10,400	\$69,400	\$16,200	\$11,000	\$11,300	\$11,500	\$11,700	\$12,000
Unrealized (Gain) Loss on Investments 2009										
Transfer to Operating		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Balance	\$184,738	\$190,080	\$195,382	\$141,844	\$139,899	\$138,096	\$135,939	\$133,517	\$130,823	\$127,747
Interest	\$5,542	\$5,702	\$5,861	\$4,255	\$4,197	\$4,143	\$4,078	\$4,006	\$3,925	\$3,832

Table A-11
Township of Guelph/Eramosa
Water Service
Rockwood Water Lifecycle Reserve Fund Continuity - 01-0000-2816
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	\$1,061,612	\$1,114,061	\$839,229	\$981,883	\$1,143,056	\$1,330,309	\$1,544,319	\$1,785,994	\$2,056,060	\$2,293,362
Loan to Water Capital - Repayment Revenue			\$52,605	\$52,605	\$52,605	\$52,605	\$52,605	\$52,605	\$52,605	\$52,605
Transfer from Operating	\$20,000	\$40,725	\$61,450	\$82,175	\$102,900	\$123,625	\$144,350	\$165,075	\$185,800	\$206,525
Unrealized (Gain) Loss on Investments 2010										
Unrealized (Gain) Loss on Investments 2009										
Loan to Water Capital Reserve - 01-000-2791		\$340,000								
Transfer to Capital	\$0	\$0	\$0	\$6,900	\$7,000	\$7,200	\$7,300	\$7,500	\$67,900	\$47,100
Transfer to Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Closing Balance	\$1,081,612	\$814,786	\$953,285	\$1,109,764	\$1,291,562	\$1,499,339	\$1,733,975	\$1,996,174	\$2,226,565	\$2,505,392
Interest	\$32,448	\$24,444	\$28,599	\$33,293	\$38,747	\$44,980	\$52,019	\$59,885	\$66,797	\$75,162

Note: Loan from Lifecycle Reserve to Water Capital Reserve has an 8 year term and is fully paid off in 2020.

Table A-12
Township of Guelph/Eramosa
Water Service
Water Development Charges Reserve Fund Continuity - 2876
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	\$658	\$52,815	\$217,205	\$389,790	\$570,861	\$760,753	\$912,733	\$1,071,847	\$1,238,373	\$1,412,589
Development Charge Proceeds	\$154,969	\$158,064	\$161,232	\$164,444	\$167,734	\$125,395	\$127,896	\$130,456	\$133,073	\$135,724
Unrealized (Gain) Loss on Investments 2010										
Section 110 Water Tower Agreement										
Unrealized (Gain) Loss on Investments 2009										
Transfer to Capital	104,351	0	0	0	0	0	0	0	0	0
Transfer to Operating	0	0	0	0	0	0	0	0	0	0
Closing Balance	\$51,276	\$210,879	\$378,437	\$554,234	\$738,595	\$886,148	\$1,040,628	\$1,202,303	\$1,371,446	\$1,548,313
Interest	\$1,538	\$6,326	\$11,353	\$16,627	\$22,158	\$26,584	\$31,219	\$36,069	\$41,143	\$46,449

Table A-13
Township of Guelph/Eramosa
Water Services
Rockwood - Capital Related Budget Forecast
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital-Related										
Existing Debt - Rockwood Water Loan	54,732									
Seaton Water Tower Loan - Principal Only		43,128	43,128	43,128	43,128	43,128	43,128	43,128	43,128	43,128
Rockwood Water Capital	25,000	10,000	10,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000
Rockwood Water Life Cycle	20,000	40,725	61,450	82,175	102,900	123,625	144,350	165,075	185,800	206,525
Sub Total Capital Related	99,732	93,853	114,578	135,303	156,028	171,753	192,478	213,203	233,928	254,653
Revenues										
Base Charge - Rockwood	78,144	84,017	85,982	87,948	89,914	91,577	92,988	94,399	95,810	97,222
Total Base Charge Revenue	78,144	84,017	85,982	87,948	89,914	91,577	92,988	94,399	95,810	97,222
Rockwood Water Capital Billing Recovery - Total	\$21,588	\$9,836	\$28,595	\$47,355	\$66,114	\$80,176	\$99,490	\$118,803	\$138,117	\$157,431

Table A-14
Township of Guelph/Eramosa
Water Services
Rockwood Capital - Water Rate Forecast
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Water Billing Recovery	21,588	9,836	28,595	47,355	66,114	80,176	99,490	118,803	138,117	157,431
Consumption - Rockwood	310,349	318,539	326,729	334,919	343,109	350,039	355,919	361,799	367,679	373,559
Rockwood Capital Water Rate per m³		\$0.03	\$0.09	\$0.14	\$0.19	\$0.23	\$0.28	\$0.33	\$0.38	\$0.42
Rockwood Lifecycle Capital Water Rate per m³		\$0.01	\$0.05	\$0.09	\$0.13	\$0.16	\$0.21	\$0.25	\$0.30	\$0.34
Rockwood Capital Water Rate per m³		\$0.02	\$0.04	\$0.05	\$0.06	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08
Rockwood Capital Water Rate per m³		\$0.03	\$0.09	\$0.14	\$0.19	\$0.23	\$0.28	\$0.33	\$0.38	\$0.42

Table A-15
Gazer-Mooney Area
Water and Wastewater Lifecycle Reserve Funds Continuity - 01-0000-2804
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	147,002	156,192	173,997	193,254	214,071	236,564	260,857	287,083	315,383	345,910	378,828
Transfer from Operating	12,737	12,737	13,628	14,582	15,603	16,695	17,864	19,114	20,452	21,884	23,416
Unrealized (Gain) Loss on Investments 2009	1,018										
Unrealized (Gain) Loss on Investments 2010	-623										
Transfer to Capital	6,036	0	0	0	0	0	0	0	0	0	0
Transfer to Operating	0	0	0	0	0	0	0	0	0	0	0
Closing Balance	153,307	168,929	187,625	207,836	229,674	253,259	278,721	306,197	335,835	367,794	402,244
Interest	2,885	5,068	5,629	6,235	6,890	7,598	8,362	9,186	10,075	11,034	12,067

Table A-16
Gazer-Mooney Area
Wastewater Services
Capital Budget Forecast
 Inflated \$

Description	Actual 2010	Forecast									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Lifecycle Replacements											
Gazer-Mooney Watermains	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Gazer-Mooney Force mains	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Gazer-Mooney Sewer mains	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Gazer-Mooney Wastewater Facilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Capital Expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Table A-17
Gazer-Mooney Area
Wastewater Service
Water and Wastewater Rate Forecast
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Billing Recovery	\$12,737	\$12,737	\$13,628	\$14,582	\$15,603	\$16,695	\$17,864	\$19,114	\$20,452	\$21,884	\$23,416
Total Customers	71	71	71	71	71	71	71	71	71	71	71
Constant Rate	\$179.39	\$179.39	\$191.95	\$205.38	\$219.76	\$235.14	\$251.60	\$269.22	\$288.06	\$308.23	\$329.80
Transfer to Lifecycle Reserve	\$12,737	\$12,737	\$13,628.26	\$14,582.24	\$15,602.99	\$16,695.20	\$17,863.87	\$19,114.34	\$20,452.34	\$21,884.00	\$23,415.89
Increase in Rate			7%	7%	7%	7%	7%	7%	7%	7%	7%