

TOWNSHIP OF WEST LINCOLN

WATER ONTARIO REGULATION 453/07 FINANCIAL PLAN

CONTENTS

	<u>Page</u>
1. INTRODUCTION	
1.1 Study Purpose	1-1
1.2 Background	1-1
1.2.1 Financial Plans Defined	1-2
1.2.2 Financial Plan Requirements – New System	1-3
1.2.3 Financial Plan Requirements – Existing System	1-3
1.2.4 Financial Plan Requirements – General	1-4
1.2.5 Public Sector Accounting Board (PSAB) Requirements	1-5
2. SUSTAINABLE FINANCIAL PLANNING	
2.1 Introduction	2-1
2.2 Water and Wastewater Rate Study	2-2
3. APPROACH	
3.1 Introduction	3-1
3.2 Conversion Process	3-1
3.2.1 Calculate Tangible Capital Asset Balances	3-1
3.2.2 Convert Statement of Operations	3-2
3.2.3 Convert Statement of Financial Position	3-4
3.2.4 Convert Statements of Cash Flow and Change in Net Financial Assets/Debt	3-4
3.2.5 Verification and Note Preparation	3-6
4. FINANCIAL PLAN	
4.1 Introduction	4-1
4.2 Water Financial Plan	4-1
4.2.1 Statement of Financial Position	4-1
4.2.2 Statement of Operations	4-2
4.2.3 Statement of Change in Net Assets/Debt	4-3
4.2.4 Statements of Change in Cash Flow	4-4
5. PROCESS FOR FINANCIAL PLAN APPROVAL AND SUBMISSION TO THE PROVINCE	5-1
6. RECOMMENDATIONS	6-1

APPENDICES

A	2010 WATER AND WASTEWATER RATE STUDY – WATER SUMMARY TABLES	A-1
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1. INTRODUCTION

1. INTRODUCTION

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Township of West Lincoln (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 system has already been completed and documented by Watson within the "Township of West Lincoln Water and Wastewater Rate Study, June 24, 2010" (2010 Rate Study). The objective of the report provided herein is to convert the findings of the 2010 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 yet in force 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 recent reporting years. However, the format has changed to conform to the new requirements of PS1200 and PS3150 (see Figures 1-1 and 1-2). For example, the financial statements are to be reported on a full accrual accounting basis for 2009 and 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. Historically, municipalities have 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, effective for the 2009 fiscal year, municipalities are required to report additional information relating to the accounting treatment of tangible capital assets as indicated by the new 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) 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

NEW FORMAT

<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

NEW FORMAT

<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

NEW STATEMENT

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	Cash and cash equivalents, beginning of
year Cash and cash equivalents, end of year	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.

The principles help form the framework for a sustainable financial plan. The substance of the financial plan may be derived from SWSSA which will require, once in force, municipalities to assess the “full cost” of providing water and wastewater services. Full cost as defined in subsections 3(7) and 4(7) includes:

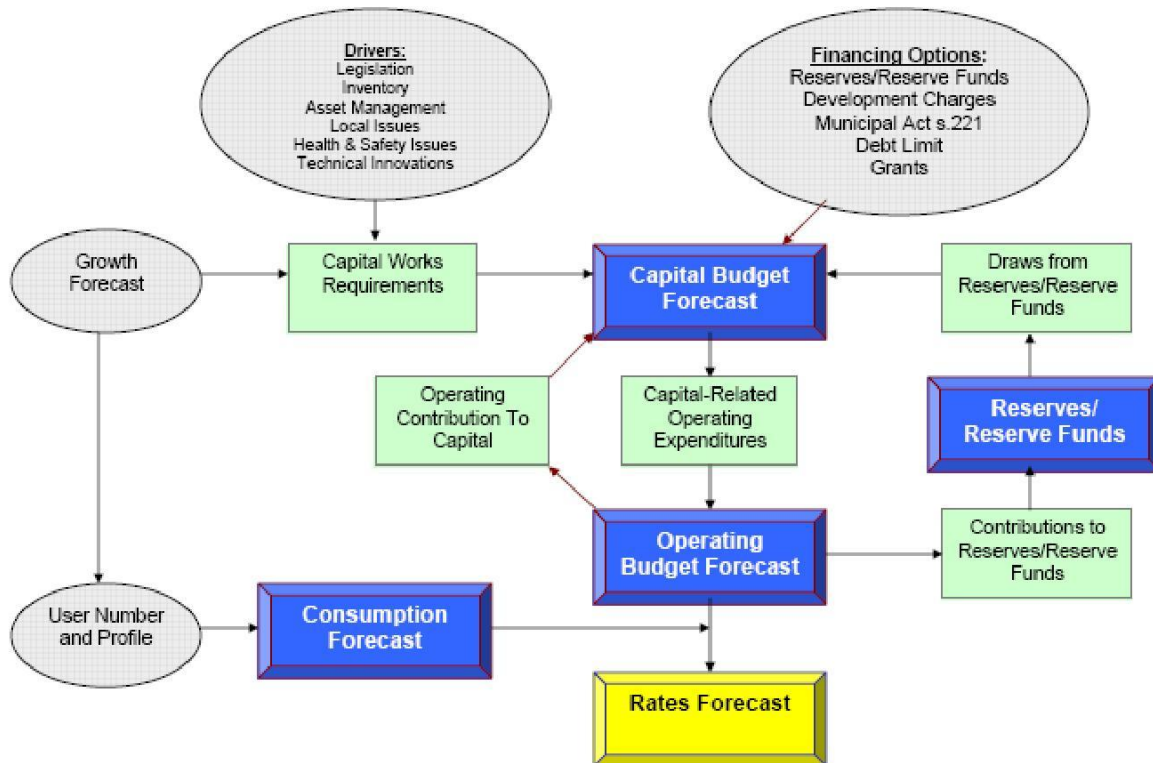
“source protection, operating costs, financing costs, renewal and replacement costs and improvement costs associated with extracting, treating or distributing water to the public and collecting, treating or discharging waste water, and such other costs which may be specified by regulation.”

Furthermore, municipalities will be required to inventory and report their current infrastructure and how it will be maintained and managed going forward. Municipalities will then be required to report on the full cost of services and how these costs will be recovered and paid for. The principles of SWSSA ensure that a long-term plan for sustainable asset management is developed and that all costs for providing water and wastewater services are assessed so that there is sufficient funding for system needs.

2.2 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2010 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 2010 Rate Study provides a sound financial plan for the Township's water and wastewater system 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
- f 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 2010 Rate Study are contained in Appendix A.

A summary of the water rates projected for the Township are as follows:

Water:

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Water Billing Recovery	611,649	658,707	708,600	761,490	817,543	876,938	939,862	1,006,514	1,077,105	1,160,651
Total Consumption net of Bulk Haulers (m ³)	570,425	591,586	612,853	634,232	655,729	677,348	699,095	720,977	743,000	771,013
Constant Rate	1.07	1.11	1.16	1.20	1.25	1.29	1.34	1.40	1.45	1.51
Monthly Base Charge by Meter Size										
5/8"	10.00	10.31	10.64	10.97	11.32	11.67	12.04	12.42	12.81	13.21
3/4"	10.00	10.31	10.64	10.97	11.32	11.67	12.04	12.42	12.81	13.21
1"	25.00	25.79	26.59	27.43	28.29	29.18	30.10	31.04	32.02	33.02
1 1/4"	37.50	38.68	39.89	41.14	42.44	43.77	45.14	46.56	48.02	49.53
1 1/2"	50.00	51.57	53.19	54.86	56.58	58.36	60.19	62.08	64.03	66.04
2"	80.00	82.51	85.10	87.78	90.53	93.37	96.31	99.33	102.45	105.67
3"	160.00	165.02	170.21	175.55	181.06	186.75	192.61	198.66	204.90	211.33
4"	250.00	257.85	265.95	274.30	282.91	291.79	300.96	310.41	320.15	330.21
6"	500.00	515.70	531.89	548.59	565.82	583.59	601.91	620.81	640.31	660.41
8"	800.00	825.12	851.03	877.75	905.31	933.74	963.06	993.30	1,024.49	1,056.66
Bulk Water Haulers										
Constant Rate (\$/m3)	1.47	1.49	1.52	1.54	1.57	1.61	1.64	1.67	1.71	1.73

3. APPROACH

3. APPROACH

3.1 Introduction

The 2010 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 2010 Rate Study as well as part of the Township's efforts to become compliant with PSAB 3150. Given the prospective nature of the 2010 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. Common approaches to determining historical cost include consulting Township records (i.e. invoices) or, if that information is not readily available, by "deflating" the

replacement cost data already in hand. Once historical cost is established, the following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2010 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 are to be reported differently by municipalities starting in 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 new 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

FIGURE 3-1
CONVERSION ADJUSTMENTS
STATEMENT OF OPERATIONS
WATER ONLY

Modified Cash Basis	Budget 2010	Adjustments to Remove Non-Accrual Accounts		Transition Budget Balances 2010	Adjustments to add Accrual Accounts		Full Accrual Budget 2010	Accrual Basis	Notes on Adjustments
		Dr	Cr		Dr	Cr			
Revenues								Revenues	
Base Charge Revenue	-			-			-	Base Charge Revenue	No change
Rate Based Revenue	672,100			672,100			672,100	Rate Based Revenue	No change
Transfers from Reserves	-	-		-			-		Removes non-accrual reserve account
								Earned Deferred Revenue (Development Charges)	New Account to reflect earned DC and Gas Tax Revenue
Other Revenue	248,800			248,800		20,418	269,218	Other Revenue	To Account for Interest Revenue
Total Revenues	920,900			920,900			941,318	Total Revenues	
Expenditures								Expenses	
Operating	893,800			893,800			893,800	Operating Expenses	Various Expenses previously classified as capital expenditures
Capital									
Transfers to Reserves	27,100		27,100	-			-		Removes non-accrual reserve account
Transfers to Capital	-		-	-			-		Removes TCA related balances which are now captured in statement of financial position
Debt Repayment (Principal & Interest)	-			-			-	Interest on Debt	Removes principal portion of debt - now reflected on statement of cash flow.
								Amortization	New account created as a result of PSAB 3150 - reflects cost of using TCA
Other					248,065		248,065	Other	No Change
Total Expenditures	920,900			893,800			1,141,865	Total Expenses	
Net Expenditures	-						(200,547)	Annual Surplus/(Deficit)	Represents difference between Revenues and Expenditures
Increase (decrease) in amounts to be recovered	-						14,223,459	Accumulated Surplus/(Deficit), beginning of year	
Change in fund balances	-					200,547	14,022,912	Accumulated Surplus/(Deficit), end of year	To transfer annual surplus to accumulated surplus

TOTAL ADJUSTMENTS		-	27,100		248,065	
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Note: The combined adjustments above should be balanced and net to \$0 (i.e. Total DR = Total CR)

discussed in section 3.2.1. Transfers to and from reserves are no longer explicitly reported on the Statement of Operations. Instead, these transactions are represented by changes in cash and accumulated surplus. Also, debt repayment costs relating to the principal payment portion only need to be removed, as they no longer qualify as an expense for reporting purposes. Principal payments will now be reported as a decrease in debt liability on the Statement of Financial Position. Finally, new expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets will be reported via 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 new 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
CONVERSION ADJUSTMENTS
STATEMENT OF FINANCIAL POSITION
WATER ONLY

Modified Cash Basis	Budget 2010	Adjustments to Remove Non-Accrual Accounts		Transition Budget Balances 2010	Adjustments to add Accrual Accounts		Full Accrual Budget 2010	Accrual Basis	Notes on Adjustments
		Dr	Cr		Dr	Cr			
Assets									
Financial Assets								Financial Assets	
Cash	276,971			276,971			276,971	Cash	No change
Accounts Receivable	318,656			318,656			318,656	Accounts Receivable	No change
							-	Investments	No change
							-	Inventory for resale	New Account
Total Financial Assets	595,627			595,627			595,627	Total Financial Assets	
Non-Financial Assets									
Inventory of Supplies	-		-	-			-		Presented below Net Financial Asset/(Debt) section
Prepaid Expenses	-		-	-			-		Presented below Net Financial Asset/(Debt) section
Total Non-Financial Assets	-			-			-		
Liabilities								Liabilities	
Accounts Payable & Accrued Liabilities	3,345			3,345			3,345	Accounts Payable & Accrued Liabilities	No Change
Gross Long-term Liabilities	-			-			-	Debt (Principal only)	No Change
Other (DC Reserves-Deferred Revenue)	61,423			61,423			61,423	Other (DC Reserves-Deferred Revenue)	No Change
Total Liabilities	64,768			64,768			64,768	Total Liabilities	
Net Assets/(Debt)	530,859			530,859			530,859	Net Financial Assets/(Debt)	
								Non-Financial Assets	
					13,492,053		13,492,053	Tangible Capital Assets	Adds NBV of Tangible Capital Assets - offset entry is to accumulated surplus
					-		-	Inventory of Supplies	Account reclassified as Non-Financial Asset for inventory for own use
					-		-	Prepaid Expenses	Account reclassified as Non-Financial Asset
							13,492,053	Total Non-Financial Assets	
Municipal Position									
Water Reserves	530,859	530,859	-	-					Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Development Charge Reserve Fund	61,423	61,423	-	-					Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Amounts to be Recovered	(61,423)	-	61,423	-					Removes account - balance to be transferred to accumulated surplus
Total Municipal Position	530,859	-	-	-		14,022,912	14,022,912	Accumulated Surplus/(Deficit)	Represents offset entry for TCA's and existing reserve fund balances
TOTAL ADJUSTMENTS		592,282	61,423		13,492,053	14,022,912			

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 2010 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 system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Township's water system. It is not an audited document¹ and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the 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 in 2010, the Township's water system will be in a net financial asset position of \$0.5 million. However, the net financial asset position decreases to \$0.4 million between 2011 and 2015 due to the ongoing use of reserves/reserve funds to fund capital expenditures. For the remainder of the forecast period (2016-2020), the financial plan developed for the Township forecasts an improving net financial asset position in each year growing to \$0.7 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 decrease by approximately \$1.8 million over the 10-year forecast period. This indicates that the Township does not have plans to invest in tangible capital assets in excess of the anticipated use of existing assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues decreasing from 121% to 103% over the 2010-2015 period due to a significant increase in earned deferred revenues in 2015. The ratio fluctuates back up to 110% in 2016 as deferred revenues decrease and interest payments on new growth-related debt commence. However, the ratio decreases back down to 102% by 2020 as revenues continue to grow at a faster pace than expenses over the remainder of the forecast period. As a result, the annual deficit improves from \$0.2 in 2010 to what is essentially a break-even position in 2020. 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 subtract approximately \$1.6 million from a 2010 accumulated surplus of \$14.2 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 forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization) in 2010. However, forecasted tangible capital asset acquisitions (net of amortization) exceed the forecasted annual surplus for the period 2011-2015, resulting in a decrease in net financial assets. As noted above, this is due to the use of reserves/reserve funds to fund capital expenditures over this period. In each of the subsequent years (2016-2020), forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization). 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 which fluctuates downward from 2.06 in 2011 to 0.79 in 2014 and then improves back up to 1.19 over the remainder of the forecast period¹.

¹ A desirable ratio is 1:1 or better.

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the 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), build internal reserves and reserve funds, and repay debt over the forecast period. The financial plan projects the cash position of the Township's water system to decrease from a balance of approximately \$0.2 million at the beginning of 2010 to just under \$0 by the end of 2016 as a result of internally funding capital related transactions. However, the financial plan forecasts revenue growth sufficient to replenish cash to a balance of \$0.1 million by the end of 2020.

Table 4-1
Township of West Lincoln
Statement of Financial Position (Water Only)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010-2020

	Notes	Budget 2010	Forecast									
			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financial Assets												
Cash	1	276,971	229,135	178,183	141,300	112,620	(25,358)	(30,007)	391	20,354	102,075	141,518
Accounts Receivable	1	318,656	366,141	388,363	411,891	436,792	463,135	491,349	520,797	551,925	584,822	622,942
Investments		-	-	-	-	-	-	-	-	-	-	-
Inventory for resale		-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets		595,627	595,276	566,546	553,191	549,412	437,777	461,342	521,188	572,279	686,897	764,460
Liabilities												
Accounts Payable & Accrued Liabilities	1	3,345	4,335	4,546	4,770	5,008	5,261	5,530	5,815	6,118	6,440	6,776
Debt (Principal only)	2	-	-	-	-	-	39,990	36,956	33,740	30,331	26,717	22,887
Other (DC Reserves-Deferred Revenue)	3	61,423	74,348	88,109	102,767	118,364	-	6,569	13,780	21,670	30,274	41,235
Total Liabilities		64,768	78,683	92,655	107,537	123,372	45,251	49,055	53,335	58,119	63,431	70,898
Net Financial Assets/(Debt)		530,859	516,593	473,891	445,654	426,040	392,526	412,287	467,853	514,160	623,466	693,562
Non-Financial Assets												
Tangible Capital Assets	4	13,492,053	13,276,790	13,104,531	12,931,449	12,765,025	12,759,764	12,592,980	12,412,805	12,265,780	12,083,062	11,977,573
Inventory of Supplies		-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses		-	-	-	-	-	-	-	-	-	-	-
Total Non-Financial Assets		13,492,053	13,276,790	13,104,531	12,931,449	12,765,025	12,759,764	12,592,980	12,412,805	12,265,780	12,083,062	11,977,573
Accumulated Surplus/(Deficit)	5	14,022,912	13,793,383	13,578,422	13,377,104	13,191,066	13,152,290	13,005,268	12,880,658	12,779,940	12,706,528	12,671,135
Financial Indicators												
	Total Change											
1) Increase/(Decrease) in Net Financial Assets												
2) Increase/(Decrease) in Tangible Capital Assets	(1,762,545)	(248,065)	(215,263)	(172,259)	(173,082)	(166,424)	(5,261)	(166,784)	(180,175)	(147,026)	(182,718)	(105,489)
3) Increase/(Decrease) in Accumulated Surplus	(1,552,325)	(200,547)	(229,529)	(214,961)	(201,318)	(186,038)	(38,776)	(147,022)	(124,610)	(100,718)	(73,412)	(35,393)

Table 4-2
Township of West Lincoln
Statement of Operations (Water Only)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010-2020

	Notes	2010	Forecast										
			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Water Revenue													
Base Charge Revenue		-	169,310	181,838	195,013	208,866	223,430	238,736	254,821	271,722	289,476	310,756	
Rate Based Revenue		672,100	611,649	658,707	708,600	761,490	817,543	876,938	939,862	1,006,514	1,077,105	1,160,651	
Earned Deferred Revenue (Development Charges)	3	-	-	-	-	-	129,756	5,433	5,433	5,433	5,433	5,433	
Other Revenue	6	269,218	297,039	300,032	303,871	308,335	314,098	321,578	329,685	337,741	348,530	356,419	
Total Revenues		941,318	1,077,999	1,140,577	1,207,485	1,278,691	1,484,827	1,442,685	1,529,802	1,621,410	1,720,544	1,833,260	
Water Expenses													
Operating Expenses	Sched. 4-1	893,800	1,060,911	1,108,602	1,158,700	1,211,340	1,266,660	1,324,810	1,385,946	1,450,236	1,517,856	1,588,992	
Interest on Debt	2	-	-	-	-	-	-	2,399	2,217	2,024	1,820	1,603	
Amortization	4	248,065	246,616	246,936	250,103	253,390	256,942	262,499	266,248	269,867	274,280	278,058	
Other		-	-	-	-	-	-	-	-	-	-	-	
Total Expenses		1,141,865	1,307,527	1,355,538	1,408,803	1,464,730	1,523,602	1,589,708	1,654,411	1,722,128	1,793,956	1,868,653	
Annual Surplus/(Deficit)		(200,547)	(229,529)	(214,961)	(201,318)	(186,039)	(38,775)	(147,023)	(124,609)	(100,718)	(73,412)	(35,393)	
Accumulated Surplus/(Deficit), beginning of year		14,223,459	14,022,912	13,793,383	13,578,422	13,377,104	13,191,066	13,152,290	13,005,267	12,880,658	12,779,940	12,706,528	
Accumulated Surplus/(Deficit), end of year	5	14,022,912	13,793,383	13,578,422	13,377,104	13,191,066	13,152,290	13,005,267	12,880,658	12,779,940	12,706,528	12,671,135	
Note 5:													
Accumulated Surplus/(Deficit) is made up of:													
Opening Reserve Balances	Notes												
Reserves: Development Charges		49,302											
Reserves: Other		483,341											
Total Reserves Balance		532,643											
Less: Debt Obligations and Deferred Revenue		(49,302)											
Add: Adjustment for TCA (Year of Implementation Only)	4	13,740,118											
Total Opening Balance		14,223,459	14,022,912	13,793,383	13,578,422	13,377,104	13,191,066	13,152,290	13,005,268	12,880,658	12,779,940	12,706,528	
Add: Contributions to/(from) Reserves (excl. DC reserves)		-	-	-	-	-	-	-	-	-	-	-	
Contributions to Reserves + Interest		47,518	19,869	31,974	48,786	67,352	88,410	112,442	138,422	165,740	197,255	238,835	
Transfers from Reserves		-	(34,135)	(74,677)	(77,021)	(86,966)	(81,934)	(95,715)	(86,072)	(122,842)	(91,563)	(172,569)	
Total Change in Reserves		47,518	(14,266)	(42,702)	(28,236)	(19,614)	6,475	16,727	52,350	42,898	105,692	66,266	
Add: Changes in TCA During the Year		-	-	-	-	-	-	-	-	-	-	-	
Capital Assets Purchased (net of disposals)	4	-	31,353	74,677	77,021	86,966	251,680	95,715	86,072	122,842	91,563	172,569	
Amortization of Capital Assets	4	(248,065)	(246,616)	(246,936)	(250,103)	(253,390)	(256,942)	(262,499)	(266,248)	(269,867)	(274,280)	(278,058)	
Total Changes in TCA		(248,065)	(215,263)	(172,259)	(173,082)	(166,424)	(5,261)	(166,784)	(180,175)	(147,026)	(182,718)	(105,489)	
Subtract Changes in Debt Position		-	-	-	-	-	-	-	-	-	-	-	
New Debt	2	-	-	-	-	-	(39,990)	-	-	-	-	-	
Debt Repayment	2	-	-	-	-	-	-	3,034	3,216	3,409	3,613	3,830	
Total Change in Debt		-	-	-	-	-	(39,990)	3,034	3,216	3,409	3,613	3,830	
Total Ending Balance		14,022,912	13,793,383	13,578,422	13,377,104	13,191,066	13,152,290	13,005,268	12,880,658	12,779,940	12,706,528	12,671,135	
Financial Indicators													
1) Expense to Revenue Ratio													
2) Increase/(Decrease) in Accumulated Surplus	(1,552,324)	(200,547)	(229,529)	(214,961)	(201,318)	(186,039)	(38,775)	(147,023)	(124,609)	(100,718)	(73,412)	(35,393)	

Schedule 4-1
Township of West Lincoln
Schedule of Operating Expenses
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010-2020

	Notes	2010	Forecast									
			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Maintenance												
Tools		5,000	5,311	5,642	5,994	6,367	6,763	7,185	7,632	8,108	8,613	9,149
Equipment Charges		20,000	21,246	22,569	23,975	25,468	27,054	28,739	30,529	32,430	34,450	36,596
Material		80,000	84,983	90,275	95,898	101,871	108,216	114,955	122,115	129,721	137,800	146,383
Outside Services		8,000	8,181	8,366	8,555	8,748	8,946	9,148	9,355	9,566	9,782	10,003
Consultant		10,000	10,226	10,457	10,693	10,935	11,182	11,435	11,693	11,958	12,228	12,504
Contracted Services		5,000	5,311	5,642	5,994	6,367	6,763	7,185	7,632	8,108	8,613	9,149
Water Maintenance Sub-Total		128,000	135,258	142,952	151,108	159,756	168,924	178,647	188,956	199,890	211,485	223,784
Water Overhead Costs - Wages & Benefits												
Hourly		125,300	133,104	141,394	150,200	159,555	169,493	180,049	191,263	203,175	215,829	229,272
Overhead Allocation		135,500	143,939	152,904	162,427	172,544	183,290	194,706	206,832	219,714	233,399	247,935
Benefits		34,400	36,543	38,818	41,236	43,804	46,533	49,431	52,510	55,780	59,254	62,944
Overtime		30,000	31,868	33,853	35,962	38,202	40,581	43,108	45,793	48,645	51,675	54,893
Water Overhead - Wages & Benefits - Sub-Total		325,200	345,454	366,970	389,826	414,105	439,896	467,294	496,398	527,315	560,157	595,045
Water Overhead Costs												
Training/Conferences		5,000	5,113	5,229	5,347	5,468	5,591	5,717	5,847	5,979	6,114	6,252
Small Container Filling Stn.		1,500	1,593	1,693	1,798	1,910	2,029	2,155	2,290	2,432	2,584	2,745
Office Supplies		1,000	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Postage		5,000	5,113	5,229	5,347	5,468	5,591	5,717	5,847	5,979	6,114	6,252
Uniforms & Clothing		500	531	564	599	637	676	718	763	811	861	915
Insurance		7,400	7,567	7,738	7,913	8,092	8,275	8,462	8,653	8,849	9,049	9,253
Advertising		1,000	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Billing Services		5,000	5,311	5,642	5,994	6,367	6,763	7,185	7,632	8,108	8,613	9,149
Communication		1,000	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Water Overhead - Sub-Total		27,400	28,297	29,232	30,206	31,221	32,281	33,386	34,540	35,744	37,002	38,317
Water - Bulk Water												
Labour		2,100	2,231	2,370	2,517	2,674	2,841	3,018	3,206	3,405	3,617	3,843
Benefits		500	531	564	599	637	676	718	763	811	861	915
Material		2,000	2,125	2,257	2,397	2,547	2,705	2,874	3,053	3,243	3,445	3,660
Equipment Charges		3,000	3,187	3,385	3,596	3,820	4,058	4,311	4,579	4,865	5,168	5,489
Water Purchase From Region		-	116,673	116,935	117,276	117,691	118,176	118,729	119,347	120,027	120,767	120,800
Contact		1,000	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Hydro		2,600	2,659	2,719	2,780	2,843	2,907	2,973	3,040	3,109	3,179	3,251
Water - Bulk Water - Sub Total Operating		11,200	128,427	129,276	130,236	131,305	132,482	133,767	135,158	136,656	138,261	139,208
Water Purchases from the Region of Niagara												
Water Fixed Charges		-	125,900	155,625	192,282	237,476	246,538	255,858	265,447	275,316	285,475	296,319
Water Flow Charges		-	297,575	284,548	265,044	237,476	246,538	255,858	265,447	275,316	285,475	296,319
Total Paid to the Region of Niagara		402,000	423,475	440,173	457,325	474,953	493,076	511,717	530,895	550,632	570,951	592,638
Non TCA - Expenses from Capital Budget		-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		893,800	1,060,911	1,108,602	1,158,700	1,211,340	1,266,660	1,324,810	1,385,946	1,450,236	1,517,856	1,588,992

Table 4-3
Township of West Lincoln
Statement of Changes in Net Financial Assets/Debt (Water Only)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010-2020

	Notes	2010	Forecast										
			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Annual Surplus/(Deficit)													
Less: Acquisition of Tangible Capital Assets	4	-	(31,353)	(74,677)	(77,021)	(86,966)	(251,680)	(95,715)	(86,072)	(122,842)	(91,563)	(172,569)	
Add: Amortization of Tangible Capital Assets	4	248,065	246,616	246,936	250,103	253,390	256,942	262,499	266,248	269,867	274,280	278,058	
(Gain)/Loss on disposal of Tangible Capital Assets													
Add: Proceeds on Sale of Tangible Capital Assets													
Add: Write-downs of Tangible Capital Assets													
		47,518	(14,266)	(42,702)	(28,236)	(19,615)	(33,514)	19,761	55,566	46,308	109,306	70,096	
Less: Acquisition of Supplies Inventory													
Less: Acquisition of Prepaid Expenses													
Add: Consumption of Supplies Inventory													
Add: Use of Prepaid Expenses													
		-	-	-	-	-	-	-	-	-	-	-	
Increase/(Decrease) in Net Financial Assets/(Net Debt)		47,518	(14,266)	(42,702)	(28,236)	(19,615)	(33,514)	19,761	55,566	46,308	109,306	70,096	
Net Financial Assets/(Net Debt), beginning of year		483,341	530,859	516,593	473,891	445,655	426,040	392,526	412,287	467,853	514,161	623,466	
Net Financial Assets/(Net Debt), end of year		530,859	516,593	473,891	445,655	426,040	392,526	412,287	467,853	514,161	623,466	693,562	
Financial Indicators													
1) Acquisition of Tangible Capital Assets (Cumulative)													
2) Annual Surplus/Deficit before Amortization (Cumulative)		47,518	64,605	96,580	145,365	212,716	430,883	546,359	687,997	857,147	1,058,015	1,300,680	
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		-	2.06	0.91	0.79	0.79	0.83	0.88	0.98	1.04	1.15	1.19	

Table 4-4
Township of West Lincoln
Statement of Cash Flow - Indirect Method (Water Only)
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2010-2020

	Notes	Budget 2010	Forecast									
			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Transactions												
Annual Surplus/Deficit		(200,547)	(229,529)	(214,961)	(201,318)	(186,039)	(38,775)	(147,023)	(124,609)	(100,718)	(73,412)	(35,393)
Add: Amortization of TCA's	4	248,065	246,616	246,936	250,103	253,390	256,942	262,499	266,248	269,867	274,280	278,058
Less: Earned Deferred Revenue	3	-	-	-	-	-	(129,756)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)
Add: Development Charge Proceeds		12,121	12,925	13,761	14,657	15,597	11,393	12,002	12,645	13,323	14,037	16,395
Change in A/R (Increase)/Decrease		30,866	(47,484)	(22,222)	(23,527)	(24,900)	(26,343)	(28,214)	(29,449)	(31,127)	(32,897)	(38,120)
Change in A/P Increase/(Decrease)		(166)	990	211	224	238	253	269	285	303	322	336
Less: Interest Proceeds		(20,418)	(19,869)	(18,227)	(17,141)	(16,386)	(16,635)	(17,279)	(19,292)	(20,942)	(25,007)	(27,556)
Cash Provided by Operating Transactions		69,921	(36,351)	5,498	22,998	41,900	57,078	76,821	100,394	125,272	151,890	188,286
Capital Transactions												
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	-	(31,353)	(74,677)	(77,021)	(86,966)	(251,680)	(95,715)	(86,072)	(122,842)	(91,563)	(172,569)
Cash Applied to Capital Transactions		-	(31,353)	(74,677)	(77,021)	(86,966)	(251,680)	(95,715)	(86,072)	(122,842)	(91,563)	(172,569)
Investing Transactions												
Proceeds from Investments		20,418	19,869	18,227	17,141	16,386	16,635	17,279	19,292	20,942	25,007	27,556
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		20,418	19,869	18,227	17,141	16,386	16,635	17,279	19,292	20,942	25,007	27,556
Financing Transactions												
Proceeds from Debt Issue	2	-	-	-	-	-	39,990	-	-	-	-	-
Less: Debt Repayment (principal only)	2	-	-	-	-	-	-	(3,034)	(3,216)	(3,409)	(3,613)	(3,830)
Cash Applied to Financing Transactions		-	-	-	-	-	39,990	(3,034)	(3,216)	(3,409)	(3,613)	(3,830)
Increase in Cash and Cash Equivalents		90,339	(47,835)	(50,952)	(36,883)	(28,680)	(137,977)	(4,650)	30,398	19,963	81,721	39,443
Cash and Cash Equivalents, beginning of year	1	186,632	276,971	229,134	178,183	141,300	112,620	(25,358)	(30,007)	391	20,354	102,075
Cash and Cash Equivalents, end of year	1	276,971	229,135	178,182	141,300	112,620	(25,357)	(30,007)	391	20,354	102,075	141,518

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 West Lincoln, 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

Projected water accounts receivable and payable were estimated using Township-wide ending balances.

A multiplier equal to the 2009 ending Accounts Receivable balance as a percentage of revenues was calculated as follows:

Township Wide	<u>2009</u>
Accounts Receivable	\$349,523
Revenue	<u>\$1,010,102</u>
Multiplier	<u>34.6%</u>

This multiplier was then applied to projected revenues in each year of the forecast period to determine annual Accounts Receivable balances.

Similar to the projection of water accounts receivable, projected water accounts payable were estimated based on a multiplier equal to the 2009 ending Accounts Payable balances as a percentage of expenditures calculated as follows:

Township Wide	<u>2009</u>
Accounts Payable	\$3,511
Expenses	<u>\$516,261</u>
Multiplier	<u>0.68%</u>

This multiplier was then applied to projected expenses in each year of the forecast period to determine annual Accounts Payable balances.

2. Debt

The Township did not have any outstanding water-related debt at the end of 2009. However, growth-related debt proceeds are anticipated over the forecast period. Principal repayments for new debt over the forecast period are scheduled as follows: _

2010	\$ -
2011	\$ -
2012	\$ -
2013	\$ -
2014	\$ -
2015	\$ -
2016	\$ 3,034
2017	\$ 3,216
2018	\$ 3,409
2019	\$ 3,613
2020	\$ <u>3,830</u>
	\$ <u>17,103</u>

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

3. Deferred Revenue

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

4. Tangible Capital Assets

- Opening 2011 net book value of tangible capital assets includes water related assets in the following categories:
 - i. Infrastructure
 - ii. Facilities
 - iii. Vehicles
 - iv. Equipment
 - v. 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. To calculate the value of each asset disposal (when actual disposal information was not provided), 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.
- 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening TCA Balance (Historical Cost)	16,167,594	16,167,594	16,184,800	16,222,296	16,261,371	16,307,885	16,512,998	16,562,901	16,604,995	16,676,126	16,718,993
Acquisitions	-	31,353	74,677	77,021	86,966	251,680	95,715	86,072	122,842	91,563	172,569
Disposals	-	14,148	37,180	37,947	40,451	46,568	45,812	43,978	51,711	48,696	61,499
Closing TCA Balance (Historical Cost)	16,167,594	16,184,800	16,222,296	16,261,371	16,307,885	16,512,998	16,562,901	16,604,995	16,676,126	16,718,993	16,830,062
Opening Accumulated Amortization	2,427,476	2,675,541	2,908,009	3,117,765	3,329,921	3,542,860	3,753,234	3,969,921	4,192,190	4,410,346	4,635,931
Amortization Expense	248,065	246,616	246,936	250,103	253,390	256,942	262,499	266,248	269,867	274,280	278,058
Amortization on Disposal	-	14,148	37,180	37,947	40,451	46,568	45,812	43,978	51,711	48,696	61,499
Ending Accumulated Amortization	2,675,541	2,908,009	3,117,765	3,329,921	3,542,860	3,753,234	3,969,921	4,192,190	4,410,346	4,635,931	4,852,489
Net Book Value	13,492,053	13,276,790	13,104,531	12,931,449	12,765,025	12,759,764	12,592,980	12,412,805	12,265,780	12,083,062	11,977,573

5. Accumulated Surplus

Accumulated Surplus for the initial year of the forecast period is reconciled as follows:

Water	2010
Opening Reserve Balances	
Reserves: Development Charges	49,302
Reserves: Other	483,341
Total Reserves Balance	532,643
Less: Debt Obligations and Deferred Revenue	(49,302)
Add: Adjustment for TCA (Year of Implementation Only)	13,740,118
Total Opening Balance	14,223,459
Add: Contributions to/(from) Reserves (excl. DC reserves)	
Contributions to Reserves + Interest	47,518
Transfers from Reserves	-
Total Change in Reserves	47,518
Add: Changes in TCA During the Year	
Capital Assets Purchased (net of disposals)	-
Amortization of Capital Assets	(248,065)
Total Changes in TCA	(248,065)
Subtract Changes in Debt Position	
New Debt	-
Debt Repayment	-
Total Change in Debt	-
Total Ending Balance	14,022,912

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

6. Other revenue

Other revenue includes interest, water service fees, bulk water revenue, penalties and other non-operating general revenues.

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 Water Drinking Act. (SDWA Section 32 (5) 2 ii)

6. RECOMMENDATIONS

6. RECOMMENDATIONS

This report presents the water financial plan for the Township of West Lincoln 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 2010 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 West Lincoln Water Financial Plan prepared by Watson & Associates Economists Ltd. dated June 24, 2010 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 and Wastewater Rate Study underpinning the Financial Plan, to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. Submit the Financial Plan, the Council Resolution approving the Financial Plan, and the Water and Wastewater Rate Study underpinning the Financial Plan, to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (SDWA Section 32 (5) 2 ii)

APPENDIX A
2010 WATER AND WASTEWATER RATE STUDY –
WATER SUMMARY TABLES

Table A-1
Township of West Lincoln
Water Service
Capital Budget Forecast
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital Expenditures										
<i>Lifecycle Replacement</i>										
Equipment	-	-	-	-	-	-	-	-	-	-
Facilities	-	-	-	-	-	-	-	-	-	-
Water Mains	-	-	-	-	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-	-	-	-	25,043
Hydrant Leads	-	-	-	-	-	-	-	-	-	11,413
Water Meters	24,288	67,390	69,506	71,688	73,939	76,261	77,567	80,003	82,515	85,106
Curb Stops	-	-	-	-	-	-	-	-	-	-
Water Connections	-	-	-	-	-	-	-	-	-	-
Water Valves	7,065	7,287	7,516	15,278	7,995	19,454	8,505	42,839	9,048	51,007
Sub-Total	31,353	74,677	77,021	86,966	81,934	95,715	86,072	122,842	91,563	172,569
<i>Growth</i>										
Watermain - Industrial Park Road (N. London to Spri	-	-	-	-	113,164	-	-	-	-	-
Watermain - Brock Street	-	-	-	-	56,582	-	-	-	-	-
Sub-Total	-	-	-	-	169,746	-	-	-	-	-
Total Capital Expenditures	31,353	74,677	77,021	86,966	251,680	95,715	86,072	122,842	91,563	172,569
Capital Financing										
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-
Development Charges	-	-	-	-	129,756	-	-	-	-	-
Non-Growth Related Debenture Requirements	-	-	-	-	-	-	-	-	-	-
Growth Related Debenture Requirements	-	-	-	-	39,990	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-
Reserves and Reserve Funds	31,353	74,677	77,021	86,966	81,934	95,715	86,072	122,842	91,563	172,569
Total Capital Financing	31,353	74,677	77,021	86,966	251,680	95,715	86,072	122,842	91,563	172,569

Table A-2
Township of West Lincoln
Water Service
Schedule of Non-Growth Related Debenture Repayments
 Inflated \$

Debenture Year	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2011		-	-	-	-	-	-	-	-	-
2012			-	-	-	-	-	-	-	-
2013				-	-	-	-	-	-	-
2014					-	-	-	-	-	-
2015						-	-	-	-	-
2016							-	-	-	-
2017								-	-	-
2018									-	-
2019										-
2020										
Total Annual Debt Charges	-	-	-	-	-	-	-	-	-	-

Table A-3
Township of West Lincoln
Water Service
Schedule of Growth Related Debenture Repayments
 Inflated \$

Debenture Year	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2011		-	-	-	-	-	-	-	-	-
2012			-	-	-	-	-	-	-	-
2013				-	-	-	-	-	-	-
2014					-	-	-	-	-	-
2015						5,433	5,433	5,433	5,433	5,433
2016							-	-	-	-
2017								-	-	-
2018									-	-
2019										-
2020										
Total Annual Debt Charges	-	-	-	-	-	5,433	5,433	5,433	5,433	5,433

Table A-4
Township of West Lincoln
Water Service
Water Reserves/ Reserve Funds Continuity
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	530,859	516,593	459,593	397,874	323,345	251,067	161,565	78,513	-	-
Transfer from Operating	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	31,353	74,677	77,021	86,966	81,934	95,715	86,072	78,513	-	-
Transfer to Operating	2,781	-	-	-	-	-	-	-	-	-
Closing Balance	496,724	441,916	382,571	310,908	241,410	155,351	75,493	-	-	-
Interest	19,869	17,677	15,303	12,436	9,656	6,214	3,020	-	-	-

Table A-5
Township of West Lincoln
Water Service
Water Development Charges Reserve Fund Continuity
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	61,423	74,348	88,109	102,767	118,364	-	6,569	13,780	21,670	30,274
Development Charge Proceeds	10,065	10,373	10,705	11,045	11,393	11,749	12,115	12,489	12,873	14,809
Transfer to Capital	-	-	-	-	129,756	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	5,433	5,433	5,433	5,433	5,433
Closing Balance	71,488	84,721	98,814	113,811	-	6,316	13,250	20,836	29,109	39,649
Interest	2,860	3,389	3,953	4,552	-	253	530	833	1,164	1,586

Table A-6
Township of West Lincoln
Water Service
Water Lifecycle Reserve Fund Continuity
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	-	-	14,299	47,781	102,696	181,450	287,678	423,080	544,491	650,184
Transfer from Operating	-	13,749	31,644	50,965	71,775	95,164	119,130	144,798	172,248	211,279
Transfer to Capital	-	-	-	-	-	-	-	44,329	91,563	172,569
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	-	13,749	45,943	98,746	174,471	276,614	406,808	523,549	625,176	688,894
Interest	-	550	1,838	3,950	6,979	11,065	16,272	20,942	25,007	27,556

Table A-7
Township of West Lincoln
Water Services
Operating Budget Forecast
 Inflated \$

Description	Forecast									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Expenditures										
<u>Water Maintenance</u>										
Tools	5,311	5,642	5,994	6,367	6,763	7,185	7,632	8,108	8,613	9,149
Equipment Charges	21,246	22,569	23,975	25,468	27,054	28,739	30,529	32,430	34,450	36,596
Material	84,983	90,275	95,898	101,871	108,216	114,955	122,115	129,721	137,800	146,383
Outside Services	8,181	8,366	8,555	8,748	8,946	9,148	9,355	9,566	9,782	10,003
Consultant	10,226	10,457	10,693	10,935	11,182	11,435	11,693	11,958	12,228	12,504
Contracted Services	5,311	5,642	5,994	6,367	6,763	7,185	7,632	8,108	8,613	9,149
Water Maintenance Sub-Total	135,258	142,952	151,108	159,756	168,924	178,647	188,956	199,890	211,485	223,784
<u>Water Overhead Costs - Wages & Benefits</u>										
Hourly	133,104	141,394	150,200	159,555	169,493	180,049	191,263	203,175	215,829	229,272
Overhead Allocation	143,939	152,904	162,427	172,544	183,290	194,706	206,832	219,714	233,399	247,935
Benefits	36,543	38,818	41,236	43,804	46,533	49,431	52,510	55,780	59,254	62,944
Overtime	31,868	33,853	35,962	38,202	40,581	43,108	45,793	48,645	51,675	54,893
Water Overhead - Wages & Benefits - Sub-Total	345,454	366,970	389,826	414,105	439,896	467,294	496,398	527,315	560,157	595,045
<u>Water Overhead Costs</u>										
Training/Conferences	5,113	5,229	5,347	5,468	5,591	5,717	5,847	5,979	6,114	6,252
Small Container Filling Stn.	1,593	1,693	1,798	1,910	2,029	2,155	2,290	2,432	2,584	2,745
Office Supplies	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Postage	5,113	5,229	5,347	5,468	5,591	5,717	5,847	5,979	6,114	6,252
Uniforms & Clothing	531	564	599	637	676	718	763	811	861	915
Insurance	7,567	7,738	7,913	8,092	8,275	8,462	8,653	8,849	9,049	9,253
Advertising	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Billing Services	5,311	5,642	5,994	6,367	6,763	7,185	7,632	8,108	8,613	9,149
Communication	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Water Overhead - Sub-Total	28,297	29,232	30,206	31,221	32,281	33,386	34,540	35,744	37,002	38,317
<u>Water - Bulk Water</u>										
Labour	2,231	2,370	2,517	2,674	2,841	3,018	3,206	3,405	3,617	3,843
Benefits	531	564	599	637	676	718	763	811	861	915
Material	2,125	2,257	2,397	2,547	2,705	2,874	3,053	3,243	3,445	3,660
Equipment Charges	3,187	3,385	3,596	3,820	4,058	4,311	4,579	4,865	5,168	5,489
Water Purchase From Region	116,673	116,935	117,276	117,691	118,176	118,729	119,347	120,027	120,767	120,800
Contact	1,023	1,046	1,069	1,094	1,118	1,143	1,169	1,196	1,223	1,250
Hydro	2,659	2,719	2,780	2,843	2,907	2,973	3,040	3,109	3,179	3,251
Water - Bulk Water - Sub Total Operating	128,427	129,276	130,236	131,305	132,482	133,767	135,158	136,656	138,281	139,208
Total Operating Costs	637,436	668,429	701,375	736,387	773,583	813,093	855,052	899,604	946,905	996,354
<u>Water Purchases from the Region of Niagara</u>										
Water Fixed Charges	125,900	155,625	192,282	237,476	246,538	255,858	265,447	275,316	285,475	296,319
Water Flow Charges	297,575	284,548	265,044	237,476	246,538	255,858	265,447	275,316	285,475	296,319
Total Paid to the Region of Niagara	423,475	440,173	457,325	474,953	493,076	511,717	530,895	550,632	570,951	592,638
Capital Expenditures										
Existing Debt - Non-Growth Related	-	-	-	-	-	-	-	-	-	-
Existing Debt - Growth Related	-	-	-	-	-	-	-	-	-	-
New Non-Growth Related Debt	-	-	-	-	-	-	-	-	-	-
New Growth Related Debt	-	-	-	-	-	5,433	5,433	5,433	5,433	5,433
Transfer to Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Reserves and Reserve Funds	-	-	-	-	-	-	-	-	-	-
Sub Total Capital Related	-	-	-	-	-	5,433	5,433	5,433	5,433	5,433
Total Expenditures	1,060,911	1,108,602	1,158,700	1,211,340	1,266,660	1,330,243	1,391,380	1,455,670	1,523,289	1,594,425
Revenues										
Base Charge	169,310	181,838	195,013	208,866	223,430	238,736	254,821	271,722	289,476	310,756
Water Service Fees	34,462	35,240	36,037	36,851	37,684	38,536	39,407	40,297	41,208	42,139
Bulk Water Revenue	231,051	234,644	238,504	242,631	247,031	252,728	257,656	262,870	268,375	272,469
Water Penalty	11,658	11,921	12,191	12,466	12,748	13,036	13,330	13,632	13,940	14,255
Contributions from Development Charges Reserve F	-	-	-	-	-	5,433	5,433	5,433	5,433	5,433
Contributions from Reserves / Reserve Funds	2,781	-	-	-	-	-	-	-	-	-
Total Operating Revenue	449,262	463,644	481,744	500,815	520,892	548,469	570,647	593,954	618,433	645,053
Water Billing Recovery - Operating	611,649	644,958	676,956	710,524	745,768	781,774	820,732	861,716	904,857	949,372
Lifecycle Reserve Contribution (\$)	-	13,749	31,644	50,965	71,775	95,164	119,130	144,798	172,248	211,279
Water Billing Recovery - Total	611,649	658,707	708,600	761,490	817,543	876,938	939,862	1,006,514	1,077,105	1,160,651

Table A-8
Township of West Lincoln
Water Services
Water Rate Forecast
 Inflated \$

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Total Water Billing Recovery	611,649	658,707	708,600	761,490	817,543	876,938	939,862	1,006,514	1,077,105	1,160,651
Total Consumption net of Bulk Haulers (m ³)	570,425	591,586	612,853	634,232	655,729	677,348	699,095	720,977	743,000	771,013
Constant Rate	1.07	1.11	1.16	1.20	1.25	1.29	1.34	1.40	1.45	1.51
Monthly Base Charge by Meter Size										
5/8"	10.00	10.31	10.64	10.97	11.32	11.67	12.04	12.42	12.81	13.21
3/4"	10.00	10.31	10.64	10.97	11.32	11.67	12.04	12.42	12.81	13.21
1"	25.00	25.79	26.59	27.43	28.29	29.18	30.10	31.04	32.02	33.02
1 1/4"	37.50	38.68	39.89	41.14	42.44	43.77	45.14	46.56	48.02	49.53
1 1/2"	50.00	51.57	53.19	54.86	56.58	58.36	60.19	62.08	64.03	66.04
2"	80.00	82.51	85.10	87.78	90.53	93.37	96.31	99.33	102.45	105.67
3"	160.00	165.02	170.21	175.55	181.06	186.75	192.61	198.66	204.90	211.33
4"	250.00	257.85	265.95	274.30	282.91	291.79	300.96	310.41	320.15	330.21
6"	500.00	515.70	531.89	548.59	565.82	583.59	601.91	620.81	640.31	660.41
8"	800.00	825.12	851.03	877.75	905.31	933.74	963.06	993.30	1,024.49	1,056.66
Bulk Water Haulers										
Constant Rate (\$/m3)	1.47	1.49	1.52	1.54	1.57	1.61	1.64	1.67	1.71	1.73