

**TOWN OF PLYMPTON-WYOMING**

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

JUNE 14, 2010



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 **Planning for growth**

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# 1. INTRODUCTION

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# 1. INTRODUCTION

## 1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Town of Plympton-Wyoming (the Town) 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 Town's water and wastewater systems has already been completed and documented by Watson within the "Town of Plympton-Wyoming Water and Wastewater Rate Study, June 10, 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"

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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.

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### **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

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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.

#### **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:

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*“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 and wastewater assets as they represent a significant portion of the Town'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

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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)

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

### NEW FORMAT

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

## FIGURE 1-2 STATEMENT OF OPERATIONS

### OLD FORMAT (PRE-2009)

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

### NEW FORMAT

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

**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
<b>Sub-total</b>
Less: Acquisition of supplies inventory
Less: Acquisition of prepaid expenses
Add: Consumption of supplies inventory
Add: Use of prepaid expenses
<b>Sub-total</b>
<b>(Increase)/Decrease in net financial assets/net debt</b>
<b>Net financial assets/(net debt), beginning of year</b>
<b>Net financial assets/(net debt), end of year</b>

## FIGURE 1-4 STATEMENT OF CASH FLOW<sup>1</sup>

DIRECT METHOD	INDIRECT METHOD
<p><b><u>Operating Transactions</u></b>  Cash received from:      Water Operations  Less: Cash paid for:      Operating expenses      Finance charges</p>	<p><b><u>Operating Transactions</u></b>  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>
<b>Cash provided by operating transactions</b>	<b>Cash provided by operating transactions</b>
<p><b><u>Capital Transactions</u></b>  Proceeds on sale of tangible capital assets  Less: Cash used to acquire tangible capital assets</p>	<p><b><u>Capital Transactions</u></b>  Proceeds on sale of tangible capital assets  Less: Cash used to acquire tangible capital assets</p>
<b>Cash applied to capital transactions</b>	<b>Cash applied to capital transactions</b>
<p><b><u>Investing Transactions</u></b>  Proceeds from investments  Less: Cash used to acquire investments</p>	<p><b><u>Investing Transactions</u></b>  Proceeds from investments  Less: Cash used to acquire investments</p>
<b>Cash provided by (applied to) investing transactions</b>	<b>Cash provided by (applied to) investing transactions</b>
<p><b><u>Financing Transactions</u></b>  Proceeds from debt issue  Less: Debt repayment (principal only)</p>	<p><b><u>Financing Transactions</u></b>  Proceeds from debt issue  Less: Debt repayment (principal only)</p>
<b>Cash applied to financing transactions</b>	<b>Cash applied to financing transactions</b>
<b>Increase in cash and cash equivalents</b>	<b>Increase in cash and cash equivalents</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>Cash and cash equivalents, beginning of year</b>
<b>Cash and cash equivalents, end of year</b>	<b>Cash and cash equivalents, end of year</b>

<sup>1</sup> 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.

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## **2. SUSTAINABLE FINANCIAL PLANNING**

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## 2. SUSTAINABLE FINANCIAL PLANNING

### 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:

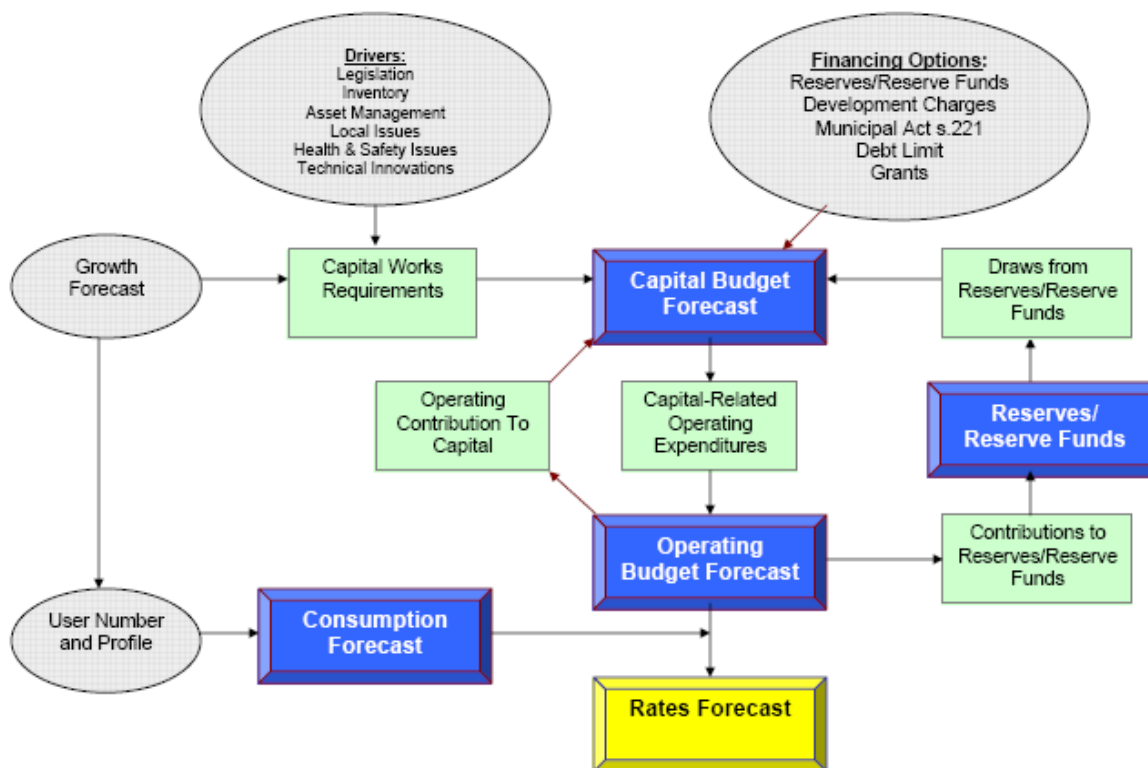
*“source protection, operating costs, financing costs, renewal and replacement costs and improvement costs associated with extracting, treating or distributing water to the public and collecting, treating or discharging waste water, and such other costs which may be specified by regulation.”*

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 Town. 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 Town'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
- A public process that involves ongoing consultation with the main stakeholders including the Town 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 Town are as follows:

Wyoming Water Rates:

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Water Billing Recovery	284,400	295,907	308,018	319,271	331,002	341,332	352,096	363,063	374,357	385,861
Total Consumption (m3)	179,631	181,531	183,431	185,521	187,611	189,701	191,791	193,881	195,971	198,061
<b>Constant Rate</b>	<b>1.58</b>	<b>1.63</b>	<b>1.68</b>	<b>1.72</b>	<b>1.76</b>	<b>1.80</b>	<b>1.84</b>	<b>1.87</b>	<b>1.91</b>	<b>1.95</b>

Plympton Water Rates:

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Water Billing Recovery	751,140	808,002	842,421	878,358	915,610	954,675	966,342	978,009	989,676	1,001,342
Total Consumption (m3)	519,880	526,360	532,840	539,320	545,800	552,550	559,300	566,050	572,800	579,550
<b>Constant Rate</b>	<b>1.44</b>	<b>1.54</b>	<b>1.58</b>	<b>1.63</b>	<b>1.68</b>	<b>1.73</b>	<b>1.73</b>	<b>1.73</b>	<b>1.73</b>	<b>1.73</b>

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### **3. APPROACH**

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## 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 services 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 Town'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 Town records (i.e. invoices) or, if that information is not readily available, by "deflating" the replacement cost

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data already in hand. 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 2010 Rate Study. However, these estimates only represent future assets that the Town anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to the Town). 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			
<b>Revenues</b>								<b>Revenues</b>	
Revenues	1,035,540			1,035,540			1,035,540	Revenues	No change
				-		386,284	386,284	Developer Contributions	To reflect the contribution of tangible capital assets by a developer
				-		-	-	Earned Development Charges & Gas Tax Revenue	New Account to reflect earned DC and Gas Tax Revenue
Other Revenue	280,884			280,884		26,250	307,134	Other Revenue	To Account for landowner contribution to watermain
<b>Total Revenues</b>	<b>1,316,424</b>			<b>1,316,424</b>			<b>1,728,958</b>	<b>Total Revenues</b>	
<b>Expenditures</b>								<b>Expenses</b>	
Operating	864,481			864,481	11,000		875,481	Operating Expenses	Various Expenses previously classified as capital expenditures
Capital									
Transfers to Reserves	214,247		214,247	-			-		Removes non-accrual reserve account
Debt Repayment (Principal & Interest)	237,696			237,696		136,479	101,217	Interest on Debt	Removes principal portion of debt - now reflected on statement of cash flow.
					98,124		98,124	Amortization	New account created as a result of PSAB 3150 - reflects cost of using TCA
Other								Other	No Change
<b>Total Expenditures</b>	<b>1,316,424</b>			<b>1,102,177</b>			<b>1,074,822</b>	<b>Total Expenses</b>	
<b>Net Expenditures</b>	<b>-</b>						<b>654,136</b>	<b>Annual Surplus/(Deficit)</b>	Represents difference between Revenues and Expenditures
Increase (decrease) in amounts to be recovered	-						5,968,549	Accumulated Surplus/(Deficit), beginning of year	
<b>Change in fund balances</b>	<b>-</b>				654,136		<b>6,622,685</b>	<b>Accumulated Surplus/(Deficit), end of year</b>	To transfer annual surplus to accumulated surplus
<b>TOTAL ADJUSTMENTS</b>		<b>-</b>	<b>214,247</b>		<b>763,260</b>	<b>549,013</b>			

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

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

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

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

**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			
<b>Assets</b>									
<b>Financial Assets</b>								<b>Financial Assets</b>	
Cash	1,807,215			1,807,215			1,807,215	Cash	No change
Accounts Receivable	69,178			69,178			69,178	Accounts Receivable	No change
Long-term Accounts Receivable	1,424,523			1,424,523			1,424,523	Long-term Accounts Receivable	No change
<b>Total Financial Assets</b>	<b>3,300,916</b>			<b>3,300,916</b>			<b>3,300,916</b>	<b>Total Financial Assets</b>	
<b>Non-Financial Assets</b>									
Inventory of Supplies	-		-	-					Presented below Net Financial Asset/(Debt) section
Prepaid Expenses			-						Presented below Net Financial Asset/(Debt) section
<b>Total Non-Financial Assets</b>	<b>-</b>		<b>-</b>	<b>-</b>					
<b>Liabilities</b>								<b>Liabilities</b>	
Accounts Payable & Accrued Liabilities	70,190			70,190			70,190	Accounts Payable & Accrued Liabilities	No Change
Gross Long-term Liabilities	2,684,695			2,684,695			2,684,695	Debt (Principal only)	No Change
Other (DC Reserves-Deferred Revenue)								Other (DC Reserves-Deferred Revenue)	No Change
<b>Total Liabilities</b>	<b>2,754,885</b>			<b>2,754,885</b>			<b>2,754,885</b>	<b>Total Liabilities</b>	
<b>Net Assets/(Debt)</b>	<b>546,031</b>			<b>546,031</b>			<b>546,031</b>	<b>Net Financial Assets/(Debt)</b>	
					6,087,654	11,000	6,076,654	<b>Non-Financial Assets</b>	
					-		-	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
							6,076,654	<b>Total Non-Financial Assets</b>	
<b>Municipal Position</b>									
Water Reserves	1,806,203	1,806,203							Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Gas Tax Reserve Fund	-		-						Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Development Charge Reserve Fund	-		-						Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Amounts to be Recovered	(1,260,172)		1,260,172						Removes account - balance to be transferred to accumulated surplus
<b>Total Municipal Position</b>	<b>546,031</b>	<b>-</b>	<b>-</b>			6,622,685	<b>6,622,685</b>	<b>Accumulated Surplus/(Deficit)</b>	Represents offset entry for TCA's and existing reserve fund balances
<b>TOTAL ADJUSTMENTS</b>		<b>1,806,203</b>	<b>1,260,172</b>		<b>6,087,654</b>	<b>6,633,685</b>			

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

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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 Town at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

The Statement of Change in Net Financial Assets/Debt and the Statement of Financial Position are also linked in terms of reporting on net financial assets/debt. On the Statement of Financial Position, net financial assets/debt is equal to the difference between financial assets and liabilities and should equal net financial assets/debt as calculated on the Statement of Net Financial Assets/Debt.

While not part of the financial plan, the accompanying notes are important to summarize the assumptions and estimates made in preparing the financial plan. Some of the significant assumptions that need to be addressed within the financial plan are as follows:

- a. Opening cash balances Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained with the Town's ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore a reasonable proxy

will be needed. One approach is to assume opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

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

- b. Amortization Expense The method and timing of amortization should be based on the Town's amortization policy. 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 Town's infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of "no contributed assets within the forecast period" will be made.
- e. Accumulated Surplus The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f. Other Revenues Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.

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## 4. FINANCIAL PLAN

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## 4. FINANCIAL PLAN

### 4.1 Introduction

The following tables provide the complete financial plan for the Town's water system. A brief description and analysis of each table is provided below. It is important to note that the financial plan that follows is a forward look at the financial position of the Town's water system. It is not an audited document<sup>1</sup> and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

### 4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Town's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement". A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that at the end of 2010, the Town's water system will be in a net financial asset position of approximately \$546,000. Net financial assets fluctuate through 2015 remaining below \$700,000, then grow annually during 2016 - 2019 until it reaches a level of just under \$2,241,000 by the end of 2019. Overall, net financial assets increase by approximately \$1,908,000 over the years 2010 – 2019.

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:

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<sup>1</sup> 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 tangible 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 grow over \$1,104,000 over the 10-year forecast period. This indicates that the Town has 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 remaining at less than 100%, but generally increasing from 62% to 80% over the forecast period. As a result, annual surplus declines from just over \$654,000 in 2010 to approximately \$339,000 by 2019. In 2010, the ratio reaches its lowest level at 62%, mainly due to the recognition of revenue from the 'contribution' of tangible capital assets to the Town, in the amount of approximately \$386,000. The ratio of expenses to revenues reaches its highest level of 92% in 2018 as a result of the Town's share of LAWSS capital and operating expenses being at its highest level during the 2010 – 2019 period. 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 \$3,012,000 to a 2009 accumulated surplus of approximately \$5,969,000 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 forecasted annual surpluses exceed tangible capital asset acquisitions (net of amortization) in 2010, 2012, 2014 and 2016-2019, resulting in an increase in net financial assets for those years. In the years 2011, 2013, and 2015, forecasted tangible capital asset acquisitions (net of amortization) exceed annual surpluses, resulting in a decrease in net financial assets in those years. As previously noted in Section 4.2.1, net financial assets increase by \$1,908,000 during the 2010 to 2019 forecast period. This allows for a long term plan of funding capital through accumulated surplus (i.e. reserve and reserve funds). This allows for future funding of capital through accumulated surplus (i.e. reserves and reserve funds). This is evidenced by the ratio of cumulative annual surplus to cumulative tangible capital asset acquisitions (net of amortization), which starts at 1.40 in 2010, then fluctuates from 2011 to 2015 reaching a low of 1.11 in 2015. The ratio then increases annually from 2016 – 2019 reaching a result of 1.84 at the end of 2019<sup>1</sup>.

#### **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 reserve funds over the forecast period. The financial plan projects the cash position of the Town's water system to improve from a balance of approximately \$1,743,000 at the beginning of 2010, to approximately \$2,237,000 by the end of 2019. For further discussions, on projected cash balances please refer to the Notes to the Financial Plan.

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

**Table 4-1**  
**Town of Plympton-Wyoming**  
**Statement of Financial Position (Water Only)**  
**UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY**  
**2010 - 2019**

	Notes	Forecast									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Financial Assets</b>											
Cash	1	1,807,215	1,647,387	1,655,487	1,457,374	1,325,723	1,034,864	1,251,289	1,509,409	1,774,957	2,236,828
Accounts Receivable	1	69,178	72,111	72,865	74,891	75,504	77,851	79,050	80,262	81,491	73,615
Long-term Accounts Receivable	2	1,424,523	1,236,100	1,067,586	889,161	737,104	573,226	396,519	205,844	-	-
<b>Total Financial Assets</b>		<b>3,300,916</b>	<b>2,955,598</b>	<b>2,795,938</b>	<b>2,421,426</b>	<b>2,138,331</b>	<b>1,685,941</b>	<b>1,726,858</b>	<b>1,795,515</b>	<b>1,856,448</b>	<b>2,310,443</b>
<b>Liabilities</b>											
Accounts Payable & Accrued Liabilities	1	70,190	86,726	79,091	94,686	93,176	105,767	76,993	77,933	79,168	69,850
Debt (Principal only)	2	2,684,695	2,350,278	2,025,630	1,680,265	1,349,760	995,132	614,511	205,844	-	-
Other (DC Reserves-Deferred Revenue)	3	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>		<b>2,754,885</b>	<b>2,437,004</b>	<b>2,104,721</b>	<b>1,774,951</b>	<b>1,442,936</b>	<b>1,100,899</b>	<b>691,504</b>	<b>283,777</b>	<b>79,168</b>	<b>69,850</b>
<b>Net Financial Assets/(Debt)</b>		<b>546,031</b>	<b>518,594</b>	<b>691,217</b>	<b>646,475</b>	<b>695,395</b>	<b>585,042</b>	<b>1,035,354</b>	<b>1,511,738</b>	<b>1,777,280</b>	<b>2,240,593</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	6,076,654	6,321,444	6,354,582	6,615,278	6,824,643	7,239,023	7,114,353	6,989,683	6,865,013	6,740,343
<b>Total Non-Financial Assets</b>		<b>6,076,654</b>	<b>6,321,444</b>	<b>6,354,582</b>	<b>6,615,278</b>	<b>6,824,643</b>	<b>7,239,023</b>	<b>7,114,353</b>	<b>6,989,683</b>	<b>6,865,013</b>	<b>6,740,343</b>
<b>Accumulated Surplus/(Deficit)</b>	5	<b>6,622,685</b>	<b>6,840,038</b>	<b>7,045,799</b>	<b>7,261,753</b>	<b>7,520,038</b>	<b>7,824,065</b>	<b>8,149,707</b>	<b>8,501,421</b>	<b>8,642,293</b>	<b>8,980,936</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
1) Increase/(Decrease) in Net Financial Assets	1,908,038	213,476	(27,437)	172,623	(44,742)	48,920	(110,353)	450,312	476,384	265,542	463,313
2) Increase/(Decrease) in Tangible Capital Assets	1,104,349	440,660	244,790	33,138	260,696	209,365	414,380	(124,670)	(124,670)	(124,670)	(124,670)
3) Increase/(Decrease) in Accumulated Surplus	3,012,387	654,136	217,353	205,761	215,954	258,285	304,027	325,642	351,714	140,872	338,643

Table 4-2  
Town of Plympton-Wyoming  
Statement of Operations (Water Only)  
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY  
2010 - 2019

	Notes	Forecast									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Water Revenue</b>											
Revenues		1,035,540	1,103,909	1,150,439	1,197,629	1,246,612	1,296,007	1,318,438	1,341,072	1,364,032	1,387,203
Bulk Water Revenues		-	-	-	-	-	-	-	-	-	-
Earned Development Charges & Gas Tax Revenue	3	-	-	-	-	-	-	-	-	-	-
Developer Contributions		386,284	-	-	-	-	-	-	-	-	-
Other Revenue	6	307,134	286,510	292,230	298,080	304,030	310,100	316,300	322,620	329,070	335,660
<b>Total Revenues</b>		<b>1,728,958</b>	<b>1,390,419</b>	<b>1,442,669</b>	<b>1,495,709</b>	<b>1,550,642</b>	<b>1,606,107</b>	<b>1,634,738</b>	<b>1,663,692</b>	<b>1,693,102</b>	<b>1,722,863</b>
<b>Water Expenses</b>											
Operating Expenses	Sched. 4-1	875,481	977,690	1,048,850	1,099,600	1,119,660	1,136,580	1,153,850	1,171,510	1,427,560	1,259,550
Interest on Debt	2	101,217	91,326	80,746	69,431	57,332	44,400	30,576	15,798	-	-
Amortization	4	98,124	104,050	107,312	110,724	115,365	121,100	124,670	124,670	124,670	124,670
Other		-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>		<b>1,074,822</b>	<b>1,173,066</b>	<b>1,236,908</b>	<b>1,279,755</b>	<b>1,292,357</b>	<b>1,302,080</b>	<b>1,309,096</b>	<b>1,311,978</b>	<b>1,552,230</b>	<b>1,384,220</b>
Annual Surplus/(Deficit)		654,136	217,353	205,761	215,954	258,285	304,027	325,642	351,714	140,872	338,643
Accumulated Surplus/(Deficit), beginning of year		5,968,549	6,622,685	6,840,038	7,045,799	7,261,753	7,520,038	7,824,065	8,149,707	8,501,421	8,642,293
Accumulated Surplus/(Deficit), end of year	5	6,622,685	6,840,038	7,045,799	7,261,753	7,520,038	7,824,065	8,149,707	8,501,421	8,642,293	8,980,936
<b>Note 5:</b>											
<b>Accumulated Surplus/(Deficit) is made up of:</b>											
Opening Reserve Balances	Notes										
Reserves: Development Charges		-	-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Other		1,729,206	-	-	-	-	-	-	-	-	-
<b>Total Reserves Balance</b>		<b>1,729,206</b>	-	-	-	-	-	-	-	-	-
Less: Debt Obligations and Deferred Revenue		(1,396,651)	-	-	-	-	-	-	-	-	-
Add: Adjustment for TCA (Year of Implementation Only)	4	5,635,994	-	-	-	-	-	-	-	-	-
<b>Total Opening Balance</b>		<b>5,968,549</b>	<b>6,622,685</b>	<b>6,840,038</b>	<b>7,045,799</b>	<b>7,261,753</b>	<b>7,520,038</b>	<b>7,824,065</b>	<b>8,149,707</b>	<b>8,501,421</b>	<b>8,642,293</b>
Add: Contributions to/(from) Reserves (excl. DC reserves)											
Reserves: Capital and Operating		76,997	(173,431)	16,489	(211,681)	(129,528)	(301,103)	246,398	258,392	265,542	463,313
<b>Total Change in Reserves</b>		<b>76,997</b>	<b>(173,431)</b>	<b>16,489</b>	<b>(211,681)</b>	<b>(129,528)</b>	<b>(301,103)</b>	<b>246,398</b>	<b>258,392</b>	<b>265,542</b>	<b>463,313</b>
Add: Changes in TCA During the Year											
Capital Assets Purchased (net of disposals)	4	538,784	348,840	140,450	371,420	324,730	535,480	-	-	-	-
Amortization of Capital Assets	4	(98,124)	(104,050)	(107,312)	(110,724)	(115,365)	(121,100)	(124,670)	(124,670)	(124,670)	(124,670)
<b>Total Changes in TCA</b>		<b>440,660</b>	<b>244,790</b>	<b>33,138</b>	<b>260,696</b>	<b>209,365</b>	<b>414,380</b>	<b>(124,670)</b>	<b>(124,670)</b>	<b>(124,670)</b>	<b>(124,670)</b>
Subtract Changes in Net Debt Position											
New Debt Issued	2	-	-	-	-	-	-	-	-	-	-
Landowner Contribution to Debt Repayment	2	(179,828)	(188,423)	(168,514)	(178,426)	(152,057)	(163,878)	(176,707)	(190,674)	(205,844)	-
Debt Repayment	2	316,307	334,417	324,648	345,365	330,505	354,628	380,621	408,666	205,844	-
<b>Total Change in Net Debt</b>		<b>136,479</b>	<b>145,994</b>	<b>156,134</b>	<b>166,939</b>	<b>178,448</b>	<b>190,750</b>	<b>203,914</b>	<b>217,992</b>	<b>-</b>	<b>-</b>
<b>Total Ending Balance</b>		<b>6,622,685</b>	<b>6,840,038</b>	<b>7,045,799</b>	<b>7,261,753</b>	<b>7,520,038</b>	<b>7,824,065</b>	<b>8,149,707</b>	<b>8,501,421</b>	<b>8,642,293</b>	<b>8,980,936</b>
<b>Financial Indicators</b>											
	<b>Total Change</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
1) Expense to Revenue Ratio		62%	84%	86%	86%	83%	81%	80%	79%	92%	80%
2) Increase/(Decrease) in Accumulated Surplus	3,012,387	654,136	217,353	205,761	215,954	258,285	304,027	325,642	351,714	140,872	338,643

Schedule 4-1  
Town of Plympton-Wyoming  
Schedule of Operating Expenses  
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY  
2010 - 2019

	Notes	Forecast									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenditures</b>											
<b>Operating Costs - Wyoming</b>											
Wages/Benefits-Admin & Tom		32,190	32,830	33,490	34,160	34,840	35,540	36,250	36,980	37,720	38,470
Insurance		10,955	11,170	11,390	11,620	11,850	12,090	12,330	12,580	12,830	13,090
Office Supplies		5,000	5,100	5,200	5,300	5,410	5,520	5,630	5,740	5,850	5,970
Hydro One		1,200	1,220	1,240	1,260	1,290	1,320	1,350	1,380	1,410	1,440
Meter Maintenance		5,000	5,100	5,200	5,300	5,410	5,520	5,630	5,740	5,850	5,970
System Maintenance		25,000	25,500	26,010	26,530	27,060	27,600	28,150	28,710	29,280	29,870
Bell Mobility		1,200	1,220	1,240	1,260	1,290	1,320	1,350	1,380	1,410	1,440
Repair Parts		3,000	3,060	3,120	3,180	3,240	3,300	3,370	3,440	3,510	3,580
Flushing		3,000	3,060	3,120	3,180	3,240	3,300	3,370	3,440	3,510	3,580
OCWA-labour on system-ORO		26,000	26,520	27,050	27,590	28,140	28,700	29,270	29,860	30,460	31,070
Maxxim-water testing		550	560	570	580	590	600	610	620	630	640
Fire Hydrants		25,000	25,500	26,010	26,530	27,060	27,600	28,150	28,710	29,280	29,870
Miscellaneous & Training		15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
LAWSS Operating & Capital		70,953	89,220	100,040	107,260	109,070	110,300	111,550	112,830	115,820	124,520
Asset Management/Financial Planning		7,500	7,650	7,800	7,960	8,120	8,280	8,450	8,620	8,790	8,970
Chlorine Testing		6,000	6,120	6,240	6,360	6,490	6,620	6,750	6,890	7,030	7,170
Lead Testing Program		500	510	520	530	540	550	560	570	580	590
Diffuser for flushing fire hydrants/blowoffs		1,500	1,530	1,560	1,590	1,620	1,650	1,680	1,710	1,740	1,770
<b>Operating Costs - Plympton</b>											
Wages/Benefits-Admin & Rd Dept		120,892	123,310	125,780	128,300	130,870	133,490	136,160	138,880	141,660	144,490
Insurance		14,550	14,840	15,140	15,440	15,750	16,070	16,390	16,720	17,050	17,390
Conv/Mileage/Adv/Office Supplies		10,000	10,200	10,400	10,610	10,820	11,040	11,260	11,490	11,720	11,950
Repair Equipment		6,000	6,120	6,240	6,360	6,490	6,620	6,750	6,890	7,030	7,170
New Stock		21,000	21,420	21,850	22,290	22,740	23,190	23,650	24,120	24,600	25,090
New Equipment + Diffuser		5,500	5,610	5,720	5,830	5,950	6,070	6,190	6,310	6,440	6,570
Water Van Expenses		3,000	3,060	3,120	3,180	3,240	3,300	3,370	3,440	3,510	3,580
New Water Services		2,000	2,040	2,080	2,120	2,160	2,200	2,240	2,280	2,330	2,380
Water Service Repairs		20,000	20,400	20,810	21,230	21,650	22,080	22,520	22,970	23,430	23,900
Road Dept-Materials & Machine Time		15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
OMH-labour on system		25,000	25,500	26,010	26,530	27,060	27,600	28,150	28,710	29,280	29,870
Lakefed-water testing		4,000	4,080	4,160	4,240	4,320	4,410	4,500	4,590	4,680	4,770
Hydrant replacement		15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
Miscellaneous & Training		15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
LAWSS Operating & Capital		334,491	420,270	471,260	505,280	513,790	519,570	525,460	531,480	734,030	586,560
Asset Management/Financial Planning		7,500	7,650	7,800	7,960	8,120	8,280	8,450	8,620	8,790	8,970
Lead Testing Program		-	-	-	-	-	-	-	-	-	-
Building Renovation		2,500	2,550	2,600	2,650	2,700	2,750	2,810	2,870	2,930	2,990
Water Key System Repairs		3,500	3,570	3,640	3,710	3,780	3,860	3,940	4,020	4,100	4,180
Non TCA - Expenses from Capital Budget		11,000	-	-	-	-	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>		<b>875,481</b>	<b>977,690</b>	<b>1,048,850</b>	<b>1,099,600</b>	<b>1,119,660</b>	<b>1,136,580</b>	<b>1,153,850</b>	<b>1,171,510</b>	<b>1,427,560</b>	<b>1,259,550</b>

**Table 4-3**  
**Town of Plympton-Wyoming**  
**Statement of Changes in Net Financial Assets/Debt (Water Only)**  
**UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY**  
**2010 - 2019**

	Notes	Forecast									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Annual Surplus/(Deficit)		654,136	217,353	205,761	215,954	258,285	304,027	325,642	351,714	140,872	338,643
Less: Acquisition of Tangible Capital Assets	4	(538,784)	(348,840)	(140,450)	(371,420)	(324,730)	(535,480)	-	-	-	-
Add: Amortization of Tangible Capital Assets	4	98,124	104,050	107,312	110,724	115,365	121,100	124,670	124,670	124,670	124,670
(Gain)/Loss on disposal of Tangible Capital Assets											
Add: Proceeds on Sale of Tangible Capital Assets											
Add: Write-downs of Tangible Capital Assets											
		213,476	(27,437)	172,623	(44,742)	48,920	(110,353)	450,312	476,384	265,542	463,313
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)		213,476	(27,437)	172,623	(44,742)	48,920	(110,353)	450,312	476,384	265,542	463,313
Net Financial Assets/(Net Debt), beginning of year		332,555	546,031	518,594	691,217	646,475	695,395	585,042	1,035,354	1,511,738	1,777,280
Net Financial Assets/(Net Debt), end of year		546,031	518,594	691,217	646,475	695,395	585,042	1,035,354	1,511,738	1,777,280	2,240,593
<b>Financial Indicators</b>		<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		538,784	887,624	1,028,074	1,399,494	1,724,224	2,259,704	2,259,704	2,259,704	2,259,704	2,259,704
2) Annual Surplus/Deficit before Amortization (Cumulative)		752,260	1,073,663	1,386,736	1,713,414	2,087,064	2,512,191	2,962,503	3,438,887	3,704,429	4,167,742
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.40	1.21	1.35	1.22	1.21	1.11	1.31	1.52	1.64	1.84

**Table 4-4**  
**Town of Plympton-Wyoming**  
**Statement of Cash Flow - Indirect Method (Water Only)**  
**UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY**  
**2010 - 2019**

	Notes	Forecast									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating Transactions</b>											
Annual Surplus/Deficit		654,136	217,353	205,761	215,954	258,285	304,027	325,642	351,714	140,872	338,643
Add: Amortization of Tangible Capital Assets	4	98,124	104,050	107,312	110,724	115,365	121,100	124,670	124,670	124,670	124,670
Less: Contributed Tangible Capital Assets	3	(386,284)	-	-	-	-	-	-	-	-	-
Add: Development Charge and Gas Tax Proceeds		-	-	-	-	-	-	-	-	-	-
Change in A/R (Increase)/Decrease		(12,720)	(2,933)	(754)	(2,027)	(613)	(2,347)	(1,199)	(1,212)	(1,229)	7,876
Change in A/P Increase/(Decrease)		190	16,536	(7,635)	15,595	(1,510)	12,591	(28,774)	940	1,235	(9,318)
Less: Interest Proceeds		-	-	-	-	-	-	-	-	-	-
Cash Provided by Operating Transactions		353,446	335,006	304,684	340,246	371,527	435,371	420,339	476,112	265,548	461,871
<b>Capital Transactions</b>											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(152,500)	(348,840)	(140,450)	(371,420)	(324,730)	(535,480)	-	-	-	-
Cash Applied to Capital Transactions		(152,500)	(348,840)	(140,450)	(371,420)	(324,730)	(535,480)	-	-	-	-
<b>Investing Transactions</b>											
Proceeds from Investments		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		-	-	-	-	-	-	-	-	-	-
<b>Financing Transactions</b>											
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-
Proceeds from Landowners for Debt Repayment	2	179,828	188,423	168,514	178,426	152,057	163,878	176,707	190,674	205,844	-
Less: Debt Repayment (principal only)	2	(316,307)	(334,417)	(324,648)	(345,365)	(330,505)	(354,628)	(380,621)	(408,666)	(205,844)	-
Cash Applied to Financing Transactions		(136,479)	(145,994)	(156,134)	(166,939)	(178,448)	(190,750)	(203,914)	(217,992)	-	-
Increase in Cash and Cash Equivalents		64,467	(159,828)	8,100	(198,113)	(131,651)	(290,859)	216,425	258,120	265,548	461,871
Cash and Cash Equivalents, beginning of year	1	1,742,748	1,807,215	1,647,387	1,655,487	1,457,374	1,325,723	1,034,864	1,251,289	1,509,409	1,774,957
Cash and Cash Equivalents, end of year	1	1,807,215	1,647,387	1,655,487	1,457,374	1,325,723	1,034,864	1,251,289	1,509,409	1,774,957	2,236,828

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## 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 Town of Plympton-Wyoming, some of the items listed above have been estimated given that the Town does not maintain all financial asset and liability data separately for water. Usually, this type of data is combined with the financial assets and liabilities of other departments and services given that there is not a current obligation to disclose this data separately (as there is with revenue and expenses). The assumptions used have been documented below:

### 1. Cash, Receivables and Payables

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

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

For the Town of Plympton-Wyoming, water receivables and payables were estimated for 2009 based on the proportionate share of the 2009 Town wide receivables and payables, respectively, which was used to estimate payables throughout the forecast period. Therefore, the opening cash balance was estimated based on the above calculation.

### 2. Debt

The Town's outstanding debt is derived from two sources:

- its proportionate share of debt issued by the County of Lambton on behalf of the Town for the Lambton Area Water Supply System (LAWSS). For the purposes of this financial plan, a 6.9% share in LAWSS outstanding debt and future principal and interest payments has been assumed.
- Debt issued by the Town on behalf of landowners. Annual principal and interest payments for this debt are made by the Town, which in turn is repaid to the Town by the landowners. A long-term accounts receivable is included in the financial assets of the Town to offset the long-term liability created by this debt.

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. The Town of Plympton-Wyoming does not collect water development charges, therefore deferred revenue is assumed to be zero over the forecast period.

#### 4. Tangible Capital Assets

- Opening 2010 net book value of tangible capital assets includes water related assets in the following categories:
  - i. Infrastructure
  - ii. Facilities
  - iii. Land
- Amortization is calculated based on using the straight-line approach with one half year (1/2) amortization in the year of acquisition or construction.
- Given the planned asset replacement forecast in the 2010 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, have been included in the 2010 year, contributed asset for years 2011 – 2019 are deemed to be insignificant/ unknown and are therefore assumed to be \$0.

The balance of tangible capital assets is summarized as follows:

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opening TCA Balance (Historical Cost)		6,941,844	7,475,624	7,813,882	7,949,987	8,310,461	8,626,075	9,146,585	9,146,585	9,146,585	9,146,585
Acquisitions		538,784	348,840	140,450	371,420	324,730	535,480	-	-	-	-
Disposals		5,004	10,582	4,345	10,946	9,116	14,970	-	-	-	-
Closing TCA Balance (Historical Cost)	6,941,844	7,475,624	7,813,882	7,949,987	8,310,461	8,626,075	9,146,585	9,146,585	9,146,585	9,146,585	9,146,585
Opening Accumulated Amortization		1,305,850	1,398,970	1,492,438	1,595,405	1,695,183	1,801,432	1,907,562	2,032,232	2,156,902	2,281,572
Amortization Expense		98,124	104,050	107,312	110,724	115,365	121,100	124,670	124,670	124,670	124,670
Amortization on Disposal		5,004	10,582	4,345	10,946	9,116	14,970	-	-	-	-
Ending Accumulated Amortization	1,305,850	1,398,970	1,492,438	1,595,405	1,695,183	1,801,432	1,907,562	2,032,232	2,156,902	2,281,572	2,406,242
Net Book Value	5,635,995	6,076,654	6,321,444	6,354,582	6,615,278	6,824,643	7,239,023	7,114,353	6,989,683	6,865,013	6,740,343

## 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	-
Reserves: Gas Tax	-
Reserves: Other	1,729,206
<b>Total Reserves Balance</b>	<b>1,729,206</b>
Less: Debt Obligations and Deferred Revenue	(1,396,651)
Add: Adjustment for TCA (Year of Implementation Only)	5,635,994
<b>Total Opening Balance</b>	<b>5,968,549</b>
Add: Contributions to/(from) Reserves (excl. DC reserves)	
Reserves: Capital and Operating	76,997
<b>Total Change in Reserves</b>	<b>76,997</b>
Add: Changes in TCA During the Year	
Capital Assets Purchased (net of disposals)	538,784
Amortization of Capital Assets	(98,124)
<b>Total Changes in TCA</b>	<b>440,660</b>
Subtract Changes in Net Debt Position	
New Debt Issued	
Landowner Contribution to Debt Repayment	(179,828)
Debt Repayment	316,307
<b>Total Change in Net Debt</b>	<b>136,479</b>
<b>Total Ending Balance</b>	<b>6,622,685</b>

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

## 6. Other revenue

Other revenue includes watermain frontage assessment, service charges, connection fees, 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.

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

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## 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)

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## 6. RECOMMENDATIONS

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## 6. RECOMMENDATIONS

This report presents the water financial plan for the Town of Plympton-Wyoming 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 Town of Plympton-Wyoming Water Financial Plan prepared by Watson & Associates Economists Ltd. dated June 14, 2010 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. That Council authorize Town Administration to forward a copy of the Town of Plympton-Wyoming Water and Wastewater Rate Report dated June 10, 2010, Water Financial Plan dated June 14, 2010 and a copy of the Council resolution approving the Financial Plan to the Ministry of Municipal Affairs and Housing and the Ministry of the Environment.

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

Table A-1  
Town of Plympton-Wyoming  
Plympton Water Service  
Capital Budget Forecast  
Inflated \$

Description	Forecast									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Capital Expenditures</b>										
Pre-Engineering for 2011 Capital	20,000	-	-	-	-	-	-	-	-	-
Fire Flow Testing	3,000	-	-	-	-	-	-	-	-	-
Evergreen/Devonshire Watermain Replacement	-	-	-	-	-	-	-	-	-	-
Camlachie Watermain Replacement	-	-	-	-	-	-	-	-	-	-
Hyslop Waterline	125,000	-	-	-	-	-	-	-	-	-
Egremont Water Study	-	-	-	-	-	-	-	-	-	-
<b>Egremont Road West Water System</b>										
Donaldson/Franklin/Lakeview	-	348,840	-	-	-	-	-	-	-	-
Eton Court	-	-	140,450	-	-	-	-	-	-	-
Wellington Beaches 1 & 2	-	-	-	371,420	-	-	-	-	-	-
King Street	-	-	-	-	324,730	-	-	-	-	-
The Bird Lanes	-	-	-	-	-	535,480	-	-	-	-
<b>Total Capital Expenditures</b>	148,000	348,840	140,450	371,420	324,730	535,480	-	-	-	-
<b>Capital Financing</b>										
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-
Debtenture Requirements	-	-	-	-	-	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-
Hyslop Watermain - Simic share	26,250	-	-	-	-	-	-	-	-	-
Reserves and Reserve Funds	121,750	348,840	140,450	371,420	324,730	535,480	-	-	-	-
<b>Total Capital Financing</b>	148,000	348,840	140,450	371,420	324,730	535,480	-	-	-	-

**Table A-2**  
**Town of Plympton-Wyoming**  
**Plympton Water Service**  
**Water Reserves/ Reserve Funds Continuity**  
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opening Balance	894,633	849,023	668,945	680,566	463,095	321,055	1,580	123,401	200,920	279,886
Transfer from Operating	76,140	168,762	152,071	153,948	182,690	216,005	121,822	77,519	78,966	229,408
Transfer to Capital	121,750	348,840	140,450	371,420	324,730	535,480	-	-	-	-
Transfer to LAWSS Reconciliation Reserve	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	849,023	668,945	680,566	463,095	321,055	1,580	123,401	200,920	279,886	509,294
Interest	-	-	-	-	-	-	-	-	-	-

**Table A-3**  
**Town of Plympton-Wyoming**  
**Plympton Water Service**  
**Plympton Waterline Replacement Reserve Fund Continuity**  
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opening Balance	151,400	193,700	193,700	193,700	193,700	193,700	193,700	293,700	443,700	593,700
Transfer from Operating	42,300	-	-	-	-	-	100,000	150,000	150,000	158,175
Transfer to Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	193,700	193,700	193,700	193,700	193,700	193,700	293,700	443,700	593,700	751,875
Interest	-	-	-	-	-	-	-	-	-	-

**Table A-4**  
**Town of Plympton-Wyoming**  
**Plympton Water Service**  
**LAWSS Reconciliation Reserve**  
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opening Balance	217,910	297,262	297,262	297,262	297,262	297,262	297,262	297,262	297,262	297,262
Transfer from Operating	79,352	-	-	-	-	-	-	-	-	-
Transfer from Plympton Water Reserve	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	297,262	297,262	297,262	297,262	297,262	297,262	297,262	297,262	297,262	297,262
Interest	-	-	-	-	-	-	-	-	-	-

**Table A-5**  
**Town of Plympton-Wyoming**  
**Plympton Water Service**  
**Operating Budget Forecast**  
 Inflated \$

Description	Forecast									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating Costs</b>										
Wages/Benefits-Admin & Rd Dept	120,892	123,310	125,780	128,300	130,870	133,490	136,160	138,880	141,660	144,490
Insurance	14,550	14,840	15,140	15,440	15,750	16,070	16,390	16,720	17,050	17,390
Conv/Mileage/Adv/Office Supplies	10,000	10,200	10,400	10,610	10,820	11,040	11,260	11,490	11,720	11,950
Repair Equipment	6,000	6,120	6,240	6,360	6,490	6,620	6,750	6,890	7,030	7,170
New Stock	21,000	21,420	21,850	22,290	22,740	23,190	23,650	24,120	24,600	25,090
New Equipment + Diffuser	5,500	5,610	5,720	5,830	5,950	6,070	6,190	6,310	6,440	6,570
Water Van Expenses	3,000	3,060	3,120	3,180	3,240	3,300	3,370	3,440	3,510	3,580
New Water Services	2,000	2,040	2,080	2,120	2,160	2,200	2,240	2,280	2,330	2,380
Water Service Repairs	20,000	20,400	20,810	21,230	21,650	22,080	22,520	22,970	23,430	23,900
Road Dept-Materials & Machine Time	15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
OMI-labour on system	25,000	25,500	26,010	26,530	27,060	27,600	28,150	28,710	29,280	29,870
Lakerfed-water testing	4,000	4,080	4,160	4,240	4,320	4,410	4,500	4,590	4,680	4,770
Hydrant replacement	15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
Miscellaneous & Training	15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
LAWSS Debenture	196,099	195,760	195,400	194,980	194,490	193,970	193,430	192,850	-	-
LAWSS Operating & Capital	334,491	420,270	471,260	505,280	513,790	519,570	525,460	531,480	734,030	586,560
Asset Management/Financial Planning	7,500	7,650	7,800	7,960	8,120	8,280	8,450	8,620	8,790	8,970
Lead Testing Program	-	-	-	-	-	-	-	-	-	-
Building Renovation	2,500	2,550	2,600	2,650	2,700	2,750	2,810	2,870	2,930	2,990
Water Key System Repairs	3,500	3,570	3,640	3,710	3,780	3,860	3,940	4,020	4,100	4,180
Sub Total Operating	821,032	912,280	968,840	1,008,470	1,022,650	1,034,180	1,045,940	1,057,930	1,074,290	933,620
<b>Capital-Related</b>										
<b>Existing Debt</b>										
Existing Debt - Land Owner Recovery (Principal)	93,729	95,783	68,802	71,018	36,331	39,154	42,220	45,557	49,181	0
Existing Debt - Land Owner Recovery (Interest)	97,678	85,860	73,475	60,472	48,999	39,590	29,382	18,301	6,266	0
Transfer to Reserves-LAWSS Reconciliation	79,352									
Transfer to Plympton Water Reserve	76,140	168,762	152,071	153,948	182,690	216,005	121,822	77,519	78,966	229,408
Sub Total Capital Related	346,899	350,405	294,348	285,438	268,019	294,749	193,423	141,377	134,413	229,408
Total Expenditures	1,167,931	1,262,685	1,263,188	1,293,908	1,290,669	1,328,929	1,239,363	1,199,307	1,208,703	1,163,028
<b>Revenues</b>										
Water metered sales-towers	2,000	2,040	2,080	2,120	2,160	2,200	2,240	2,280	2,330	2,380
Turn Off/on charges	11,500	11,730	11,960	12,200	12,440	12,690	12,940	13,200	13,460	13,730
Penalty	25,000	25,500	26,010	26,530	27,060	27,600	28,150	28,710	29,280	29,870
Nsf Cheque Charge	100	100	100	100	100	100	100	100	100	100
Fees/service charges/water meters	8,000	8,160	8,320	8,490	8,660	8,830	9,010	9,190	9,370	9,560
Reconciliation from LAWSS	194,084	197,970	201,930	205,970	210,090	214,290	218,580	222,950	227,410	231,960
Debenture Proceeds (Land owner recovery)	191,407	181,643	142,277	131,490	85,329	78,744	71,602	63,858	55,447	-
Watermain Frontage Assessment	27,000	27,540	28,090	28,650	29,220	29,800	30,400	31,010	31,630	32,260
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	459,091	454,683	420,767	415,550	375,059	374,254	373,022	371,298	369,027	319,860
Water Billing Recovery - Operating	708,840	808,002	842,421	878,358	915,610	954,675	866,342	828,009	839,676	843,168
Plympton Waterline Replacement Reserve Contribution (\$)	42,300	-	-	-	-	-	100,000	150,000	150,000	158,175
<b>Water Billing Recovery - Total</b>	<b>751,140</b>	<b>808,002</b>	<b>842,421</b>	<b>878,358</b>	<b>915,610</b>	<b>954,675</b>	<b>966,342</b>	<b>978,009</b>	<b>989,676</b>	<b>1,001,342</b>

Table A-6  
Town of Plympton-Wyoming  
Plympton Water Service  
Water Rate Forecast

Description	Inflated \$									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Water Billing Recovery	751,140	808,002	842,421	878,358	915,610	954,675	966,342	978,009	989,676	1,001,342
Total Consumption (m <sup>3</sup> )	519,880	526,360	532,840	539,320	545,800	552,550	559,300	566,050	572,800	579,550
Constant Rate	1.44	1.54	1.58	1.63	1.68	1.73	1.73	1.73	1.73	1.73
% Increase		3.5%	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
<b>Declining Block Structure</b>										
Plympton Water Rates (120 days)										
1st Rate (includes 36.36 m <sup>3</sup> )	210,743	213,360	215,978	218,596	221,214	223,941	226,668	229,395	232,122	234,849
2nd Rate (next 68.18 m <sup>3</sup> )	283,357	287,220	291,082	294,944	298,806	302,829	306,852	310,875	314,898	318,921
3rd Rate (per m <sup>3</sup> )	25,780	25,780	25,780	25,780	25,780	25,780	25,780	25,780	25,780	25,780
Check Total Consumption	519,880	526,360	532,840	539,320	545,800	552,550	559,300	566,050	572,800	579,550
<b>Plympton Water Rates (120 days)</b>										
1st Rate (includes 36.36 m <sup>3</sup> )	97.00	100.40	103.40	106.52	109.72	113.00	113.00	113.00	113.00	113.00
2nd Rate (next 68.18 m <sup>3</sup> )	0.6811	0.7049	0.7261	0.7479	0.7703	0.7934	0.7934	0.7934	0.7934	0.7934
3rd Rate (per m <sup>3</sup> )	0.6140	0.6355	0.6546	0.6742	0.6944	0.7152	0.7152	0.7152	0.7152	0.7152
Check Revenue	562,212	589,147	614,196	640,398	667,536	695,967	704,442	712,917	721,392	729,867
1st Rate (includes 36.36 m <sup>3</sup> )	192,995	202,472	211,350	220,579	230,172	240,269	243,461	246,653	249,844	253,036
2nd Rate (next 68.18 m <sup>3</sup> )	15,829	16,383	16,874	17,381	17,902	18,439	18,439	18,439	18,439	18,439
3rd Rate (per m <sup>3</sup> )	771,036	808,002	842,421	878,358	915,610	954,675	966,342	978,009	989,676	1,001,342
Check Total Revenue										

Table A-7  
 Town of Plympton-Wyoming  
 Wyoming Water Service  
 Capital Budget Forecast  
 Inflated \$

Description	Budget 2009	Forecast												
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019			
<b>Capital Expenditures</b>														
Building Renovation		2,500	0	0	0	0	0	0	0	0	0	0	0	0
Wyoming Standpipe Security Inspection		5,000	0	0	0	0	0	0	0	0	0	0	0	0
Pre-Engineering for 2011 Capital		5,000	0	0	0	0	0	0	0	0	0	0	0	0
Fire Flow Testing Hydrants		3,000	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditures	0	15,500	0	0	0	0	0	0	0	0	0	0	0	0
<b>Capital Financing</b>														
Provincial/Federal Grants														
Debtenture Requirements	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserves and Reserve Funds	0	15,500	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Financing	0	15,500	0	0	0	0	0	0	0	0	0	0	0	0

**Table A-8**  
**Town of Plympton-Wyoming**  
**Wyoming Water Service**  
**Water Reserves/ Reserve Funds Continuity**  
 Inflated \$

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opening Balance	428,452	451,962	439,617	439,617	439,617	439,617	439,617	439,617	439,617	439,617	439,617
Transfer from Operating	23,511	3,155	0	0	0	0	0	0	0	0	0
Transfer to Capital	0	15,500	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	451,962	439,617	439,617	439,617	439,617	439,617	439,617	439,617	439,617	439,617	439,617
Interest	0	0	0	0	0	0	0	0	0	0	0

**Table A-9**  
**Town of Plympton-Wyoming**  
**Wyoming Water Service**  
**Wyoming Waterline Replacement Reserve Fund Continuity**  
 Inflated \$

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opening Balance	0	13,300	26,600	33,247	38,115	43,906	56,418	74,790	99,366	130,239	166,816
Transfer from Operating	13,300	13,300	6,647	4,868	5,791	12,512	18,372	24,576	30,873	36,577	75,731
Transfer to Capital	0	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	13,300	26,600	33,247	38,115	43,906	56,418	74,790	99,366	130,239	166,816	242,547
Interest	0	0	0	0	0	0	0	0	0	0	0

**Table A-10**  
**Town of Plympton-Wyoming**  
**Wyoming Water Service**  
**Operating Budget Forecast**  
 Inflated \$

Description	Forecast										
	Budget 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenditures</b>											
Operating Costs											
Wages/Benefits-Admin & Tom	26,070	32,190	32,830	33,490	34,160	34,840	35,540	36,250	36,980	37,720	38,470
Insurance	10,231	10,955	11,170	11,390	11,620	11,850	12,090	12,330	12,580	12,830	13,090
Office Supplies	4,820	5,000	5,100	5,200	5,300	5,410	5,520	5,630	5,740	5,850	5,970
Hydro One	1,124	1,200	1,220	1,240	1,260	1,290	1,320	1,350	1,380	1,410	1,440
Meter Maintenance	4,044	5,000	5,100	5,200	5,300	5,410	5,520	5,630	5,740	5,850	5,970
System Maintenance	22,319	25,000	25,500	26,010	26,530	27,060	27,600	28,150	28,710	29,280	29,870
Bell Mobility	390	1,200	1,220	1,240	1,260	1,290	1,320	1,350	1,380	1,410	1,440
Repair Parts	-	3,000	3,060	3,120	3,180	3,240	3,300	3,370	3,440	3,510	3,580
Flushing	-	3,000	3,060	3,120	3,180	3,240	3,300	3,370	3,440	3,510	3,580
OCWA-labour on system-ORO	24,504	26,000	26,520	27,050	27,590	28,140	28,700	29,270	29,860	30,460	31,070
Maxxim-water testing	432	550	560	570	580	590	600	610	620	630	640
Fire Hydrants	3,170	25,000	25,500	26,010	26,530	27,060	27,600	28,150	28,710	29,280	29,870
Miscellaneous & Training	9,921	15,000	15,300	15,610	15,920	16,240	16,560	16,890	17,230	17,570	17,920
LAWSS Debenture	45,202	41,597	41,560	41,480	41,390	41,290	41,180	41,060	40,940	-	-
LAWSS Operating & Capital	70,658	70,953	89,220	100,040	107,260	109,070	110,300	111,550	112,830	155,820	124,520
Asset Management/Financial Planning	800	7,500	7,650	7,800	7,960	8,120	8,280	8,450	8,620	8,790	8,970
Chlorine Testing	6,042	6,000	6,120	6,240	6,360	6,490	6,620	6,750	6,890	7,030	7,170
Lead Testing Program	576	500	510	520	530	540	550	560	570	580	590
Diffuser for flushing fire hydrants/blowoffs	-	1,500	1,530	1,560	1,590	1,620	1,650	1,680	1,710	1,740	1,770
Sub Total Operating	230,303	281,145	302,730	316,890	327,500	332,790	337,550	342,400	347,370	353,270	325,930
Capital-Related											
<b>Existing Debt</b>											
Existing Debt - Land Owner Recovery (Principal)	86,099	92,641	99,711	107,407	115,727	124,723	134,488	145,118	156,664	167,330	178,000
Existing Debt - Land Owner Recovery (Interest)	25,074	22,935	20,617	18,106	15,382	12,428	9,224	6,020	2,810	1,967	1,117
Transfer to Reserves and Reserve Funds	23,511	3,155	-	-	-	-	-	-	-	-	-
Sub Total Capital Related	23,511	114,328	115,575	120,329	125,513	131,109	137,152	143,711	150,863	158,631	166,117
Total Expenditures	253,814	395,473	418,305	437,219	453,013	463,899	474,702	486,111	498,233	511,901	325,930
<b>Revenues</b>											
Turn Off/on charges	50	0	0	0	0	0	0	0	0	0	0
Penalty	6,644	6,500	6,630	6,760	6,900	7,040	7,180	7,320	7,470	7,620	7,770
Nsf Cheque Charge	50	0	-	-	-	-	-	-	-	-	-
Fees/service charges/water meters	3,960	3,500	3,570	3,640	3,710	3,780	3,860	3,940	4,020	4,100	4,180
Tower Rent	2,400	2,400	2,450	2,500	2,550	2,600	2,650	2,700	2,750	2,810	2,870
Interest	1,623	800	820	840	860	880	900	920	940	960	980
Debenture Proceeds (Land owner recovery)	0	111,173	115,575	120,329	125,513	131,109	137,152	143,711	150,863	158,631	166,117
Contributions from Reserves / Reserve Funds	0	0	0	0	0	0	0	0	0	0	0
Total Operating Revenue	14,727	124,373	129,045	134,069	139,533	145,409	151,742	158,591	166,043	174,121	15,800
Water Billing Recovery - Operating	239,087	271,100	289,260	303,150	313,480	318,490	322,960	327,520	332,190	337,780	310,130
Waterline Replacement Reserve Contribution (\$)	13,300	13,300	6,647	4,868	5,791	12,512	18,372	24,576	30,873	36,577	75,731
<b>Water Billing Recovery - Total</b>	<b>252,387</b>	<b>284,400</b>	<b>295,907</b>	<b>308,018</b>	<b>319,271</b>	<b>331,002</b>	<b>341,332</b>	<b>352,096</b>	<b>363,063</b>	<b>374,357</b>	<b>385,861</b>

**Table A-11**  
**Town of Plympton-Wyoming**  
**Wyoming Water Service**  
**Water Rate Forecast**  
 Inflated \$

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Water Billing Recovery	252,387	284,400	295,907	308,018	319,271	331,002	341,332	352,096	363,063	374,357	385,861
Total Consumption (m <sup>3</sup> )	175,719	179,631	181,531	183,431	185,521	187,611	189,701	191,791	193,881	195,971	198,061
Constant Rate	1.44	1.58	1.63	1.68	1.72	1.76	1.80	1.84	1.87	1.91	1.95
% Increase			3.0%	3.0%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Declining Block Structure</b>											
<b>Wyoming Water Volumes (60 days)</b>											
1st Rate (includes 18.18 m <sup>3</sup> )	100,899	101,444	102,535	103,626	104,826	106,026	107,226	108,426	109,625	110,825	112,025
2nd Rate (per m <sup>3</sup> )	74,820	75,224	76,033	76,843	77,733	78,623	79,513	80,403	81,293	82,183	83,073
3rd Rate (per m <sup>3</sup> )	2,963	2,963	2,963	2,963	2,963	2,963	2,963	2,963	2,963	2,963	2,963
Check Total Consumption	178,681	179,631	181,531	183,431	185,521	187,611	189,701	191,791	193,881	195,971	198,061
<b>Wyoming Water Rates (60 days) \$/m<sup>3</sup></b>											
1st Rate (includes 18.18 m <sup>3</sup> )	29.36	32.88	33.87	34.89	35.76	36.65	37.38	38.13	38.89	39.67	40.46
2nd Rate (per m <sup>3</sup> )	1.1650	1.3050	1.3442	1.3845	1.4191	1.4546	1.4837	1.5133	1.5436	1.5745	1.6060
3rd Rate (per m <sup>3</sup> )	0.7675	0.8596	0.8854	0.9119	0.9347	0.9581	0.9773	0.9968	1.0168	1.0371	1.0578
Check Revenue	162,948	183,470	191,083	198,930	206,192	213,801	220,467	227,467	234,567	241,889	249,315
1st Rate (includes 18.18 m <sup>3</sup> )	87,165	98,168	102,200	106,387	110,309	114,362	117,970	121,676	125,484	129,395	133,412
2nd Rate (per m <sup>3</sup> ) and per 1,000 gallons	2,274	2,547	2,623	2,702	2,769	2,839	2,895	2,953	3,012	3,073	3,134
3rd Rate (per m <sup>3</sup> ) and per 1,000 gallons	252,387	284,185	295,907	308,018	319,271	331,002	341,332	352,096	363,063	374,357	385,861
Check Total Revenue											