

**TOWN OF EAST GWILLIMBURY**

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

**FINANCIAL PLAN # 117-301A**

JANUARY 17, 2012



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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 East Gwillimbury (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 systems has already been completed and documented by Watson within the "Town of East Gwillimbury Water and Wastewater Rate Study" (2012 Rate Study). The objective of the report provided herein is to convert the findings of the 2012 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

## 1.2 Background

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

"No person shall,

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

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

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

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

### **1.2.1 Financial Plan Defined**

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

"financial plans" means,

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

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



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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.

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.

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### **1.2.5 Public Sector Accounting Board (PSAB) Requirements**

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

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

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

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

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

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

## FIGURE 1-1 STATEMENT OF FINANCIAL POSITION

### OLD FORMAT (PRE-2009)

<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>

### 2009 AND FUTURE

<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>

### 2009 AND FUTURE

<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**

**2009 AND FUTURE**

Annual Surplus/(Deficit)
Less: Acquisition of tangible capital assets
Add: Amortization of tangible capital assets
(Gain)/Loss on disposal of tangible capital assets
Add: Proceeds on sale of tangible capital assets
Add: Write-downs of tangible capital assets
<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.

## **2.2 Sustainable Water and Sewage Systems Act**

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

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

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

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

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### **2.3 Water Opportunities Act, 2010 (Bill 72)**

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

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

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

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

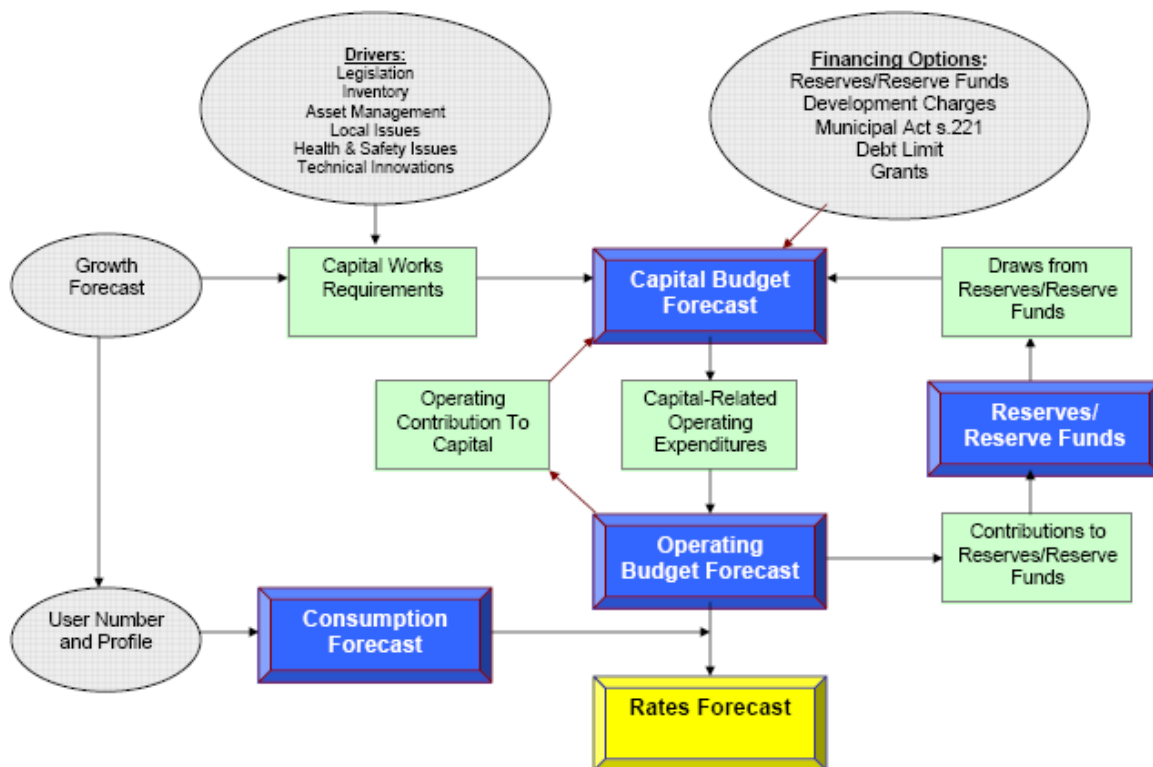
Where a Board has jurisdiction over a service, the plan (and any plan amendments) must be approved by the municipality in which the municipal service is provided, before submission to the Minister. The Minister may also direct preparation of joint or partially joint plans.

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

## 2.4 Water and Wastewater Rate Study

As noted above, Watson has already completed extensive financial planning as documented in the 2012 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 RATE CALCULATION PROCESS**



As a result of employing this process, the 2012 Rate Study provides a sound financial plan for the Town’s water 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 2012 Rate Study are contained in Appendix A. A summary of the water rates projected for the Town are as follows:

### Water:

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Water Billing Recovery	2,050,744	2,331,506	2,619,893	2,931,433	3,421,819	3,981,185	4,587,147	5,172,467	5,775,712	5,851,708
Total Consumption (m <sup>3</sup> )	1,324,867	1,355,527	1,386,187	1,488,037	1,661,077	1,860,367	2,085,067	2,309,137	2,533,207	2,533,207
<i>Increasing Block Rates (\$/m<sup>3</sup>)</i>										
Tier 1	\$1.66	\$1.81	\$1.89	\$1.97	\$2.06	\$2.15	\$2.21	\$2.25	\$2.29	\$2.32
Tier 2	\$2.73	\$2.98	\$3.11	\$3.25	\$3.40	\$3.53	\$3.63	\$3.70	\$3.77	\$3.83





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### **3. APPROACH**



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## 3. APPROACH

### 3.1 Overview

The 2012 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 2012 Rate Study as well as part of the Town's efforts to become compliant with PSAB 3150. Given the prospective nature of the 2012 Rate Study, replacement cost is provided for each asset. However, historical cost (which is the original cost to purchase, develop, or construct each asset) is required for financial reporting purposes. Once historical cost is established, the following calculations are made to determine net book value:

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

Future water capital needs have also been determined and summarized within the 2012 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 have been reported differently by municipalities since 2009 (see Figure 3-1). A wide range of adjustments will be considered and will depend on the size and complexity of the system. For example, the revenues and expenses associated with the now obsolete Statement of Capital and Statement of Reserves and Reserve Funds (see Section 1.2.5) will need to be adjusted for and included within the Statement of Operations. This includes all non tangible capital asset costs previously included in the capital statement (i.e. expenses related to various studies) while at the same time eliminating all expenditures incurred to acquire tangible capital assets which will now form part of the tangible capital asset balance discussed in section 3.2.1.

**FIGURE 3-1**  
**Town of East Gwillimbury**  
**Conversion Adjustments**  
**Statement of Operations (Water)**

Modified Cash Basis	Budget 2011	Adjustments		Full Accrual Budget 2011	Accrual Basis	Notes on Adjustments
		DR	CR			
<b>Revenues</b>						
Fixed Capital and Baseline Operations Fee	513,996			513,996	Fixed Capital and Baseline Operations Fee	No change
Rate Based Revenue	2,050,744			2,050,744	Rate Based Revenue	No change
Other Revenue	85,500		74,000	74,000	Earned Development Charges	New Account to reflect earned Development Charge Revenue
Total Revenues	2,650,240		690,869	3,415,109	Total Revenues	To Account for Interest Revenue and Capital Grants
<b>Expenditures</b>						
Operating Capital	2,551,910	12,500		2,564,410	Operating Expenses	Various Expenses previously classified as capital expenditures
Transfers to Reserves	84,330		84,330	-	Amortization	Removes non-accrual reserve account
Total Expenditures	2,650,240	839,709		3,404,119	Total Expenditures	New account created as a result of PSAB 3150 - reflects cost of using TCA
<b>Net Expenditures</b>	-			10,990	<b>Annual Surplus/(Deficit)</b>	Represents difference between Revenues and Expenditures
Increase (decrease) in amounts to be recovered	-			23,928,455	Accumulated Surplus/(Deficit), beginning of year	
<b>Change in fund balances</b>	-	10,990		<b>23,939,445</b>	<b>Accumulated Surplus/(Deficit), end of year</b>	To transfer annual surplus to accumulated surplus
<b>TOTAL ADJUSTMENTS</b>		<b>863,199</b>	<b>863,199</b>			

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

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

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

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

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the 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**  
**Town of East Gwillimbury**  
**Conversion Adjustments**  
**Statement of Financial Position (Water)**

Modified Cash Basis	Budget 2011	Adjustments		Full Accrual Budget 2011	Accrual Basis	Notes on Adjustments
		DR	CR			
<b>Assets</b>						
<b>Financial Assets</b>						
Cash	1,003,204			1,003,204	Cash	No change
Accounts Receivable	467,716			467,716	Accounts Receivable	No change
Total Financial Assets	1,470,920			1,470,920	Total Financial Assets	
<b>Liabilities</b>						
Accounts Payable & Accrued Liabilities	392,238			392,238	Accounts Payable & Accrued Liabilities	No Change
Gross Long-term Liabilities	600,000			600,000	Debt (Principal only)	No Change
Deferred Revenue	533,834			533,834	Deferred Revenue	No Change
Total Liabilities	1,526,072			1,526,072	Total Liabilities	
<b>Net Assets/(Debt)</b>	<b>(55,152)</b>			<b>(55,152)</b>	<b>Net Financial Assets/(Debt)</b>	
					<b>Non-Financial Assets</b>	
		24,007,097		23,994,597	Tangible Capital Assets	Adds NBV of Tangible Capital Assets - offset entry is to accumulated surplus
			12,500	23,994,597	Total Non-Financial Assets	
<b>Municipal Position</b>						
Water Reserves	544,848			-		Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Development Charge Reserve Fund	533,834	544,848		-		Removes non-accrual reserve account - balance to be transferred to accumulated surplus
Amounts to be Recovered	(1,133,834)	533,834		-		Removes account - balance to be transferred to accumulated surplus
<b>Total Municipal Position</b>	<b>(55,152)</b>		1,133,834		<b>Accumulated Surplus/(Deficit)</b>	Represents offset entry for TCA's and existing reserve fund balances
		<b>25,085,779</b>		<b>23,939,445</b>		
<b>TOTAL ADJUSTMENTS</b>		<b>25,085,779</b>		<b>25,085,779</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 2012 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 2011, the Town's water system is in a net financial debt position of approximately \$55,152. After 2011, the financial plan forecasts an improving net financial asset/(debt) position in each subsequent year of the forecast period. Net financial assets are projected to grow to just under \$28.2 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:

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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 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 \$3.9 million over the 10-year forecast period. This indicates that the Town has plans to utilize existing assets to a greater extent than its investment in new tangible capital assets over the forecast period.

#### **4.2.2 Statement of Operations (Table 4-2)**

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues increasing from 100% in 2011 to 108% in 2012 and then gradually decreasing to 51% in 2019 and 53% in 2020. As a result, annual surplus declines from approximately \$10,990 in 2011 to a deficit of \$260,874 in 2012 then gradually improves to over \$5.0 million by 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

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financial plan proposes to add approximately \$23.6 million to a 2010 accumulated surplus of \$23.9 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominately made up of reserve and reserve fund balances as well as historical investments in tangible capital assets.

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

The Statement of Change in Net Financial Assets/Debt indicates whether revenue generated was sufficient to cover operating and non-financial asset costs (i.e. inventory supplies, prepaid expenses, tangible capital assets, etc.) and in so doing, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period. Table 4-3 indicates that forecasted tangible capital asset acquisitions (net of amortization for the year) exceed the forecasted annual surplus in 2011, resulting in a decrease in net financial assets. This is due to the planned purchase or construction of significant water tangible capital assets in 2011 (funded predominantly through capital grants and developer front-ending financing). In each of the subsequent years (i.e. 2012 to 2020), forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in increases in net financial assets in each year. This allows for a long term plan of funding capital through accumulated surplus (i.e. reserves and reserve funds). This is evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions improving from 0.51 to 6.7 over the forecast period<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 \$1.2 million at the beginning

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

of 2011, to approximately \$29.2 million by the end of 2020. For further discussions, on projected cash balances please refer to the Notes to the Financial Plan.



TABLE 4-1  
Town of East Gwillimbury  
Statement of Financial Position (Water)  
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY  
2011- 2020

	Notes	Forecast									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Financial Assets</b>											
Cash	1	1,003,204	1,588,597	2,776,297	4,169,359	6,489,123	8,840,884	12,557,237	17,499,931	23,013,305	29,241,691
Accounts Receivable	1	467,716	574,709	660,787	755,436	901,403	1,076,136	1,264,310	1,449,646	1,644,268	1,742,031
Total Financial Assets		1,470,920	2,163,306	3,437,084	4,924,795	7,390,526	9,917,020	13,821,547	18,949,477	24,657,573	30,983,722
<b>Liabilities</b>											
Accounts Payable & Accrued Liabilities	1	392,238	415,000	392,290	417,430	445,138	487,433	543,958	606,033	671,595	739,640
Debt (Principal only)	2	600,000	600,000	600,000	600,000	600,000	1,100,000	1,350,000	1,350,000	1,350,000	1,350,000
Deferred Revenue	3	533,834	634,524	739,890	663,777	759,047	43,371	32,592	349,021	355,729	694,343
Total Liabilities		1,526,072	1,649,524	1,732,180	1,681,207	1,804,185	1,630,804	1,926,550	2,305,054	2,377,324	2,783,983
Net Financial Assets/(Debt)		(55,152)	513,782	1,704,904	3,243,588	5,586,341	8,286,216	11,894,997	16,644,423	22,280,249	28,199,739
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	23,994,597	23,164,879	22,388,495	21,856,747	21,210,590	21,801,249	21,631,335	20,783,803	20,207,529	19,320,380
Total Non-Financial Assets		23,994,597	23,164,879	22,388,495	21,856,747	21,210,590	21,801,249	21,631,335	20,783,803	20,207,529	19,320,380
Accumulated Surplus/(Deficit)	5	23,939,445	23,678,661	24,093,399	25,100,335	26,796,931	30,087,465	33,526,332	37,428,226	42,487,778	47,520,119
<b>Financial Indicators</b>											
Total Change		27,444,590	27,444,590	27,444,590	27,444,590	27,444,590	27,444,590	27,444,590	27,444,590	27,444,590	27,444,590
1) Increase/(Decrease) in Net Financial Assets		(810,301)	568,934	1,191,122	1,538,884	2,342,753	2,699,875	3,608,781	4,749,426	5,635,826	5,919,490
2) Increase/(Decrease) in Tangible Capital Assets		821,291	(829,718)	(776,384)	(531,748)	(646,157)	590,659	(169,914)	(847,532)	(576,274)	(887,149)
3) Increase/(Decrease) in Accumulated Surplus		10,990	(260,784)	414,738	1,006,936	1,696,566	3,290,534	3,438,867	3,901,894	5,069,562	5,032,341

TABLE 4-2  
Town of East Gwillimbury  
Statement of Operations (Water)  
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY  
2011- 2020

	Notes	Forecast												
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020			
<b>Water Revenue</b>														
Fixed Capital and Baseline Operations Fee		513,996	824,490	1,022,444	1,245,818	1,581,132	2,010,362	2,469,167	2,932,522	3,430,570	3,907,032			
Rate Based Revenue		2,050,744	2,331,506	2,619,893	2,931,433	3,421,819	3,981,185	4,587,147	5,172,467	5,775,712	5,851,708			
Earned Development Charges Revenue	3	74,000	-	-	181,000	162,000	957,000	313,000	-	316,000	-			
Other Revenue	6	776,369	132,940	169,035	215,248	284,884	379,585	493,478	633,308	798,960	972,872			
Total Revenues		3,415,109	3,288,936	3,811,372	4,573,489	5,449,835	7,328,132	7,862,792	8,738,297	10,321,242	10,731,612			
<b>Water Expenses</b>														
Operating Expenses	Sched. 4-1	2,564,410	2,700,002	2,552,251	2,715,815	2,895,082	3,171,257	3,539,010	3,942,871	4,369,417	4,812,122			
Amortization	4	839,709	849,718	844,383	850,748	857,157	866,341	884,915	893,532	892,273	887,149			
Total Expenses		3,404,119	3,549,720	3,396,634	3,566,563	3,752,239	4,037,598	4,423,925	4,836,403	5,261,690	5,699,271			
Annual Surplus/(Deficit)		10,990	(260,784)	414,738	1,006,926	1,696,596	3,290,534	3,438,867	3,901,894	5,059,552	5,032,341			
Accumulated Surplus/(Deficit), beginning of year	5	23,928,455	23,939,445	23,678,661	24,093,399	25,100,335	26,796,931	30,087,465	33,526,332	37,428,226	42,487,778			
Accumulated Surplus/(Deficit), end of year		23,939,445	23,678,661	24,093,399	25,100,335	26,796,931	30,087,465	33,526,332	37,428,226	42,487,778	47,520,119			

Note 5:  
Accumulated Surplus/(Deficit) is made up of:

Reserve Balances														
Reserves: Development Charges		533,834	634,524	739,890	663,777	759,047	43,371	32,592	349,021	355,729	694,343			
Reserves: Capital/Other		544,848	1,113,782	2,304,903	3,843,568	6,186,341	9,386,216	13,244,997	17,994,423	23,630,249	29,549,739			
<b>Total Reserves Balance</b>		<b>1,078,682</b>	<b>1,748,306</b>	<b>3,044,793</b>	<b>4,507,365</b>	<b>6,945,388</b>	<b>9,429,587</b>	<b>13,277,589</b>	<b>18,343,444</b>	<b>23,985,978</b>	<b>30,244,082</b>			
Less: Debt Obligations and Deferred Revenue		(1,133,834)	(1,234,524)	(1,339,889)	(1,263,777)	(1,359,047)	(1,143,371)	(1,382,592)	(1,699,021)	(1,705,729)	(2,044,343)			
Add: Tangible Capital Assets	4	23,994,597	23,164,879	22,388,495	21,856,747	21,210,590	20,801,249	21,631,335	20,783,803	20,207,529	19,320,380			
<b>Total Ending Balance</b>		<b>23,939,445</b>	<b>23,678,661</b>	<b>24,093,399</b>	<b>25,100,335</b>	<b>26,796,931</b>	<b>30,087,465</b>	<b>33,526,332</b>	<b>37,428,226</b>	<b>42,487,778</b>	<b>47,520,119</b>			

Financial Indicators	Total Change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1) Expense to Revenue Ratio		100%	108%	89%	78%	69%	55%	56%	55%	51%	53%
2) Increase/(Decrease) in Accumulated Surplus		10,990	(260,784)	414,738	1,006,936	1,696,596	3,290,534	3,438,867	3,901,894	5,059,552	5,032,341

Schedule 4-1  
Town of East Gwillimbury  
Schedule of Operating Expenses  
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY  
2011-2020

	Notes	Forecast																		
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020									
<b>Expenditures</b>																				
<b>Operating Costs</b>																				
Water Supply - Region of York		1,121,700	1,218,065	1,067,021	1,200,885	1,350,852	1,595,117	1,931,340	2,303,041	2,696,807	3,106,082									
Drinking Water Quality Mgmt System		23,640	23,640	24,110	24,590	25,080	25,580	26,090	26,610	27,140	27,680									
Auto Flushing Units - Repairs		3,100	3,100	3,160	3,220	3,280	3,350	3,420	3,490	3,560	3,630									
Water Main - Semi-annual Flushing		61,980	62,180	63,420	64,690	65,980	67,300	68,650	70,020	71,420	72,850									
Water Main - Water Sampling		110,450	112,950	115,210	117,510	119,860	122,260	124,710	127,200	129,740	132,330									
Water Main - Chlorination & Testing		6,240	6,240	6,360	6,490	6,620	6,750	6,890	7,030	7,170	7,310									
Water Main - Swabbing		12,570	12,570	12,820	13,080	13,340	13,610	13,880	14,160	14,440	14,730									
Water Sampling Stations		9,920	9,920	10,120	10,320	10,530	10,740	10,950	11,170	11,390	11,620									
Lead Sampling & Testing		40,190	40,190	40,990	41,810	42,650	43,500	44,370	45,260	46,170	47,090									
<b>Maintenance</b>																				
Hydrants		57,780	59,780	60,980	62,200	63,440	64,710	66,000	67,320	68,670	70,040									
Valves		50,530	50,530	51,540	52,570	53,620	54,690	55,780	56,900	58,040	59,200									
Watermains		46,260	52,760	53,820	54,900	56,000	57,120	58,260	59,430	60,620	61,830									
Water Connections - New		15,200	15,200	15,500	15,810	16,130	16,450	16,780	17,120	17,460	17,810									
Water Connections - Repair		25,810	25,810	-	-	-	-	-	-	-	-									
North Union - Water System		4,570	7,570	7,720	7,870	8,030	8,190	8,350	8,520	8,690	8,860									
Meters		126,230	126,230	128,750	131,330	133,960	136,640	139,370	142,160	145,000	147,900									
Water Tools		9,500	9,500	9,690	9,880	10,080	10,280	10,490	10,700	10,910	11,130									
Curb-box - Repair - Turn On/Off		21,020	21,020	21,440	21,870	22,310	22,760	23,220	23,680	24,150	24,630									
Anti-Tampering Devices		4,070	4,070	4,150	4,230	4,310	4,400	4,490	4,580	4,670	4,760									
Water Administration and Overhead		1,162,370	1,216,080	1,240,400	1,265,210	1,290,510	1,316,320	1,342,650	1,369,500	1,396,890	1,424,830									
Fleet Management Contribution		(17,970)	(17,970)	(18,330)	(18,700)	(19,070)	(19,450)	(19,840)	(20,240)	(20,640)	(21,050)									
Water Overhead Costs		801,150	838,677	855,450	872,560	890,010	907,810	925,970	944,490	963,380	982,650									
Overhead Charged Out to Operations		(1,144,400)	(1,198,110)	(1,222,070)	(1,246,510)	(1,271,440)	(1,296,870)	(1,322,810)	(1,348,270)	(1,376,260)	(1,403,790)									
Non TCA - Expenses from Capital Budget	7	12,500	-	-	-	-	-	-	-	-	-									
<b>TOTAL OPERATING EXPENSES</b>		<b>2,564,410</b>	<b>2,700,002</b>	<b>2,552,251</b>	<b>2,715,815</b>	<b>2,896,082</b>	<b>3,171,257</b>	<b>3,539,010</b>	<b>3,942,871</b>	<b>4,369,417</b>	<b>4,812,122</b>									

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

	Notes	Forecast									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Surplus/(Deficit)		10,990	(260,784)	414,738	1,006,936	1,696,596	3,290,534	3,438,867	3,901,894	5,059,552	5,032,341
Less: Acquisition of Tangible Capital Assets	4	(1,661,000)	(20,000)	(68,000)	(319,000)	(211,000)	(1,457,000)	(715,000)	(46,000)	(316,000)	-
Add: Amortization of Tangible Capital Assets	4	839,709	849,718	844,383	850,748	857,157	866,341	884,915	893,532	892,273	887,149
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(810,301)	568,934	1,191,122	1,538,684	2,342,753	2,699,875	3,608,781	4,749,426	5,635,826	5,919,490
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)		(810,301)	568,934	1,191,122	1,538,684	2,342,753	2,699,875	3,608,781	4,749,426	5,635,826	5,919,490
Net Financial Assets/(Net Debt), beginning of year		755,149	(65,152)	513,782	1,704,904	3,243,588	5,586,341	8,286,216	11,894,997	16,644,423	22,280,249
Net Financial Assets/(Net Debt), end of year		(55,152)	513,782	1,704,904	3,243,588	5,586,341	8,286,216	11,894,997	16,644,423	22,280,249	28,199,739
<b>Financial Indicators</b>											
1) Acquisition of Tangible Capital Assets (Cumulative)		1,661,000	1,681,000	1,749,000	2,068,000	2,279,000	3,736,000	4,451,000	4,497,000	4,813,000	4,813,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		850,699	1,439,633	2,698,794	4,556,438	7,110,191	11,267,066	15,590,848	20,386,274	26,338,099	32,257,589
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.51	0.86	1.54	2.20	3.12	3.02	3.50	4.53	5.47	6.70

TABLE 4-4  
Town of East Gwillimbury  
Statement of Cash Flow - Indirect Method (Water)  
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY  
2011-2020

	Notes	Forecast									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Operating Transactions</b>											
Annual Surplus/Deficit		10,990	(260,764)	414,738	1,006,936	1,696,596	3,290,534	3,438,867	3,901,894	5,059,562	5,032,341
Add: Amortization of TCA's	4	839,709	849,718	844,383	850,748	857,157	866,341	884,915	893,532	892,273	887,149
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(74,000)	-	-	(181,000)	(162,000)	(957,000)	(313,000)	-	(316,000)	-
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-
Less: Development Charge Proceeds		95,280	100,690	105,366	104,887	257,270	241,324	302,221	316,429	322,708	338,614
Change in A/R (Increase)/Decrease		(102,441)	(106,993)	(86,077)	(94,649)	(145,967)	(174,733)	(188,175)	(185,336)	(194,621)	(97,763)
Change in A/P (Increase)/(Decrease)		97,314	22,762	(22,710)	25,140	27,708	42,295	56,525	62,075	65,562	68,045
Less: Interest Proceeds		(15,869)	(32,440)	(67,133)	(111,949)	(180,185)	(273,385)	(385,777)	(524,109)	(688,260)	(860,672)
Cash Provided by Operating Transactions		850,983	572,953	1,188,567	1,600,113	2,350,579	3,035,376	3,795,576	4,464,485	5,141,214	5,367,714
<b>Capital Transactions</b>											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(1,661,000)	(20,000)	(68,000)	(319,000)	(211,000)	(1,457,000)	(715,000)	(46,000)	(316,000)	-
Cash Applied to Capital Transactions		(1,661,000)	(20,000)	(68,000)	(319,000)	(211,000)	(1,457,000)	(715,000)	(46,000)	(316,000)	-
<b>Investing Transactions</b>											
Proceeds from Investments		15,869	32,440	67,133	111,949	180,185	273,385	385,777	524,109	688,260	860,672
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		15,869	32,440	67,133	111,949	180,185	273,385	385,777	524,109	688,260	860,672
<b>Financing Transactions</b>											
Proceeds from Long-term Debt		-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (principal only)	2	600,000	-	-	-	-	500,000	250,000	-	-	-
Cash Applied to Financing Transactions	2	-	-	-	-	-	-	-	-	-	-
Increase in Cash and Cash Equivalents		(194,146)	585,393	1,187,700	1,393,062	2,319,764	2,351,761	3,716,353	4,942,594	5,513,474	6,228,386
Cash and Cash Equivalents, beginning of year	1	1,197,352	1,003,204	1,588,597	2,776,297	4,169,359	6,489,123	8,840,884	12,557,237	17,499,831	23,013,305
Cash and Cash Equivalents, end of year	1	1,003,204	1,588,597	2,776,297	4,169,359	6,489,123	8,840,884	12,557,237	17,499,831	23,013,305	29,241,691

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## WATER

### NOTES TO FINANCIAL PLAN

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

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

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

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

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

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

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

In order to show a balanced financial plan in a full accrual format for the Town of East Gwillimbury, 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*

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

- a. Receivables: Based on historical levels of receivables as a percentage of annual revenue earned (source: prior years audited financial statements); and
- b. Payables: Based on historical levels of payables as a percentage of annual expenses incurred (source: prior years audited financial statements).

## 2. Debt

There was no outstanding water related debt at the end of 2010. New debt proceeds are anticipated throughout the forecast period in the form of developer front-ending agreements. *Principal* repayment terms have not been determined and as a result no front-ending repayments has been included over the forecast period.

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

## 3. Deferred Revenue

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

## 4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets in the following categories:
  - i. Watermains;
  - ii. Hydrants;
  - iii. Water Metres;
  - iv. Water Valves;

- v. Curb Stops; and
- vi. Water Vehicles.

- Amortization is calculated based on using the straight-line approach with one-half of year of amortization in the year of acquisition or construction.
- Given the planned asset replacement forecast in the 2012 Rate Study, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/unknown during the forecast period and are therefore assumed to be \$0.
- The Town is unaware of any specific lead service piping in the municipal water system. However when older portions of the water main system are replaced as part of the ongoing replacement program, any lead service pipes will be replaced if and when found.

The balance of tangible capital assets is summarized as follows:

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening TCA Balance (Historical Cost)	38,028,109	39,577,879	39,597,879	39,665,879	39,906,301	40,074,556	41,531,556	42,246,556	42,252,510	42,568,510
Acquisitions	1,661,000	20,000	68,000	319,000	211,000	1,457,000	715,000	46,000	316,000	-
Disposals	111,230	-	-	78,578	42,745	-	-	40,046	-	-
<b>Closing TCA Balance (Historical Cost)</b>	<b>39,577,879</b>	<b>39,597,879</b>	<b>39,665,879</b>	<b>39,906,301</b>	<b>40,074,556</b>	<b>41,531,556</b>	<b>42,246,556</b>	<b>42,252,510</b>	<b>42,568,510</b>	<b>42,568,510</b>
Opening Accumulated Amortization	14,854,803	15,583,282	16,433,001	17,277,384	18,049,554	18,863,966	19,730,306	20,615,221	21,468,708	22,360,981
Amortization Expense	839,709	849,718	844,383	850,748	857,157	866,341	884,915	893,532	892,273	887,149
Amortization on Disposal	111,230	-	-	78,578	42,745	-	-	40,046	-	-
<b>Ending Accumulated Amortization</b>	<b>15,583,282</b>	<b>16,433,000</b>	<b>17,277,384</b>	<b>18,049,554</b>	<b>18,863,966</b>	<b>19,730,307</b>	<b>20,615,221</b>	<b>21,468,707</b>	<b>22,360,981</b>	<b>23,248,130</b>
<b>Net Book Value</b>	<b>23,994,597</b>	<b>23,164,879</b>	<b>22,388,495</b>	<b>21,856,747</b>	<b>21,210,590</b>	<b>21,801,249</b>	<b>21,631,335</b>	<b>20,783,803</b>	<b>20,207,529</b>	<b>19,320,380</b>



5. Accumulated Surplus

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

<b>Water</b>	<b>2011 Opening Accumulated Surplus</b>
Reserve Balances	
Reserves: Development Charges	512,554
Reserves: Capital/Other	755,149
<b>Total Reserves Balance</b>	<b>1,267,703</b>
Less: Debt Obligations and Deferred Revenue	(512,554)
Add: Tangible Capital Assets	23,173,306
<b>Total Opening Balance</b>	<b>23,928,455</b>

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

6. Other revenue

Other revenue includes interest, capital grants, operation 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 Drinking Water 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 East Gwillimbury 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 2012 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 East Gwillimbury Water Financial Plan prepared by Watson & Associates Economists Ltd. dated January 17, 2012 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 Council Resolution approving the Financial Plan, to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (SDWA Section 32 (5) 2 ii))<sup>1</sup>

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



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**APPENDIX A**  
**2012 WATER AND WASTEWATER RATE STUDY –**  
**WATER SUMMARY TABLES**



Table A-2  
Town of East Gwillimbury  
Water Service  
Capital Budget Forecast  
Inflated \$

Description	Actual 2010	Forecast																		
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020									
<b>Capital Expenditures</b>																				
Misc Capital Projects - To be confirmed	268,302	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sharon Trunk Sewer EA	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long Range Financial Plan WWW	-	12,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Water main and Manhole Remediation</b>																				
I & Holland Landing mainline	-	749,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Water main reconstruction</b>																				
Hilltop drive (Holland River blvd to Grist Mill)	-	260,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Vehicle Replacements</b>																				
GMC 3/4 Ton Pick up (T19)	-	-	-	-	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chevrolet 3/4 Ton Cargo Van (T11)	-	-	-	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chevrolet 1 Ton Utility (T19)	-	-	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhoe Loader (JCB 214 4wd)	-	-	-	-	-	-	-	-	-	-	-	-	152,000	-	-	-	-	-	-	-
Dodge 1/2 ton Pickup (T27)	-	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,000	-	-	-
Ford 1/2 Ton Cargo Van (T30)	-	-	-	-	-	-	-	49,000	-	-	-	-	-	-	-	-	-	-	-	-
GMC 3/4 Ton Pick up (Hybrid)	-	-	-	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Truck Mounted Crane (Western Mule)	-	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Thawing Equipment (Majickist)	-	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Ton Roller c/w Trailer (50% only)	-	-	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Water Distribution - Growth Related Projects</b>																				
N/S Sharon Watermain, Green Lane To South Limit of OP *	-	-	-	181,000	-	-	-	-	-	-	-	-	-	563,000	-	-	-	-	-	-
Fair Avenue Watermain, Donlands to Woodbine	-	-	-	-	-	-	-	-	-	-	1,457,000	-	-	-	-	-	-	-	-	-
New Doane Road Watermain, 2nd Concession to Woodbine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Holland Landing Rd Watermain	-	600,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colonel Waying loop south of Mount Albert Rd	-	-	-	-	-	-	-	-	-	162,000	-	-	-	-	-	-	-	-	-	-
N/S Sharon Watermain, Mount Albert to Doane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditures	368,302	1,673,500	20,000	68,000	319,000	211,000	1,457,000	715,000	46,000	316,000	46,000	316,000	316,000	316,000	316,000	316,000	316,000	316,000	316,000	316,000
<b>Capital Financing</b>																				
Provincial/Federal Grants	31,302	675,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Contributions	-	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Developer Front-ending	-	600,000	-	-	-	-	-	-	-	-	500,000	-	-	250,000	-	-	-	-	-	-
Water - Development Charge Reserve - 15111216	-	74,000	-	-	-	-	-	-	-	162,000	957,000	-	-	313,000	-	-	-	-	-	-
Reserve - Vehicle & Equip Replacement - W & S - 1511022048	-	52,000	20,000	68,000	138,000	49,000	-	-	46,000	-	-	-	-	152,000	-	-	-	-	-	-
Reserve for Infrastructure - Water - 1511022072	337,000	298,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Financing	368,302	1,673,500	20,000	68,000	319,000	211,000	1,457,000	715,000	46,000	316,000	46,000	316,000	316,000	316,000	316,000	316,000	316,000	316,000	316,000	316,000
Shaded projects indicate growth related projects																				

**Table A-3**  
**Town of East Gwillimbury**  
**Water Service**  
**Reserve for Infrastructure - Water - Reserve Account 1511022072 - Continuity Schedule**  
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	318,175	58,322	(157,001)	377,894	1,563,263	3,169,007	5,489,489	8,615,380	12,553,959	17,275,839	22,834,195
Transfer from Operating	75,000	47,750	523,888	1,139,837	1,513,443	2,160,593	2,874,958	3,572,930	4,218,701	4,893,282	5,003,618
Transfer to Capital	337,000	258,500	-	-	-	-	-	-	-	-	-
Transfer to Operating	0	-	-	-	-	-	-	-	-	-	-
Closing Balance	56,175	(152,428)	366,888	1,517,731	3,076,706	5,329,601	8,364,446	12,188,309	16,772,659	22,169,121	27,837,813
Interest	2,147	(4,573)	11,007	45,532	92,301	159,888	290,933	365,649	503,180	665,074	835,134

**Table A-4**  
**Town of East Gwillimbury**  
**Water Service**  
**Reserve - Vehicle & Equip Replacement - W & S - Reserve Account 1511022048 - Continuity Schedule**  
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	160,309	200,843	155,451	173,098	161,966	77,515	81,875	137,411	38,610	46,584	103,893
Transfer from Operating - Water	39,600	36,580	32,606	52,150	51,292	50,975	51,533	52,075	52,617	54,283	55,200
Transfer from Operating - Wastewater	0	15,680	13,974	13,970	13,970	13,970	13,970	13,970	13,970	13,970	13,970
Transfer to Capital - Water	0	52,000	20,000	68,000	138,000	49,000	-	152,000	46,000	-	-
Transfer to Capital - Wastewater	0	34,500	-	-	-	-	-	-	-	-	-
Transfer to Operating	0	-	-	-	-	-	-	-	-	-	-
Closing Balance	199,909	150,923	168,057	157,248	75,258	79,490	133,408	37,486	45,227	100,867	159,093
Interest	934	4,528	5,042	4,717	2,258	2,385	4,002	1,125	1,357	3,026	4,773

**Table A-5**  
**Town of East Gwillimbury**  
**Water Service**  
**Reserve - Rate Stabilization - Water - Reserve Account 1511022050 - Continuity Schedule**  
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	567,749	576,605	593,903	611,720	630,072	648,974	668,443	688,497	709,151	730,426	752,339
Transfer from Operating	5,085	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	0	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	0	-	-	-	-	-	-	-	-	-	-
Closing Balance	572,834	576,605	593,903	611,720	630,072	648,974	668,443	688,497	709,151	730,426	752,339
Interest	3,771	17,298	17,817	18,352	18,902	19,469	20,053	20,655	21,275	21,913	22,570

**Table A-6**  
**Town of East Gwillimbury**  
**Water Service**  
**Water - Development Charge Reserve - 1511216 - Continuity Schedule**  
 Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Opening Balance	480,102	512,554	533,834	634,524	739,890	663,777	759,047	43,371	32,592	349,021	355,729
Development Charge Proceeds	17,523	79,731	82,209	83,816	85,554	235,162	240,061	301,272	306,263	312,347	318,390
Transfer to Capital	0	74,000	-	-	181,000	162,000	957,000	313,000	-	316,000	-
Transfer to Operating	0	-	-	-	-	-	-	-	-	-	-
Closing Balance	497,625	518,285	616,043	718,340	644,444	736,939	42,107	31,643	338,855	345,368	674,119
Interest	14,929	15,549	18,481	21,550	19,333	22,108	1,263	949	10,166	10,361	20,224
Required from Development Charges	0	74,000	0	0	0	0	0	0	0	0	0



Table A-8  
Town of East Gwillimbury  
Water Services  
Water Rate Forecast  
Inflated \$

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Water Billing Recovery	1,865,925	2,050,744	2,331,506	2,619,893	2,931,433	3,421,819	3,981,185	4,587,147	5,172,467	5,775,712	5,851,708
Total Consumption (m <sup>3</sup> )	1,281,187	1,324,867	1,355,527	1,386,187	1,488,037	1,661,077	1,860,367	2,085,067	2,309,137	2,533,207	2,533,207
<b>Increasing Block Structure</b>											
Consumption Forecast By Tier (m <sup>3</sup> )											
Tier 1	1,089,009	1,103,289	1,132,689	1,163,349	1,194,009	1,295,859	1,468,899	1,668,189	1,892,889	2,116,959	2,341,029
Tier 2	192,178	192,178	192,178	192,178	192,178	192,178	192,178	192,178	192,178	192,178	192,178
Check Total Consumption	1,281,187	1,295,467	1,324,867	1,355,527	1,386,187	1,488,037	1,661,077	1,860,367	2,085,067	2,309,137	2,533,207
<b>Increasing Block Rates (\$/m<sup>3</sup>)</b>											
Tier 1	\$1.52	\$1.66	\$1.81	\$1.89	\$1.97	\$2.06	\$2.15	\$2.21	\$2.25	\$2.29	\$2.32
Tier 2	\$2.50	\$2.73	\$2.98	\$3.11	\$3.25	\$3.40	\$3.53	\$3.63	\$3.70	\$3.77	\$3.83