

The Corporation of the Town of Fort Erie Water and Wastewater Systems Financial Plan (2020 – 2025) Introduction

As part of the Water System Licensing requirement, Ontario municipalities must prepare and comply with a Drinking Water Quality Management System Operational Plan and meet the Financial Plans Regulations as set out in the O. Reg. 453/07.

The regulation requires that the financial plan:

- Be approved by a Council resolution that indicates that the drinking water system is financially viable.
- The financial plans must apply to a period of at least six years.
- The financial plans must include the following:
 - Details of the proposed or projected financial position of the drinking-water system,
 - Details of the proposed or projected financial operations of the drinking-water system,
 - Details of the drinking-water system's proposed or projected gross cash receipts and gross cash payments, and
 - Details of the extent to which the information described relates directly to the replacement of lead service pipes.

The tables included in the plan have been prepared in accordance with the requirements of the regulation. They are based on a projection of cost and investment necessary for the delivery of safe drinking water and sustainability of the system.

The long-term financial plan is based on policies and procedures in effect as of the date of the plan and incorporated in the 2020 Budget and Five-Year Forecast as approved by Council in the 2020 Budget. It will be updated and re-evaluated on an ongoing basis.

The financial plan incorporates the following as an indication of financial viability:

1. Infrastructure renewal and replacement

- The ongoing capital reserve strategy makes significant progress to full cost recovery of the system by providing sustained funding for operating expenditures for repair and maintenance and capital expenditure for renewal and replacement.
 - The current Asset Management Plan values asset inventory replacement costs at \$171.8 million for water and \$136.0 million for wastewater and the long term annual funding contributions at \$1.87 million for water and \$1.90 million for wastewater. The targeted annual investment contribution is \$1.75 million for water by 2025 and \$1.93 million for wastewater by 2025, excluding the Dedicated Water Meter Replacement Reserve.
 - Operating budget allocation to infrastructure reserves
 - From \$1.6 million to \$1.7 million annual contribution to reserves for water by 2025, excluding the Dedicated Water Meter Replacement Reserve and expected inflationary increases.
 - From \$1.6 million to \$1.9 million annual contribution to reserves for wastewater by 2025, excluding expected inflationary increases.

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- Required six-year forecast investment of
 - \$10.9 million for water is the actual forecast with no growth projects.
 - \$11.5 million for wastewater is the actual forecast with 3% relating growth projects.

2. The plan reflects infrastructure expansion

- The Town approved the Development Charges By-law on March 18, 2019 for growth related projects based on the 2018 Development Charges Study prepared in accordance with the *Development Charges Act*.
- Arthur Street Upgrade is the only investment in growth related expansion of the water and wastewater infrastructure network.

3. Rate Stabilization Reserves

- Rate stabilization reserves are funded annually and used to minimize financial vulnerability to economic and weather related events.
 - Water and wastewater allocations for the life of the plan are between 0.59% to 0.72% of billings.
 - The water and wastewater rate stabilization reserves are scheduled to be used in 2020 to 2024 to reduce rates due to healthy reserve balances.

4. Retail rate stability

- The plan has stability and predictability with the following rate increases:
 - The overall combined rate increases for the life of the plan are between 3.67% to 4.57%.

5. Liquidity

- The Water system maintains a surplus of financial assets over financial liabilities for the forecast period:
 - Revenues cover the operating expenses plus amortization.
 - Reserve balances as a percentage of net fixed assets are increasing to permit investment in infrastructure renewal.

6. Debt Strategy

- 2020 capital budget and forecast debenture financing has been reserved for growth capital expenditures only, except where it may be necessary to leverage grants from other levels of government. The principle of reserving debt financing for growth projects is that future growth will assist in generating the revenue flow to support the annual repayment charges.
 - Debt as a percentage of net tangible capital assets is low and declining. The MOE guide "Toward Financial Sustainable Drinking Water and Wastewater Systems" recommends that this indicator not exceed 50%-60%. The Town's high is 1% for Water and 5% for Wastewater.

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Water Systems Financial Plan (2020 - 2025)
[In Accordance with *Safe Drinking Water, 2002* - O Reg. 453/07]**

Table 1: Details of Proposed or Projected Financial Position

Sub Description	2020	2021	2022	2023	2024	2025
A. Total Financial Assets (Current Assets)	3,912,739	4,954,094	6,158,310	6,613,486	6,016,036	5,663,183
B. Total Liabilities	595,291	553,235	507,845	291,129	237,407	182,303
C. Net Financial Assets/(Debt)	3,317,448	4,400,859	5,650,465	6,322,357	5,778,629	5,480,880
D. Non Financial Assets (Tangible Capital Assets)	41,149,108	41,412,308	41,511,508	42,190,708	44,087,908	45,766,608
E. Tangible Capital Assets Changes	1,779,000	1,174,000	1,010,000	1,590,000	2,808,000	2,589,500

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Table 2: Details of Proposed or Projected Financial Operations

Sub Description	2020	2021	2022	2023	2024	2025
A. Revenues						
Operating						
Water Billings	8,329,112	8,505,441	8,704,899	8,901,625	9,102,439	9,364,288
Local Improvement Charges	22,397	22,397	22,397	22,397	22,397	22,397
Grants	-	-	-	-	-	-
Interest & Penalties	20,000	20,000	20,000	20,000	20,000	20,000
User Fees	64,000	64,000	64,000	64,000	64,000	64,000
Benefiting property owners and developers	23,254	22,597	22,008	189,416	20,819	20,224
Total Operating	8,458,763	8,634,435	8,833,304	9,197,438	9,229,655	9,490,909
Benefiting property owners and developers	-	-	-	-	-	-
Total Capital Revenue	-	-	-	-	-	-
TOTAL REVENUE	8,458,763	8,634,435	8,833,304	9,197,438	9,229,655	9,490,909
B. Expenses						
Regional Treatment Costs	3,668,845	3,808,262	3,952,976	4,103,189	4,259,110	4,420,957
Wages & Benefits	1,301,628	1,327,668	1,354,225	1,381,311	1,408,932	1,437,111
Materials & Services	415,850	420,500	427,816	598,300	430,353	462,976
Debt Interest Charges	19,625	16,802	13,958	11,017	7,973	4,830
Fleet Related Charges	254,496	256,011	260,705	265,430	270,179	271,652
Program Support Charges	537,427	547,781	564,018	576,299	588,836	601,632
Amortization	910,800	910,800	910,800	910,800	910,800	910,800
TOTAL EXPENSES	7,108,671	7,287,824	7,484,498	7,846,346	7,876,183	8,109,958
C. Annual Surpluses or (Deficit)	1,350,092	1,346,611	1,348,806	1,351,092	1,353,472	1,380,951
D. Accumulated Surplus or (Deficit)	44,466,556	45,813,167	47,161,973	48,513,065	49,866,537	51,247,488

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Table 3: Details of Proposed or Projected Gross Cash Receipts/(Gross Cash Payments)

Sub Description	2020	2021	2022	2023	2024	2025
A. Operating Transactions	2,275,832	2,261,965	2,260,067	2,093,662	2,260,894	2,281,674
B. Capital Transactions	(1,779,000)	(1,174,000)	(1,010,000)	(1,590,000)	(2,808,000)	(2,589,500)
C. Investing Transactions	-	-	-	-	-	-
D. Financing Transactions	(67,023)	(69,130)	(71,325)	(73,611)	(75,991)	(78,470)
E. Change in Cash and Cash Equivalents	429,809	1,018,835	1,178,742	430,051	(623,097)	(386,296)
F. Cash and Cash Equivalents: Beginning of the year	2,419,161	2,848,970	3,867,804	5,046,546	5,476,597	4,853,500
Cash and Cash Equivalents: End of the year	2,848,970	3,867,804	5,046,546	5,476,597	4,853,500	4,467,204

Table 4: Lead Water Service Replacement

Sub Description	2020	2021	2022	2023	2024	2025
A Through various historical water / wastewater capital works initiatives - all known areas of lead service piping within the municipal right of way have been replaced. As such, there is no outstanding inventory of lead service connections requiring the implementation of an annual capital works program to finance replacements. In the event we become aware of a lead service that has not been addressed in previous works - The service is immediately scheduled for renewal under the annual operating budget umbrella.						

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Table 1: Details of Financial Position

Item	Description	Comments/Assumptions
A	Financial Assets	<p>Cash: The 2019 unaudited closing water reserve funds balance was used as the 2020 opening cash balance.</p> <p>Year end balances from Table 3 (Line F)</p> <p>Accounts Receivable: The 2019 ending receivable balance is the average of the year end balances for 2017 and 2018. As Water and Wastewater receivables are recorded in the same general ledger account the 2019 balance was split based on the proportionate share of the 2019 Water and Wastewater billings. Water represents 44% and Wastewater represents 56%.</p> <p>The accounts receivable balances for 2020-2025 increase is consistent with the increase in billings for each of those years.</p>
B	Liabilities	<p>Debentures: The Town's effective net debenture rates vary from 3.7% to 4.15%.</p> <p>Debenture issued in 2011 for the Thompson Road project is funded with a transfer to the Operating Budget from the Development Charges Reserves Water category to the extent available.</p> <p>No new water debentures are forecast for the 2020-2025 period.</p> <p>Deferred Revenue: The 2019 unaudited closing Development Charges Reserve balance segregated for water projects was used for the 2020 opening balance.</p>
C	Net Financial Assets/(Debt)	The difference between financial assets (A) and the liabilities (B).
D	Non Financial Assets	<p>Tangible Capital Assets: The 2019 unaudited closing tangible capital asset and accumulated amortization balance was used as the 2020 opening balance.</p>
E	Tangible Assets Changes	For simplicity it was assumed that the approved capital program for each of the years 2020-2025 is the value of

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		the additions for the year and that no asset disposals would occur. It is likely that any disposals will be of assets that are fully amortized thus having a zero net book value and would not misstate the total net book value reported in the financial plan.
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Table 2: Details of Proposed or Projected Financial Operations

Item	Description	Comment/Assumptions
A	Total Revenue	<p>Water Billings: Billing revenue is the total of water consumption billed at a rate per cubic metre in addition to a fixed base rate that varies with the size of the meter.</p> <p>Due to the trend in declining consumption the Town's rates are based on the average consumption for the three preceding years. The decline in consumption of 1.1% was used in the calculation of the 2020 rates. The 2020 estimated average household annual consumption of 192 cubic metres per year has been used for the forecast period.</p> <p>Total billings are forecast to increase by 2.12% for 2021, 2.35% for 2022, 2.26% for 2023, 2.26% for 2024 and 2.88% for 2025.</p> <p>Other Revenue: Revenue from local improvements, interest and penalties, user fees and benefiting property owners and developers.</p> <p>Total Capital Revenue: No capital revenue for the 2020 to 2025 Financial Plan.</p>
B	Total Expenses	<p>Regional Treatment costs: Regional treatment costs for the forecast period are assumed to increase 3.8% consistent with the 2020 approved budget increase and based on the Region of Niagara's forecasts.</p> <p>The Region currently recovers 25% of total water costs through a fixed charge based on the Town's previous three year average cost of water consumed. The balance of 75% is based on a rate per cubic metre applied to the Town's actual water consumption for the year.</p>

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		<p>Wages and Benefits: Costs have been forecast to increase annually 2.0% for 2021 to 2025.</p> <p>Material and Services: Costs for hydrant repairs and maintenance, backflow prevention, watermain repair and maintenance, watermain locates, equipment repair and preventative maintenance, staff training and master plan updates have been projected based on staffs estimates of actual expenses for each of the forecast years. Annual increases are approximately 1% except for years 2023 and 2025 which include costs for master plan studies.</p> <p>Interdepartmental Transfers (Fleet Charges and Program Support): These include allocations of utility support finance costs, administrative support and fleet operating costs. Utility financial services costs are shared equally between water and wastewater operations. Administrative support costs are such as accounting, insurance, information technology, records management and facilities are allocated to the Town departments using the Financial Information Return recommended practice of apportioning based on the departments relative share of total expenditures. The water budget has been allocated approximately 9.47% of these costs based on the 2018 Financial Information Return expenditures. Fleet costs are allocated based on historical actual costs for operating and maintenance of vehicles dedicated to the delivery of water services.</p> <p>Amortization: Amortization is calculated on a straight line basis over the estimated useful life of the assets. Amortization is based on six months for the year of acquisition regardless of the month purchased and annually thereafter until the asset is fully depreciated, disposed of or replaced. Assets under construction are not amortized until the asset is available for productive use.</p>
C	Annual Surplus/(Deficit)	<p>Total Revenues (A) less Total Expenses (B)</p> <p>The surplus has been calculated using the accrual basis of accounting which utilized the surplus for amortization,</p>

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		principal payments due on debenture debt and allocations to infrastructure replacement and rate stabilization reserve funds.
D	Accumulated Surplus/(Deficit)	Annual Surplus is added annually to the accumulated surplus. The 2020 surplus includes the 2019 unaudited operational results.

Table 3: Details of Proposed or Projected Gross Cash Receipts/(Gross Cash Payments)

Item	Description	Comments/Assumptions
A	Operating Transactions	Includes planned annual surplus, amortization expense and changes in working capital.
B	Capital Transactions	Includes planned capital asset acquisitions as per the 2020-2030 approved Capital Plan.
C	Investing Transactions	n/a
D	Financial Transactions	Includes repayment of long term debt.
E	Changes in Cash and Cash Equivalents	Calculated based on the planned operating, capital and financial transactions. (A+B+D)
F	Cash equivalents at the beginning of the year Cash Equivalents at the end of the year	Annual Cash and Cash Equivalent Balance as added to the accumulated surplus at the beginning of the year. The beginning cash and cash equivalents balance for 2020 uses the 2019 ending unaudited water reserve funds balance.

General Comments:

The Town's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Water operations have been separately disclosed in the segmented information, but separate financial statements are not prepared for Water services. The assets and liabilities of the Water services are consolidated with the Consolidated Statement of Financial Position.

The Water services are self-sustaining and the total net expenditures for operating and capital expenditures are recovered through the water service rates.

An audit of the Town of Fort Erie financial statements has not yet been completed for the 2019 year end.

The Corporation of the Town of Fort Erie
Wastewater Systems Financial Plan (2020 - 2025)
[In Accordance with *Safe Drinking Water, 2002* - O Reg. 453/07]

Table 1: Details of Proposed or Projected Financial Position

Sub Description	2020	2021	2022	2023	2024	2025
A. Total Financial Assets (Current Assets)	3,782,713	4,413,901	3,815,798	3,905,002	4,462,922	5,007,648
B. Total Liabilities	2,518,406	2,272,164	2,352,630	2,251,404	2,326,894	2,415,191
C. Net Financial Assets/(Debt)	1,264,307	2,141,737	1,463,168	1,653,598	2,136,028	2,592,457
D. Non Financial Assets (Tangible Capital Assets)	43,630,323	44,453,273	46,602,873	47,883,473	48,872,073	49,911,673
E. Tangible Capital Assets Changes	1,916,000	1,493,350	2,820,000	1,951,000	1,659,000	1,710,000

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Table 2: Details of Proposed or Projected Financial Operations

Sub Description	2020	2021	2022	2023	2024	2025
A. Revenues						
Operating						
Wastewater Billings	11,004,957	11,712,077	12,373,534	13,016,695	13,620,371	14,328,741
Local Improvement Charges	98,504	98,504	98,504	21,158	21,158	-
Grants	30,000	30,000	30,000	30,000	30,000	30,000
Interest & Penalties	26,000	26,000	26,000	26,000	26,000	26,000
User Fees	12,500	12,500	12,500	12,500	12,500	12,500
Benefiting property owners and developers	278,055	271,211	264,476	425,571	250,988	244,294
Total Operating	11,450,016	12,150,292	12,805,014	13,531,924	13,961,017	14,641,535
Benefiting property owners and developers	-	349,350	-	-	-	-
Total Capital Revenue	-	349,350	-	-	-	-
TOTAL REVENUE	11,450,016	12,499,642	12,805,014	13,531,924	13,961,017	14,641,535
B. Expenses						
Regional Treatment Costs	7,784,369	8,456,546	8,968,139	9,510,427	10,085,253	10,694,568
Wages & Benefits	808,770	824,947	841,449	858,280	875,445	892,956
Materials & Services	492,100	287,900	288,900	452,900	285,700	311,500
Debt Interest Charges	82,305	75,461	68,725	61,821	55,238	48,545
Fleet Related Charges	101,827	102,479	104,495	106,525	108,566	109,121
Program Support Charges	374,673	381,529	391,875	400,541	409,385	418,416
Amortization	670,400	670,400	670,400	670,400	670,400	670,400
TOTAL EXPENSES	10,314,444	10,799,262	11,333,983	12,060,894	12,489,987	13,145,506
C. Annual Surpluses or (Deficit)	1,135,572	1,700,380	1,471,031	1,471,030	1,471,030	1,496,029
D. Accumulated Surplus or (Deficit)	44,894,629	46,595,009	48,066,040	49,537,070	51,008,100	52,504,129

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Table 3: Details of Proposed or Projected Gross Cash Receipts/(Gross Cash Payments)

Sub Description	2020	2021	2022	2023	2024	2025
A. Operating Transactions	1,913,439	2,229,948	2,333,141	2,153,786	2,335,546	2,359,977
B. Capital Transactions	(1,916,000)	(1,493,350)	(2,820,000)	(1,951,000)	(1,659,000)	(1,710,000)
C. Investing Transactions	-	-	-	-	-	-
D. Financing Transactions	(195,750)	(195,750)	(195,750)	(195,750)	(195,750)	(195,750)
E. Change in Cash and Cash Equivalents	(198,311)	540,848	(682,609)	7,036	480,796	454,227
F. Cash and Cash Equivalents: Beginning of the year	2,575,064	2,376,753	2,917,601	2,234,992	2,242,028	2,722,824
Cash and Cash Equivalents: End of the year	2,376,753	2,917,601	2,234,992	2,242,028	2,722,824	3,177,051

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Table 1: Details of Financial Position

Item	Description	Comments/Assumptions
A	Financial Assets	<p>Cash: The 2019 unaudited closing wastewater reserve funds balance was used as the 2020 opening cash balance.</p> <p>Year end balances from Table 3 (Line F)</p> <p>Accounts Receivable: The 2019 ending receivable balance is the average of the year end balances for 2017 and 2018. As Water and Wastewater receivables are recorded in the same general ledger account the 2019 balance was split based on the proportionate share of the 2019 Water and Wastewater billings. Water represents 44% and Wastewater represents 56%.</p> <p>The accounts receivable balances for 2020-2025 increase is consistent with the increase in billings for each of those years.</p>
B	Liabilities	<p>Debentures: The Town's effective net debenture rates vary from 3.31% to 3.70%</p> <p>Debenture issued in 2011/2012 for Garrison Road is funded with a transfer to the Operating Budget from the Development Charges Reserves for Wastewater to the extent available.</p> <p>No new wastewater debentures are forecast for the 2020-2025 period.</p> <p>Deferred Revenue: The 2019 unaudited closing Development Charges Reserve balance segregated for wastewater projects was used for the 2020 opening balance.</p>
C	Net Financial Assets/(Debt)	The difference between financial assets (A) and the liabilities (B).
D	Non Financial Assets	<p>Tangible Capital Assets: The 2019 unaudited closing tangible capital asset and accumulated amortization balance was used as the 2020 opening balance.</p>

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E	Tangible Assets Changes	For simplicity it was assumed that the approved capital program for each of the years 2020-2025 is the value of the additions for the year and that no asset disposals would occur. It is likely that any disposals will be of assets that are fully amortized thus having a zero net book value and would not misstate the total net book value reported in the financial plan.
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Table 2: Details of Proposed or Projected Financial Operations

Item	Description	Comment/Assumptions
A	Total Revenue	<p>Wastewater Billings: Billing revenue is the total of a variable wastewater rate per cubic metre of water consumption in addition to a fixed base rate that varies with the size of the meter.</p> <p>Due to the trend in declining consumption the Town's rates are based on the average consumption for the three preceding years. The decline in consumption of 1% was used in the calculation of the 2020 rates. The 2020 estimated average household annual consumption of 192 cubic metres per year has been used for the forecast period.</p> <p>Total billings are forecast to increase by 6.43% for 2021, 5.65% for 2022, 5.20% for 2023, 4.64% for 2024 and 5.20% for 2025.</p> <p>Other Revenue: Revenue from local improvements, interest and penalties, user fees, grants and benefiting property owners and developers.</p> <p>Total Capital Revenues: This represents the component of the Development Charges Reserve segregated for wastewater projects.</p>
B	Total Expenses	<p>Regional Treatment costs: Regional treatment costs for the forecast period are assumed to increase 6.0% consistent with the 2020 approved budget increase and based on the Region of Niagara's forecasts.</p> <p>The Region currently recovers 100% of total wastewater previous costs through a fixed charge based on the</p>

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		<p>Town's proportionate share of the three year's average wastewater volumes.</p> <p>Since 2013, the Region reconciles the lower tier municipalities estimated share to the actual share for the year and charges or credits municipalities two years later. The Town has estimated that a credit of \$189,542 will be received in 2020. The Town expects a small credit in 2021. Any credits are allocated to the rate stabilization reserve.</p> <p>Wages and Benefits: Costs have been forecast to increase 2.0% for 2021 to 2025.</p> <p>Material and Services: Costs for extraneous flow reduction program, flow monitoring and analysis, sewer inspection, repair and preventative maintenance, manhole repair and maintenance and master plan updates have been projected based on staff estimates of actual expenses for each of the forecast years. Annual increases are approximately 0.3% except for years 2020, 2023 and 2025 which include costs for master plan studies.</p> <p>Interdepartmental Transfers (Fleet Charges and Program support): These include allocations of utility support finance costs, administrative support and fleet operating costs. Utility financial services costs are shared equally between water and wastewater operations. Administrative support costs such as accounting, insurance, information technology, record management and facilities are allocated to Town departments using the Financial Information Return recommended practice of apportioning based on the departments relative share of total expenditures. The wastewater budget has been allocated approximately 5.19% of these costs are based on the 2018 Financial Information Return expenditures. Fleet costs are allocated based on historical actual costs for operating and maintenance of vehicles dedicated to the delivery of wastewater services.</p> <p>Amortization: Amortization is calculated on a straight line basis over</p>
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		the estimated useful life of the assets. Amortization is based on six months for the year of acquisition regardless of the month purchased and annually thereafter until the asset is fully depreciated, disposed of or replaced. Assets under construction are not amortized until the asset is available for productive use.
C	Annual Surplus/(Deficit)	Total Revenues (A) less Total Expenses (B) The surplus has been calculated using the accrual basis of accounting which utilized the surplus for amortization, principal payments due on debenture debt and allocations to infrastructure replacement and rate stabilization reserve funds.
D	Accumulated Surplus/(Deficit)	Annual Surplus is added annually to the accumulated surplus. The 2020 surplus includes the 2019 unaudited operational results.

Table 3: Details of Proposed or Projected Gross Cash Receipts/(Gross Cash Payments)

Item	Description	Comments/Assumptions
A	Operating Transactions	Includes planned annual surplus, amortization expense and changes in working capital.
B	Capital Transactions	Includes planned capital asset acquisitions as per the 2020-2030 approved Capital Plan.
C	Investing Transactions	N/a
D	Financial Transactions	Includes repayment of long term debt.
E	Changes in Cash and Cash Equivalents	Calculated based on the planned operating, capital and financial transactions. (A+B+D)
F	Cash equivalents at the beginning of the year Cash Equivalents at the end of the year	Annual Cash and Cash Equivalent Balance as added to the accumulated surplus at the beginning of the year. The beginning cash and cash equivalents balance for 2020 uses the 2019 ending unaudited wastewater reserve funds balance.

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General Comments:

The Town's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Wastewater operations have been separately disclosed in the segmented information, but separate financial statements are not prepared for Wastewater services. The assets and liabilities of the Wastewater services are consolidated with the Consolidated Statement of Financial Position.

The Wastewater services are self-sustaining and the total net expenditures for operating and capital expenditures are recovered through the wastewater service rates.

An audit of the Town of Fort Erie financial statements has not yet been completed for the 2019 year end.