



 **Watson
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ECONOMISTS LTD.

Water Ontario Regulation 453/07 Financial Plan

Township of Lucan Biddulph

Financial Plan #060-301

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List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
A.M.P.	Asset Management Plan
D.C.	Development Charges
F.I.R.	Financial Information Return
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
OCIF	Ontario Community Infrastructure Fund
O. Reg.	Ontario Regulation
PSAB	Public Sector Accounting Board
S.D.W.A.	Safe Drinking Water Act
T.C.A.	Tangible Capital Assets
W.O.A.	Water Opportunities Act



Report



Chapter 1

Introduction



1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Township of Lucan Biddulph (Township) to prepare a water financial plan as part of the five submission requirements for the purposes of renewing 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 regard to the Township's water system has already been completed and documented by Watson within the "Township of Lucan Biddulph Water and Wastewater Rate Study, November 8, 2024" (2024 Rate Study). The objective of the report provided herein is to convert the findings of the 2024 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* (S.D.W.A.) 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. Subsection 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 subsection 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 of the S.D.W.A. provides the following definition of financial plans:

"financial plans" means financial plans that satisfy the requirements prescribed by the Minister.

These requirements are outlined in O. Reg. 453/07 and are examined in detail below.

1.2.2 Financial Plan Requirements – Existing System (Licence Renewal)

O. Reg. 453/07 provides details on the requirements for existing water systems (licence renewal), which are summarized as follows:

- Financial plans must be approved by resolution of Council (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 in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the P.S.A.B.) 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 P.S.A.B.) for each year in which the financial plans apply;
- 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 P.S.A.B.) 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 – General

Given that the requirement for a financial plan is legislated under the S.D.W.A., a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The ten-year forecast included in this financial plan goes above and beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1), paragraph 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e., six months prior to license expiry).

A copy of the financial plan must be submitted to the Ministry of Municipal Affairs and Housing (MMAH). The financial plan does not need to be submitted to the Ministry of the Environment, Conservation, and Parks (MECP); however, the MECP may request it in the course of review of the licence renewal. Financial plans may be amended and additional information beyond what is prescribed can be included if deemed necessary. 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.

1.2.4 Public Sector Accounting Board (P.S.A.B.) 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 PS1201 of the Canadian Institute of Chartered Accountants 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.”



The format required is to conform to the requirements of PS1201 and PS3150. The financial statements are to be reported on a full accrual accounting basis. 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 financial position.

The accounting treatment of tangible capital assets is prescribed under section PS3150. Tangible capital assets are to be capitalized to ensure an inventory of the assets owned is recorded and to account for their ability to provide future benefits.

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. 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. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.



Chapter 2

Sustainable Financial Planning



2. Sustainable Financial Planning

2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the S.D.W.A. requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the MECP 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 Services are provided below:

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system 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 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* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the “full cost” of providing their water and wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010

Since the passage of the *Safe Drinking Water Act*, changes and refinements to the legislation have been introduced, including the *Water Opportunities Act* (W.O.A). W.O.A. was introduced into legislation on May 18, 2010 and received Royal Assent on November 29, 2010.

The purposes of the W.O.A. 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, the W.O.A. 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 stormwater.

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

- an asset management plan (A.M.P.) 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 (still 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 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015

On June 4, 2015, the Province passed the *Infrastructure for Jobs and Prosperity Act* (I.J.P.A.) which, over time, will require municipalities to undertake and implement A.M.P.s for all infrastructure they own. On December 27, 2017, the Province of Ontario released O. Reg. 588/17 under I.J.P.A. which has three phases that municipalities must meet. The timelines associated with the three phases were later extended by O. Reg. 193/21 which was filed on March 15, 2021.

Every municipality in Ontario will have to prepare a strategic asset management policy by July 1, 2019. Municipalities will be required to review their strategic asset management policies at least every five years and make updates, as necessary. The subsequent phases are as follows:

- Phase 1 – Asset Management Plan (by July 1, 2022):
 - For core assets – Municipalities must have the following:
 - Inventory of assets;
 - Current levels of service measured by standard metrics; and
 - Costs to maintain levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2024):
 - Same elements as Phase 1 but for all assets.
- Phase 3 – Asset Management Plan (by July 1, 2025):
 - Builds on Phase 1 and 2 by adding:
 - Proposed levels of service; and
 - Lifecycle management and Financial strategy.



In relation to water (which is considered a core asset), municipalities will need to have an A.M.P. that addresses the related infrastructure by July 1, 2022 (Phase 1). O. Reg. 588/17 specifies that the Township's A.M.P. must include the following for each asset category:

- the current levels of service being provided;
 - determined in accordance with the following qualitative descriptions and technical metrics and based on data from at most the two calendar years prior to the year in which all information required under this section is included in the A.M.P.
- the current performance of each asset category;
- a summary of the assets in the category;
- the replacement cost of the assets in the category;
- the average age of the assets in the category, determined by assessing the average age of the components of the assets;
- the information available on the condition of the assets in the category;
- a description of the Township's approach to assessing the condition of the assets in the category, based on recognized and generally accepted good engineering practices where appropriate; and
- the lifecycle activities that would need to be undertaken to maintain the current levels of service.

The Township completed an A.M.P. in 2022 which included a review of the Township's water and wastewater infrastructure. The Township will need to consider the impacts of funding the lifecycle requirements identified in the A.M.P. during the annual budget and forecast process.

2.5 Water Forecast

The Township has already completed financial planning through the 2024 Rate Study. The forecast was designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2024 Rate Study provides the basis for a financial plan for the Township's water system by including:



- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth;
- An analysis of required water rates that ensure revenues are equitable and sufficient to meet system needs; and
- A public process that involves consultation with the main stakeholders including the Township's 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 water financial plan.

The background information and details of the financial plan are contained within the Township's 2024 Rate Study.



Chapter 3

Approach



3. Approach

3.1 Overview

The 2024 Rate Study has been used as a starting point to prepare the water financial plan. The water forecast contained in the 2024 Rate Study was prepared on a modified cash basis; therefore, a conversion is 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.

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 as part of the Township's annual P.S.A.B. 3150 compliance processes. As required for P.S.A.B. 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each asset. 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 2024 Rate Study. However, these estimates only represent future assets that the Township anticipates purchasing or constructing. At present, the Township does not anticipate any assets will be contributed by developers and other parties (at no or partial cost to the Township). If, over the forecast period, additional capital needs arise or contributed assets are anticipated, the financial plan may need to be adjusted 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 to 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

A wide range of adjustments will be considered, dependent on the size and complexity of the system, in order to convert from the cash to full accrual basis (see Table 3-1). For example, debt repayment costs relating to the principal payment portion only need to be removed under the accrual basis, as they no longer qualify as an expense for reporting purposes. Principal payments are reported as a decrease in debt liability on the Statement of Financial Position. Transfers to and from reserves are removed as these transactions are represented by changes in cash and accumulated surplus. Finally, expenses relating to tangible capital assets, such as amortization, write-offs, and (gain)/loss on disposal of assets are 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 and therefore are added in under the accrual basis.



Table 3-1
Conversion Adjustments
Statement of Operations (Water)

Modified Cash Basis	Budget 2025	Adjustments		Full Accrual Budget 2025	Accrual Basis
		DR	CR		
Revenues					Revenues
Base Charge Revenue	713,209			713,209	Base Charge Revenue
Rate Based Revenue	307,647			307,647	Rate Based Revenue
Transfers from Reserves	82,323	82,323			
Other Revenue	113,440		82,323	82,323	Earned Development Charges Revenue
Total Revenues	1,216,619			1,216,619	Total Revenues
Expenditures					Expenses
Operating	733,698	-		733,698	Operating Expenses
Capital					
Transfers to Reserves	482,921		482,921		
Transfers to Capital	-		-		
Debt Repayment (Principal & Interest)	-		-	-	Interest on Debt
		203,281		203,281	Amortization
Total Expenditures	1,216,619			936,979	Total Expenses
Net Expenditures	-			279,640	Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-			10,554,792	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	-	279,640	-	10,834,432	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		565,244	565,244		

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



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 Table 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 PS1201.

It is acknowledged that some of the balances required on the Statement of Financial Position will be consolidated across the Township and as such, it may 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. O. Reg. 453/07 allows for the exclusion of these numbers if they are not known at the time of preparing the financial plan. Please refer to the Financial Plan Notes in Chapter 4 for more details.

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

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

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.



Table 3-2
Conversion Adjustments
Statements of Financial Position (Water)

Modified Cash Basis	Budget 2025	Adjustments		Full Accrual Budget 2025	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	833,995			833,995	Cash
Accounts Receivable	417,583			417,583	Accounts Receivable
Total Financial Assets	1,251,578			1,251,578	Total Financial Assets
LIABILITIES					Liabilities
Accounts Payable & Accrued Liabilities	268,572			268,572	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	-			-	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Total Liabilities	268,572			268,572	Total Liabilities
Net Assets/(Debt)	983,006			983,006	Net Financial Assets/(Debt)
		9,851,426	-	9,851,426	Non-Financial Assets
					Tangible Capital Assets
				9,851,426	Total Non-Financial Assets
Municipal Position					
Water Reserves	983,006	983,006	-		
Development Charge Reserve Fund	-	-	-		
Total Municipal Position	983,006		10,834,432	10,834,432	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		10,834,432	10,834,432		

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



3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all of the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of the Township at a set point in time. The Statement of Operations summarizes how these resources and obligations changed over the reporting period. To this end, the accumulated surplus/deficit reported on the Statement of Financial Position should equal the accumulated surplus/deficit reported on the Statement of Operations.

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

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

- a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the Township’s ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that 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:

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



- b) Amortization Expense – The method and timing of amortization should be based on the Township’s amortization policy. Otherwise, an assumption will need to be made and applied consistently throughout the financial plan.
- c) Accumulated Amortization – Will be based on the culmination of accumulated amortization expenses throughout the life of each asset however derived, along with information on construction/acquisition date and useful life obtained from the 2024 Rate Study.
- d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Township’s infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of “no contributed assets within the forecast period” will be made.
- e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.
- f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.



Chapter 4

Financial Plan



4. Financial Plan

4.1 Introduction

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

4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Township's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that for 2025, the Township's water system will be in a net financial asset position of approximately \$983,000. The Township's net financial asset position is projected to increase to approximately \$1.4 million by the end of the forecast.

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

- Tangible capital assets such as water mains and treatment plants are imperative to water service delivery.

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



- 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 Township or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to grow by approximately \$1.8 million over the ten-year forecast period. This indicates that the Township has plans to invest in tangible capital assets in excess of the anticipated use of existing assets over the forecast period.

4.2.2 Statement of Operations (Table 4-2)

The Statement of Operations summarizes the revenues and expenses generated by the water system for a given period. The annual surplus/deficit measures whether the revenues generated were sufficient to cover the expenses incurred and in turn, whether net financial assets have been maintained or depleted. Table 4-2 illustrates the ratio of expenses to revenues improving over the forecast period, from 77% in 2025 to 84% by 2034. As a result, an annual surplus position is forecasted for each year, ultimately reaching an annual surplus of approximately \$269,100 by the end of the forecast period. It is important to note that an annual surplus is beneficial to ensure funding is available for non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately \$2.3 million to an opening 2025 accumulated surplus of \$10.6 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up



of 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 for all years except 2026, forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an overall increase to the net financial asset balance over the forecast period. The overall increase to net financial asset balance is the result of a long-term plan of funding capital asset acquisitions through accumulated surplus (i.e., reserves and reserve funds). The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is forecasted to fluctuate over the forecast period, decreasing from 1.17 in 2025 to a low of 1.04 in 2029, then increasing annually thereafter to 1.11 by 2034 (note: a desirable ratio is 1:1 or better).

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the Township's water system is expected to generate and use cash resources during the forecast 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 Township's water system to increase from a positive balance of approximately \$843,100 at the beginning of 2025 to a positive balance of approximately \$1.2 million by the end of 2034. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.



Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Financial Assets											
Cash	1	833,995	829,880	827,603	837,460	832,051	864,834	913,771	981,538	1,067,521	1,173,857
Accounts Receivable	1	417,583	430,848	444,740	461,544	481,559	502,325	524,036	546,836	571,026	596,469
Total Financial Assets		1,251,578	1,260,728	1,272,343	1,299,004	1,313,610	1,367,159	1,437,807	1,528,374	1,638,547	1,770,326
Liabilities											
Bank Indebtedness		-	-	-	-	-	-	-	-	-	-
Accounts Payable & Accrued Liabilities	1	268,572	278,305	288,523	299,759	312,071	323,885	336,239	349,095	362,579	376,645
Debt (Principal only)	2	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-
Total Liabilities		268,572	278,305	288,523	299,759	312,071	323,885	336,239	349,095	362,579	376,645
Net Financial Assets/(Debt)		983,006	982,423	983,820	999,245	1,001,539	1,043,274	1,101,568	1,179,279	1,275,968	1,393,681
Non-Financial Assets											
Tangible Capital Assets	4	9,851,426	10,050,985	10,241,464	10,428,028	10,625,810	10,815,492	10,995,654	11,166,362	11,327,408	11,478,814
Total Non-Financial Assets		9,851,426	10,050,985	10,241,464	10,428,028	10,625,810	10,815,492	10,995,654	11,166,362	11,327,408	11,478,814
Accumulated Surplus/(Deficit)	5	10,834,432	11,033,408	11,225,284	11,427,273	11,627,349	11,858,766	12,097,222	12,345,641	12,603,376	12,872,495
Financial Indicators											
	Total Change	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Increase/(Decrease) in Net Financial Assets	482,596	71,921	(583)	1,397	15,425	2,294	41,735	58,294	77,711	96,689	117,713
2) Increase/(Decrease) in Tangible Capital Assets	1,835,107	207,719	199,559	190,479	186,564	197,782	189,682	180,162	170,708	161,046	151,406
3) Increase/(Decrease) in Accumulated Surplus	2,317,703	279,640	198,976	191,876	201,989	200,076	231,417	238,456	248,419	257,735	269,119



Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Water Revenue											
Base Charge Revenue		713,209	723,976	734,744	749,540	768,584	787,262	805,940	824,618	843,663	862,634
Rate Based Revenue		307,647	330,767	355,554	384,083	416,947	452,172	490,122	530,999	575,255	622,860
Earned Development Charges Revenue	3	82,323	8,376	8,534	16,609	15,745	16,054	16,389	17,992	17,101	17,438
Other Revenue	6	113,440	115,584	117,765	120,086	122,547	125,049	127,396	129,774	132,180	134,717
Total Revenues		1,216,619	1,178,703	1,216,597	1,270,318	1,323,823	1,380,537	1,439,847	1,503,383	1,568,199	1,637,649
Water Expenses											
Operating Expenses	Sch. 4-1	733,698	760,286	788,200	818,893	876,529	884,802	918,553	953,672	990,510	1,028,936
Interest on Debt	2	-	-	-	-	-	-	-	-	-	-
Amortization	4	203,281	219,441	236,521	249,436	247,218	264,318	282,838	301,292	319,954	339,594
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Total Expenses		936,979	979,727	1,024,721	1,068,329	1,123,747	1,149,120	1,201,391	1,254,964	1,310,464	1,368,530
Annual Surplus/(Deficit)		279,640	198,976	191,876	201,989	200,076	231,417	238,456	248,419	257,735	269,119
Accumulated Surplus/(Deficit), beginning of year	5	10,554,792	10,834,432	11,033,408	11,225,284	11,427,273	11,627,349	11,858,766	12,097,222	12,345,641	12,603,376
Accumulated Surplus/(Deficit), end of year		10,834,432	11,033,408	11,225,284	11,427,273	11,627,349	11,858,766	12,097,222	12,345,641	12,603,376	12,872,495
Note 5:											
Accumulated Surplus/(Deficit) Reconciliation:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Reserve Balances											
Reserves: Development Charges		-	-	-	-	-	-	-	-	-	-
Reserves: Gas Tax		-	-	-	-	-	-	-	-	-	-
Reserves: Capital/Other		983,006	982,423	983,820	999,245	1,001,539	1,043,274	1,101,568	1,179,279	1,275,968	1,393,681
Total Reserves Balance		983,006	982,423	983,820	999,245	1,001,539	1,043,274	1,101,568	1,179,279	1,275,968	1,393,681
Less: Debt Obligations and Deferred Revenue		-	-	-	-	-	-	-	-	-	-
Add: Tangible Capital Assets	4	9,851,426	10,050,985	10,241,464	10,428,028	10,625,810	10,815,492	10,995,654	11,166,362	11,327,408	11,478,814
Total Ending Balance		10,834,432	11,033,408	11,225,284	11,427,273	11,627,349	11,858,766	12,097,222	12,345,641	12,603,376	12,872,495
Financial Indicators											
1) Expense to Revenue Ratio	Total Change	77%	83%	84%	84%	85%	83%	83%	83%	84%	84%
2) Increase/(Decrease) in Accumulated Surplus	2,317,703	279,640	198,976	191,876	201,989	200,076	231,417	238,456	248,419	257,735	269,119



Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Expenses											
SALARY-PUBLICWORKS		90,700	92,500	94,400	96,300	98,200	100,200	102,200	104,200	106,300	108,400
CPP&EI		5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000	6,100	6,200
GROUP INSURANCE		6,500	6,600	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400
WSIB		2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500
EMPLOYERHEALTHTAX		1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
OMERS		7,600	7,800	8,000	8,200	8,400	8,600	8,800	9,000	9,200	9,400
HYDRO		63,000	66,200	69,500	73,000	76,700	80,500	84,500	88,700	93,100	97,800
TELEPHONE		3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900	4,000	4,100
AUDIT		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
INSURANCE		20,200	20,600	21,000	21,400	21,800	22,200	22,600	23,100	23,600	24,100
R&M-EQUIPMENT		13,100	13,400	13,700	14,000	14,300	14,600	14,900	15,200	15,500	15,800
R&M- BUILDING		25,800	26,300	26,800	27,300	27,800	28,400	29,000	29,600	30,200	30,800
R&M Water Mains		10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,000	12,200
SOFTWARE SUPPORT		5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000
MEMBERSHIPS&SUBSCRIPTIONS		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ASSET MANAGEMENT EXPENSE		5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000
MEETINGS/CONFERENCE/TRAINI		2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500
Purchased Water From LHWPSS		220,798	235,286	250,700	268,493	289,029	307,802	327,653	348,572	370,810	394,236
ENGINEERING/LEGAL/AUDIT		31,600	32,200	32,800	33,500	34,200	34,900	35,600	36,300	37,000	37,700
LABSERVICES		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
MISCELLANEOUS EXPENSE		500	500	500	500	500	500	500	500	500	500
ADM. EXPENSE ALLOCATION		7,400	7,500	7,700	7,900	8,100	8,300	8,500	8,700	8,900	9,100
PROPERTY TAXES		6,600	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500
METERS		38,800	39,600	40,400	41,200	42,000	42,800	43,700	44,600	45,500	46,400
CONTRACTED SERVICES		161,200	164,400	167,700	171,100	174,500	178,000	181,600	185,200	188,900	192,700
Non TCA - Expenses from Capital Budget	7	-	-	-	-	24,000	-	-	-	-	-
TOTAL OPERATING EXPENSES		733,698	760,286	788,200	818,893	876,529	884,802	918,553	953,672	990,510	1,028,936



Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual Surplus/(Deficit)		279,640	198,976	191,876	201,989	200,076	231,417	238,456	248,419	257,735	269,119
Less: Acquisition of Tangible Capital Assets	4	(411,000)	(419,000)	(427,000)	(436,000)	(445,000)	(454,000)	(463,000)	(472,000)	(481,000)	(491,000)
Add: Amortization of Tangible Capital Assets	4	203,281	219,441	236,521	249,436	247,218	264,318	282,838	301,292	319,954	339,594
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
		(207,719)	(199,559)	(190,479)	(186,564)	(197,782)	(189,682)	(180,162)	(170,708)	(161,046)	(151,406)
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)		71,921	(583)	1,397	15,425	2,294	41,735	58,294	77,711	96,689	117,713
Net Financial Assets/(Net Debt), beginning of year		911,085	983,006	982,423	983,820	999,245	1,001,539	1,043,274	1,101,568	1,179,279	1,275,968
Net Financial Assets/(Net Debt), end of year		983,006	982,423	983,820	999,245	1,001,539	1,043,274	1,101,568	1,179,279	1,275,968	1,393,681
Financial Indicators		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1) Acquisition of Tangible Capital Assets (Cumulative)		411,000	830,000	1,257,000	1,693,000	2,138,000	2,592,000	3,055,000	3,527,000	4,008,000	4,499,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		482,921	901,338	1,329,735	1,781,160	2,228,454	2,724,189	3,245,483	3,795,194	4,372,883	4,981,596
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.17	1.09	1.06	1.05	1.04	1.05	1.06	1.08	1.09	1.11



Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2034

	Notes	Forecast									
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Transactions											
Annual Surplus/Deficit		279,640	198,976	191,876	201,989	200,076	231,417	238,456	248,419	257,735	269,119
Add: Amortization of TCA's	4	203,281	219,441	236,521	249,436	247,218	264,318	282,838	301,292	319,954	339,594
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(82,323)	(8,376)	(8,534)	(16,609)	(15,745)	(16,054)	(16,389)	(17,992)	(17,101)	(17,438)
Less: Developer Contributions		-	-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		8,217	8,376	8,534	16,609	15,745	16,054	16,389	17,992	17,101	17,438
Change in A/R (Increase)/Decrease		(13,688)	(13,265)	(13,892)	(16,804)	(20,015)	(20,766)	(21,711)	(22,800)	(24,190)	(25,443)
Change in A/P Increase/(Decrease)		6,812	9,733	10,218	11,236	12,312	11,814	12,354	12,856	13,484	14,066
Less: Interest Proceeds		-	-	-	-	-	-	-	-	-	-
Cash Provided by Operating Transactions		401,939	414,885	424,723	445,857	439,591	486,783	511,937	539,767	566,983	597,336
Capital Transactions											
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(411,000)	(419,000)	(427,000)	(436,000)	(445,000)	(454,000)	(463,000)	(472,000)	(481,000)	(491,000)
Cash Applied to Capital Transactions		(411,000)	(419,000)	(427,000)	(436,000)	(445,000)	(454,000)	(463,000)	(472,000)	(481,000)	(491,000)
Investing Transactions											
Proceeds from Investments		-	-	-	-	-	-	-	-	-	-
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		-	-	-	-	-	-	-	-	-	-
Financing Transactions											
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	-	-	-	-	-	-	-	-	-	-
Cash Applied to Financing Transactions		-	-	-	-	-	-	-	-	-	-
Increase in Cash and Cash Equivalents		(9,061)	(4,115)	(2,277)	9,857	(5,409)	32,783	48,937	67,767	85,983	106,336
Cash and Cash Equivalents, beginning of year	1	843,056	833,995	829,880	827,603	837,460	832,051	864,834	913,771	981,538	1,067,521
Cash and Cash Equivalents, end of year	1	833,995	829,880	827,603	837,460	832,051	864,834	913,771	981,538	1,067,521	1,173,857



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, subsection 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
- B. Investing transactions that are acquisitions and disposal of investments
- C. Change in cash and cash equivalents during the year
- D. Cash and cash equivalents at the beginning and end of the year

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



The assumptions used have been documented below:

1. Cash, Receivables and Payables

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

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

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

- a) Receivables: Based on ratios of Township-wide receivables as a percentage of annual Township-wide revenues (using F.I.R. data); and
- b) Payables: Based on ratios of Township-wide payables as a percentage of annual Township-wide expenses (using the Township's financial statements).

2. Debt

There is no outstanding water related debt principal at the end of 2024. It is anticipated that no additional debentures will be required over the forecast period.

3. Deferred Revenue

Deferred revenue is typically made up of water development charge reserve fund balances which are considered to be a liability for financial reporting purposes until the funds are used to emplace the works for which they have been collected. In years when the water development charge reserve fund balance is negative, it is shown as an asset (accounts receivable – other) for financial reporting purposes, representing future amounts to be collected from developers. Deferred revenue can also represent grant funding that has not been earned as revenue in any given year. For the purposes of this financial plan it is assumed all grant funding received will be earned in the year it is received.



4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets, based on information contained with the Township's 2020 asset database.
- Amortization for the 2021 to 2024 period were calculated with the assumption that no additions and/or disposals occurred during this time period.
- Amortization is calculated based on the straight-line approach with amortization applied in the year of acquisition or construction.
- Given the planned asset replacement forecast in the 2024 Rate Study, useful life on acquisitions is assumed to be equal to typical values assigned by the Township for each asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement cost values to those estimated dates in order to calculate original historical cost.
- Gains/losses on disposal are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be \$0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be \$0.
- The Township is unaware of any specific lead service piping in the municipal water system.

The balance of tangible capital assets is summarized on Table 4-5, as follows:



Table 4-5
Tangible Capital Asset Summary

Asset Historical Cost	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Opening Tangible Capital Asset Balance	13,800,943	14,203,981	14,614,894	15,033,613	15,461,118	15,897,082	16,342,154	16,796,605	17,260,339	17,733,255
Acquisitions	411,000	419,000	427,000	436,000	445,000	454,000	463,000	472,000	481,000	491,000
Disposals	7,962	8,087	8,281	8,495	9,036	8,928	8,549	8,266	8,084	8,222
Closing Tangible Capital Asset Balance	14,203,981	14,614,894	15,033,613	15,461,118	15,897,082	16,342,154	16,796,605	17,260,339	17,733,255	18,216,033
Opening Accumulated Amortization	4,157,236	4,352,555	4,563,909	4,792,149	5,033,090	5,271,272	5,526,662	5,800,951	6,093,977	6,405,847
Amortization Expense	203,281	219,441	236,521	249,436	247,218	264,318	282,838	301,292	319,954	339,594
Amortization on Disposal	7,962	8,087	8,281	8,495	9,036	8,928	8,549	8,266	8,084	8,222
Ending Accumulated Amortization	4,352,555	4,563,909	4,792,149	5,033,090	5,271,272	5,526,662	5,800,951	6,093,977	6,405,847	6,737,219
Net Book Value	9,851,426	10,050,985	10,241,464	10,428,028	10,625,810	10,815,492	10,995,654	11,166,362	11,327,408	11,478,814



5. Accumulated Surplus

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

Water	2025 Opening Accumulated Surplus
Reserve Balances	
Reserves: Development Charges	74,106
Reserves: Capital/Other	911,085
Total Reserves Balance	985,191
Less: Debt Obligations and Deferred Revenue	(74,106)
Add: Tangible Capital Assets	9,643,707
Total Opening Balance	10,554,792

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

6. Other Revenue

Other revenue includes revenues collected from fees, penalties, interest charges, water meter charges, and other miscellaneous 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.



Chapter 5

Process for Financial Plan Approval and Submission to the Province



5. Process for Financial Plan Approval and Submission to the Province

As mentioned in Section 1.2, preparation and approval of a financial plan for water assets that meets the requirements of the Act is mandatory for municipal water providers. Proof of the plan preparation and approval is a key submission requirement for municipal drinking water licensing and, upon completion, must be submitted to the MECP. The process established for plan approval, public circulation and filing is set out in O. Reg. 453/07 and can be summarized as follows:

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, subsection 3 (1), paragraph 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, subsection 3 (1), paragraph 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, subsection 3 (1), paragraph 6).
4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. subsection 32 (5), subparagraph 2 ii).



Chapter 6

Recommendations



6. Recommendations

This report presents the water financial plan for the Township of Lucan Biddulph 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 2024 Rate Study. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The Township of Lucan Biddulph Water Financial Plan prepared by Watson & Associates Economists Ltd. dated November 8, 2024 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Water Financial Plan dated November 8 2024 and the Water and Wastewater Rate Study dated November 8, 2024 underpinning the Financial Plan be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, subsection 3 (1), paragraph 6)
4. The Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation, and Parks satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. subsection 32 (5), subparagraph 2 ii).