



 **Watson  
& Associates**  
ECONOMISTS LTD.

# **Water Ontario Regulation 453/07 Financial Plans**

Township of Southgate

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Financial Plan #110-301A

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## List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
D.C.	Development Charge
F.I.R.	Financial Information Return
MECP	Ministry of the Environment, Conservation and Parks
MMAH	Ministry of Municipal Affairs and Housing
O. Reg.	Ontario Regulation
P.S.A.B.	Public Sector Accounting Board
S.D.W.A.	<i>Safe Drinking Water Act, 2002</i>
W.O.A.	<i>Water Opportunities Act, 2010</i>



# Report



# Chapter 1

## Introduction



# 1. Introduction

## 1.1 Study Purpose

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The Township of Southgate (Township) retained Watson & Associates Economists Ltd. (Watson) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water licence 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 regarding the Township's water system has already been completed and documented in the "2026 Water and Wastewater Rate Study Township of Southgate" dated January 14, 2026 (2026 Rate Study).

The objective of the report provided herein is to convert the findings of the 2026 Rate Study into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O. Reg. 453/07) and project the financial position over a ten-year forecast period.

## 1.2 Background

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The *Safe Drinking Water Act, 2002* (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. 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**

Subsection 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. 2017, c. 2, Sched. 11, s. 6 (3)

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

### **1.2.2 Financial Plan Requirements – Existing System**

O. Reg. 453/07 also provides details with regard to s.30 (1) part b of the S.D.W.A. 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 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 Public Section Accounting Board (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 Act, 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 2026 to 2035 forecast included in this financial plan meets that requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1) 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water licence renewal (i.e., six months prior to licence 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 PS 1201 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 PS 1201 and PS 3150. 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 PS 3150. 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

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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: Lifecycle 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 Water Opportunities Act, 2010

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Since the passage of the S.D.W.A., changes and refinements to the legislation have been introduced, including the *Water Opportunities Act, 2010* (W.O.A). The 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 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.

## 2.3 Infrastructure for Jobs and Prosperity Act (I.J.P.A.), 2015

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On June 4, 2015, the Province passed the *Infrastructure for Jobs and Prosperity Act, 2015* (I.J.P.A.) which, over time, will require municipalities to undertake and implement asset management plans for all the 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, including some prescribed measures; and
    - Lifecycle management strategies and associated costs to maintain current levels of service.
- Phase 2 – Asset Management Plan (by July 1, 2024):
  - Same steps 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
    - Financial strategy that supports achieving proposed levels of service.

In relation to water (which is considered a core asset), municipalities will need to have an asset management plan that addresses the related infrastructure by July 1, 2022 (Phase 1). O. Reg. 588/17 specifies that the Township's asset management plan 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 asset management plan.
- 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 need to be undertaken to maintain the current levels of service.

The Township has completed an Asset Management Plan (A.M.P.) for its core assets, including water 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 periods.

## **2.4 Water Forecast**

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The Township has already completed their financial planning through its 2026 Rate Study. The rate study process is designed to address “full cost” principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the ten-year forecasts contained in the 2026 Rate Study provide the basis for the financial plans for the Township's water system by including:

- 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 financial plans.

The details of the water financial plan arising from the 2026 Rate Study are contained in Appendix A.





# Chapter 3

## Approach



## 3. Approach

### 3.1 Overview

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The 2026 Rate Study, along with additional detailed information provided by Township Staff, has been used as a starting point to prepare the water financial plan. The water forecast is 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 plans along with the opening balances that will underpin the forecasts. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plans.

### 3.2 Conversion Process

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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 by the Township as part of their annual PS 3150 compliance processes. As required, for PS 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 and



any anticipated salvage value is recorded. 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 the forecast period.

Future water capital needs have also been determined and summarized by Township staff. 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 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***

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. 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 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
<b>Revenues</b>					<b>Revenues</b>
Base Charge Revenue	440,201			440,201	Base Charge Revenue
Rate Based Revenue	602,006			602,006	Rate Based Revenue
Transfers from Reserves	215,471	215,471			
			215,471	215,471	Earned Development Charges, Gas Tax and Canada Community Building Fund Revenue
Other Revenue	38,000		6,063	44,063	Other Revenue
<b>Total Revenues</b>	<b>1,295,678</b>			<b>1,301,741</b>	<b>Total Revenues</b>
<b>Expenditures</b>					<b>Expenses</b>
Operating	682,564	-		682,564	Operating Expenses
Capital					
Transfers to Reserves	153,711		153,711		
Debt Repayment (Principal & Interest)	459,403		375,477	83,926	Interest on Debt
		284,367		284,367	Amortization
		-		-	Loss on Disposal of Tangible Capital Assets
<b>Total Expenditures</b>	<b>1,295,678</b>			<b>1,050,857</b>	<b>Total Expenses</b>
<b>Net Expenditures</b>	<b>-</b>			<b>250,884</b>	<b>Annual Surplus/(Deficit)</b>
Increase (decrease) in amounts to be recovered	-			898,034	Accumulated Surplus/(Deficit), beginning of year
<b>Change in Fund Balances</b>	<b>-</b>	<b>250,884</b>	<b>-</b>	<b>1,148,918</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>750,722</b>	<b>750,722</b>		

**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). 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 PS 1201.

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

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

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

The Statement of Change in Net Financial Assets/Debt is a 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, 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 2026	Adjustments		Full Accrual Budget 2026	Accrual Basis
		DR	CR		
<b>ASSETS</b>					<b>ASSETS</b>
<b>Financial Assets</b>					<b>Financial Assets</b>
Cash	835,666			835,666	Cash
Accounts Receivable	159,556			159,556	Accounts Receivable
<b>Total Financial Assets</b>	<b>995,222</b>			<b>995,222</b>	<b>Total Financial Assets</b>
<b>LIABILITIES</b>					<b>Liabilities</b>
Accounts Payable & Accrued Liabilities	274,927			274,927	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	5,443,990			5,443,990	Debt (Principal only)
Deferred Revenue	108,064			108,064	Deferred Revenue
<b>Total Liabilities</b>	<b>5,826,981</b>			<b>5,826,981</b>	<b>Total Liabilities</b>
<b>Net Assets/(Debt)</b>	<b>(4,831,759)</b>			<b>(4,831,759)</b>	<b>Net Financial Assets/(Debt)</b>
					<b>Non-Financial Assets</b>
		5,980,677	-	5,980,677	Tangible Capital Assets
				<b>5,980,677</b>	<b>Total Non-Financial Assets</b>
<b>Municipal Position</b>					
Water Reserves	612,231	612,231	-		
Development Charge Reserve Fund	108,064	108,064	-		
Amounts to be Recovered	(5,552,054)	-	5,552,054		
<b>Total Municipal Position</b>	<b>(4,831,759)</b>		1,148,918	<b>1,148,918</b>	<b>Accumulated Surplus/(Deficit), end of year</b>
<b>TOTAL ADJUSTMENTS</b>		<b>6,700,972</b>	<b>6,700,972</b>		

**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 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. It may not, however, 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.



- 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 capital asset listing provided.
- 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 minor miscellaneous revenues.





# Chapter 4

## Financial Plan



## 4. Financial Plan

### 4.1 Introduction

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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 document<sup>1</sup> and contains various estimates as detailed in the "Notes to the Financial Plan" section below.

### 4.2 Water Financial Plan

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

The Statement of Financial Position provides information that describes the assets, liabilities, and accumulated surplus of the Township's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that in 2026, the Township's water system will be in a net financial debt position of approximately \$4.8 million. The financial plan forecasts the Township's water system would be in a net debt position throughout the forecast period. This is due to the depletion of reserves and anticipated issuance of new debt to fund the capital program.

Another important indicator in 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 PS 3150 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.

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<sup>1</sup> 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. The 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 that the Township's tangible capital assets are expected to increase by approximately \$23.95 million over the forecast period. This indicates that the Township 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 at 81% in 2026 decreasing to 53% by 2035. As a result, annual surpluses are forecast to increase from approximately \$250,900 in 2026 to approximately \$1.74 million by 2035.

Deficits indicate that the Township is not currently contributing to water reserves at amounts equaling or exceeding amortization expenses each year. Amortization, which is a non-cash expense from a full accrual reporting standpoint, is included in operating expenses as shown in Table 4-2. 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 in the future.

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 adding approximately \$9.37 million to a 2026 accumulated surplus (at the beginning of the year) of approximately \$898,000 over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly made up of investments in tangible capital assets and reserve funds.

#### **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 doing so, explains the difference between the annual surplus/deficit and the change in net financial assets/debt for the period.

Table 4-3 indicates that throughout the forecast period, the forecasted tangible capital asset acquisitions exceed the forecasted annual surplus, resulting in decreases in the net financial debt balance. This is due to the significant capital assets anticipated to be constructed over the forecast and is further evidenced by the ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions, increasing from 0.15 in 2026 to 0.43 in 2035 (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-based 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 decrease from a surplus balance of approximately \$968,400 at the beginning of 2026 to a surplus balance of approximately \$430,700 by the end of 2035. 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  
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Financial Assets</b>											
Cash	1	835,666	384,458	497,876	621,420	1,044,474	516,729	363,122	377,769	405,235	430,739
Accounts Receivable	1	159,556	198,147	280,229	297,443	290,904	308,419	361,377	382,731	417,418	455,421
<b>Total Financial Assets</b>		<b>995,222</b>	<b>582,605</b>	<b>778,105</b>	<b>918,863</b>	<b>1,335,378</b>	<b>825,148</b>	<b>724,499</b>	<b>760,500</b>	<b>822,653</b>	<b>886,160</b>
<b>Liabilities</b>											
Accounts Payable & Accrued Liabilities	1	274,927	341,423	482,857	512,518	501,251	531,431	622,681	659,476	719,244	784,727
Debt (Principal only)	2	5,443,990	13,204,773	12,765,911	12,349,017	12,732,608	12,330,056	12,170,303	11,940,207	11,702,480	19,763,797
Deferred Revenue	3	108,064	108,772	-	-	3,315	94,009	818	24	2,409	433
<b>Total Liabilities</b>		<b>5,826,981</b>	<b>13,654,968</b>	<b>13,248,768</b>	<b>12,861,535</b>	<b>13,237,174</b>	<b>12,955,496</b>	<b>12,793,802</b>	<b>12,599,707</b>	<b>12,424,133</b>	<b>20,548,957</b>
<b>Net Financial Assets/(Debt)</b>		<b>(4,831,759)</b>	<b>(13,072,363)</b>	<b>(12,470,663)</b>	<b>(11,942,672)</b>	<b>(11,901,796)</b>	<b>(12,130,348)</b>	<b>(12,069,303)</b>	<b>(11,839,207)</b>	<b>(11,601,480)</b>	<b>(19,662,797)</b>
<b>Non-Financial Assets</b>											
Tangible Capital Assets	4	5,980,677	14,587,198	14,623,834	14,816,390	15,477,705	16,497,918	17,690,895	18,841,353	20,133,019	29,932,071
<b>Total Non-Financial Assets</b>		<b>5,980,677</b>	<b>14,587,198</b>	<b>14,623,834</b>	<b>14,816,390</b>	<b>15,477,705</b>	<b>16,497,918</b>	<b>17,690,895</b>	<b>18,841,353</b>	<b>20,133,019</b>	<b>29,932,071</b>
<b>Accumulated Surplus/(Deficit)</b>	5	<b>1,148,918</b>	<b>1,514,835</b>	<b>2,153,171</b>	<b>2,873,718</b>	<b>3,575,909</b>	<b>4,367,570</b>	<b>5,621,592</b>	<b>7,002,146</b>	<b>8,531,539</b>	<b>10,269,274</b>
<b>Financial Indicators</b>	<b>Total Change</b>										
1) Increase/(Decrease) in Net Financial Assets	(17,824,787)	(2,993,749)	(8,240,604)	601,700	527,991	40,876	(228,552)	61,045	230,096	237,727	(8,061,317)
2) Increase/(Decrease) in Tangible Capital Assets	27,196,027	3,244,633	8,606,521	36,636	192,556	661,315	1,020,213	1,192,977	1,150,458	1,291,666	9,799,052
3) Increase/(Decrease) in Accumulated Surplus	9,371,240	250,884	365,917	638,336	720,547	702,191	791,661	1,254,022	1,380,554	1,529,393	1,737,735



**Table 4-2**  
**Statement of Operations: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2026-2035**

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Water Revenue</b>											
Base Charge Revenue		440,201	476,061	518,625	568,683	627,102	661,736	701,021	744,956	793,541	846,777
Rate Based Revenue		602,006	648,563	703,218	766,519	839,666	879,810	925,215	975,881	1,031,809	1,092,998
Earned Development Charges Revenue	3	215,471	445,333	1,013,465	1,038,697	852,827	918,985	1,263,037	1,340,444	1,516,206	1,708,989
Other Revenue	6	44,063	40,410	43,224	45,522	50,926	45,976	46,299	47,701	49,100	50,499
<b>Total Revenues</b>		<b>1,301,741</b>	<b>1,610,367</b>	<b>2,278,532</b>	<b>2,419,421</b>	<b>2,370,521</b>	<b>2,506,507</b>	<b>2,935,572</b>	<b>3,108,982</b>	<b>3,390,656</b>	<b>3,699,263</b>
<b>Water Expenses</b>											
Operating Expenses	Sch. 4-1	682,564	703,000	724,200	812,000	768,400	791,500	815,100	839,600	940,000	991,794
Interest on Debt	2	83,926	198,971	514,632	502,430	493,245	508,559	492,427	499,286	505,929	518,786
Amortization	4	284,367	342,479	401,364	384,444	406,685	414,787	374,023	389,542	415,334	450,948
<b>Total Expenses</b>		<b>1,050,857</b>	<b>1,244,450</b>	<b>1,640,196</b>	<b>1,698,874</b>	<b>1,668,330</b>	<b>1,714,846</b>	<b>1,681,550</b>	<b>1,728,428</b>	<b>1,861,263</b>	<b>1,961,528</b>
<b>Annual Surplus/(Deficit)</b>		<b>250,884</b>	<b>365,917</b>	<b>638,336</b>	<b>720,547</b>	<b>702,191</b>	<b>791,661</b>	<b>1,254,022</b>	<b>1,380,554</b>	<b>1,529,393</b>	<b>1,737,735</b>
Accumulated Surplus/(Deficit), beginning of year	5	898,034	1,148,918	1,514,835	2,153,171	2,873,718	3,575,909	4,367,570	5,621,592	7,002,146	8,531,539
Accumulated Surplus/(Deficit), end of year		1,148,918	1,514,835	2,153,171	2,873,718	3,575,909	4,367,570	5,621,592	7,002,146	8,531,539	10,269,274
<b>Note 5:</b>											
<b>Accumulated Surplus/(Deficit) Reconciliation:</b>		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Reserve Balances</b>											
Reserves: Development Charges		108,064	108,772	-	-	3,315	94,009	818	24	2,409	433
Reserves: Capital/Other		612,231	132,410	295,248	406,345	830,812	199,708	101,000	101,000	101,000	101,000
<b>Total Reserves Balance</b>		<b>720,295</b>	<b>241,182</b>	<b>295,248</b>	<b>406,345</b>	<b>834,127</b>	<b>293,717</b>	<b>101,818</b>	<b>101,024</b>	<b>103,409</b>	<b>101,433</b>
Less: Debt Obligations and Deferred Revenue		(5,552,054)	(13,313,545)	(12,765,911)	(12,349,017)	(12,735,923)	(12,424,065)	(12,171,121)	(11,940,231)	(11,704,889)	(19,764,230)
Add: Tangible Capital Assets	4	5,980,677	14,587,198	14,623,834	14,816,390	15,477,705	16,497,918	17,690,895	18,841,353	20,133,019	29,932,071
<b>Total Ending Balance</b>		<b>1,148,918</b>	<b>1,514,835</b>	<b>2,153,171</b>	<b>2,873,718</b>	<b>3,575,909</b>	<b>4,367,570</b>	<b>5,621,592</b>	<b>7,002,146</b>	<b>8,531,539</b>	<b>10,269,274</b>
<b>Financial Indicators</b>	<b>Total Change</b>	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1) Expense to Revenue Ratio		81%	77%	72%	70%	70%	68%	57%	56%	55%	53%
2) Increase/(Decrease) in Accumulated Surplus	9,371,240	250,884	365,917	638,336	720,547	702,191	791,661	1,254,022	1,380,554	1,529,393	1,737,735



Schedule 4-1  
Statement of Operating Expenses: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Operating Expenses</b>											
Admin		198,674	204,600	210,700	217,000	223,500	230,200	237,100	244,200	251,500	259,000
Unit #322		7,000	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,700	9,000
Lead Testing		13,770	14,200	14,600	15,000	15,500	16,000	16,500	17,000	17,500	18,000
Scada System		33,000	34,000	35,000	36,100	37,200	38,300	39,400	40,600	41,800	43,100
Meters		31,720	32,700	33,700	34,700	35,700	36,800	37,900	39,000	40,200	41,400
Hydrants		18,200	18,700	19,300	19,900	20,500	21,100	21,700	22,400	23,100	23,800
Watermain		25,900	26,700	27,500	28,300	29,100	30,000	30,900	31,800	32,800	33,800
Water Service		28,200	29,000	29,900	30,800	31,700	32,700	33,700	34,700	35,700	36,800
Well #4		96,750	99,700	102,700	105,800	109,000	112,300	115,700	119,200	122,800	126,500
Well #3		115,900	119,400	123,000	126,700	130,500	134,400	138,400	142,600	146,900	151,300
DWQMS		4,900	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600
Training		20,500	21,100	21,700	22,400	23,100	23,800	24,500	25,200	26,000	26,800
Standby		18,500	19,100	19,700	20,300	20,900	21,500	22,100	22,800	23,500	24,200
Well #5		66,550	68,500	70,600	72,700	74,900	77,100	79,400	81,800	84,300	86,800
Water Tower		3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900
Well # D6		-	-	-	-	-	-	-	-	-	100,794
Non TCA - Expenses from Capital Budget	7	-	-	-	66,000	-	-	-	-	75,000	-
<b>TOTAL OPERATING EXPENSES</b>		<b>682,564</b>	<b>703,000</b>	<b>724,200</b>	<b>812,000</b>	<b>768,400</b>	<b>791,500</b>	<b>815,100</b>	<b>839,600</b>	<b>940,000</b>	<b>991,794</b>

Table 4-3  
Statement of Changes in Net Financial Assets/Debt: Water Services  
UNAUDITED: For Financial Planning Purposes Only  
2026-2035

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual Surplus/(Deficit)		250,884	365,917	638,336	720,547	702,191	791,661	1,254,022	1,380,554	1,529,393	1,737,735
Less: Acquisition of Tangible Capital Assets	4	(3,529,000)	(8,949,000)	(438,000)	(577,000)	(1,068,000)	(1,435,000)	(1,567,000)	(1,540,000)	(1,707,000)	(10,250,000)
Add: Amortization of Tangible Capital Assets	4	284,367	342,479	401,364	384,444	406,685	414,787	374,023	389,542	415,334	450,948
Sub-Total		(3,244,633)	(8,606,521)	(36,636)	(192,556)	(661,315)	(1,020,213)	(1,192,977)	(1,150,458)	(1,291,666)	(9,799,052)
<b>Increase/(Decrease) in Net Financial Assets/(Net Debt)</b>		<b>(2,993,749)</b>	<b>(8,240,604)</b>	<b>601,700</b>	<b>527,991</b>	<b>40,876</b>	<b>(228,552)</b>	<b>61,045</b>	<b>230,096</b>	<b>237,727</b>	<b>(8,061,317)</b>
Net Financial Assets/(Net Debt), beginning of year		(1,838,010)	(4,831,759)	(13,072,363)	(12,470,663)	(11,942,672)	(11,901,796)	(12,130,348)	(12,069,303)	(11,839,207)	(11,601,480)
<b>Net Financial Assets/(Net Debt), end of year</b>		<b>(4,831,759)</b>	<b>(13,072,363)</b>	<b>(12,470,663)</b>	<b>(11,942,672)</b>	<b>(11,901,796)</b>	<b>(12,130,348)</b>	<b>(12,069,303)</b>	<b>(11,839,207)</b>	<b>(11,601,480)</b>	<b>(19,662,797)</b>
<b>Financial Indicators</b>		<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>
1) Acquisition of Tangible Capital Assets (Cumulative)		3,529,000	12,478,000	12,916,000	13,493,000	14,561,000	15,996,000	17,563,000	19,103,000	20,810,000	31,060,000
2) Annual Surplus/Deficit before Amortization (Cumulative)		535,251	1,243,647	2,283,347	3,388,338	4,497,214	5,703,662	7,331,707	9,101,803	11,046,530	13,235,213
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		0.15	0.10	0.18	0.25	0.31	0.36	0.42	0.48	0.53	0.43



**Table 4-4**  
**Statement of Cash Flow – Indirect Method: Water Services**  
**UNAUDITED: For Financial Planning Purposes Only**  
**2026-2035**

	Notes	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Operating Transactions</b>											
Annual Surplus/Deficit		250,884	365,917	638,336	720,547	702,191	791,661	1,254,022	1,380,554	1,529,393	1,737,735
Add: Amortization of TCA's	4	284,367	342,479	401,364	384,444	406,685	414,787	374,023	389,542	415,334	450,948
Less: Earned Deferred Revenue	3	(215,471)	(445,333)	(1,013,465)	(1,038,697)	(852,827)	(918,985)	(1,263,037)	(1,340,444)	(1,516,206)	(1,708,989)
Add: Deferred Revenue Proceeds		323,535	446,042	904,693	1,038,697	856,143	1,009,678	1,169,846	1,339,651	1,518,590	1,707,013
Change in A/R (Increase)/Decrease		(6,198)	(38,592)	(82,083)	(17,214)	6,538	(17,514)	(52,957)	(21,356)	(34,686)	(38,003)
Change in A/P Increase/(Decrease)		10,679	66,496	141,434	29,661	(11,267)	30,180	91,250	36,795	59,768	65,483
Less: Interest Proceeds		(6,062)	(1,311)	(2,923)	(4,023)	(8,226)	(1,977)	(1,000)	(1,000)	(1,000)	(1,000)
Cash Provided by Operating Transactions		641,734	735,698	987,356	1,113,415	1,099,237	1,307,830	1,572,147	1,783,742	1,971,193	2,213,187
<b>Capital Transactions</b>											
Less: Cash Used to acquire Tangible Capital Assets	4	(3,529,000)	(8,949,000)	(438,000)	(577,000)	(1,068,000)	(1,435,000)	(1,567,000)	(1,540,000)	(1,707,000)	(10,250,000)
Cash Applied to Capital Transactions		(3,529,000)	(8,949,000)	(438,000)	(577,000)	(1,068,000)	(1,435,000)	(1,567,000)	(1,540,000)	(1,707,000)	(10,250,000)
<b>Investing Transactions</b>											
Proceeds from Investments		6,062	1,311	2,923	4,023	8,226	1,977	1,000	1,000	1,000	1,000
Cash Provided by (applied to) Investing Transactions		6,062	1,311	2,923	4,023	8,226	1,977	1,000	1,000	1,000	1,000
<b>Financing Transactions</b>											
Proceeds from Debt Issue	2	3,123,900	8,251,076	342,900	402,300	899,100	163,800	766,783	811,004	1,019,404	9,540,286
Less: Debt Repayment (Principal only)	2	(375,477)	(490,293)	(781,761)	(819,194)	(515,509)	(566,352)	(926,537)	(1,041,099)	(1,257,131)	(1,478,969)
Cash Applied to Financing Transactions		2,748,423	7,760,783	(438,861)	(416,894)	383,591	(402,552)	(159,754)	(230,095)	(237,727)	8,061,317
Increase in Cash and Cash Equivalents		(132,781)	(451,208)	113,418	123,544	423,054	(527,745)	(153,607)	14,647	27,466	25,504
Cash and Cash Equivalents, beginning of year	1	968,447	835,666	384,458	497,876	621,420	1,044,474	516,729	363,122	377,769	405,235
Cash and Cash Equivalents, end of year	1	835,666	384,458	497,876	621,420	1,044,474	516,729	363,122	377,769	405,235	430,739





## 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 are cash received from revenues, cash paid for operating expenses and finance charges.
- B. Investing transactions that are acquisitions and disposal of investments.
- C. Changes 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*

For the Township, receivable and payable balances were estimated for each year of the forecast based on the following factors:

- a) Receivables: Based on historical levels of Township-wide receivables as a percentage of annual revenue earned (as per the 2021 to 2023 Financial Information Returns (F.I.R.s)); and
- b) Payables: Based on historical levels of Township-wide payables as a percentage of annual expenses incurred by the Township (as per the 2021 to 2023 F.I.R.s).

## 2. Debt

Outstanding water related debt anticipated at the beginning of 2026, is forecasted to be approximately \$2.7 million. Additionally, an internal loan from the wastewater D.C. reserve fund to the water D.C. reserve fund was required in 2025, in the amount of approximately \$1.5 million. Throughout the forecast, additional debt proceeds are anticipated as well as additional loans from the wastewater D.C. reserve fund to the water D.C. reserve fund. Estimated principal repayments over the forecast period are scheduled as follows, including the repayment of funds to the wastewater D.C. reserve for the internal loans:



Year	Principal Payments
2026	375,477
2027	490,293
2028	781,761
2029	819,194
2030	515,509
2031	566,352
2032	926,537
2033	1,041,099
2034	1,257,131
2035	1,478,969
<b>Total</b>	<b>\$8,252,322</b>

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 for the Township 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. Facility Assets;
  - ii. Machinery Equipment, and Vehicles;
  - iii. Distribution Assets (watermains, etc.);
  - iv. Water Meters; and
  - v. Hydrants.
- Amortization is calculated based on the straight-line approach on a daily basis, beginning the day after an asset is emplaced.
- Write-offs are assumed to equal \$0 for each year in the forecast period.



- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced. To calculate the value of each asset disposal, the replacement value (of each new asset that has been identified as a “replacement”) has been deflated (by weighted average useful life for all assets on hand in the respective asset category) to an estimated historical cost. This figure was used to calculate disposals only. Future assets are disposed of when fully amortized.
- Gains/losses on disposal for all assets except vehicles are assumed to be \$0 (it is assumed that historical cost is equal to accumulated amortization for all disposals). For vehicles, gains/losses on disposal have been estimated based on the anticipated trade-in values in the year of disposal.
- 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 or 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 as follows:

Asset Historical Cost	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Opening Tangible Capital Asset Balance	17,496,849	20,992,927	29,899,870	30,303,203	30,763,789	31,787,425	33,137,461	34,537,659	35,959,099	37,428,530
Acquisitions	3,529,000	8,949,000	438,000	577,000	1,068,000	1,435,000	1,567,000	1,540,000	1,707,000	10,250,000
Disposals	32,922	42,057	34,667	116,414	44,364	84,964	166,802	118,560	237,569	118,509
<b>Closing Tangible Capital Asset Balance</b>	<b>20,992,927</b>	<b>29,899,870</b>	<b>30,303,203</b>	<b>30,763,789</b>	<b>31,787,425</b>	<b>33,137,461</b>	<b>34,537,659</b>	<b>35,959,099</b>	<b>37,428,530</b>	<b>47,560,021</b>
Opening Accumulated Amortization	14,760,805	15,012,250	15,312,672	15,679,369	15,947,399	16,309,720	16,639,543	16,846,764	17,117,746	17,295,511
Amortization Expense	284,367	342,479	401,364	384,444	406,685	414,787	374,023	389,542	415,334	450,948
Amortization on Disposal	32,922	42,057	34,667	116,414	44,364	84,964	166,802	118,560	237,569	118,509
<b>Ending Accumulated Amortization</b>	<b>15,012,250</b>	<b>15,312,672</b>	<b>15,679,369</b>	<b>15,947,399</b>	<b>16,309,720</b>	<b>16,639,543</b>	<b>16,846,764</b>	<b>17,117,746</b>	<b>17,295,511</b>	<b>17,627,950</b>
<b>Net Book Value</b>	<b>5,980,677</b>	<b>14,587,198</b>	<b>14,623,834</b>	<b>14,816,390</b>	<b>15,477,705</b>	<b>16,497,918</b>	<b>17,690,895</b>	<b>18,841,353</b>	<b>20,133,019</b>	<b>29,932,071</b>



## 5. Accumulated Surplus

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

Water	2026 Opening Accumulated Surplus
<b>Reserve Balances</b>	
Reserves: Capital/Other	857,557
<b>Total Reserves Balance</b>	<b>857,557</b>
Less: Debt Obligations and Deferred Revenue	(2,695,567)
Add: Tangible Capital Assets	2,736,044
<b>Total Opening Balance</b>	<b>898,034</b>

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

## 6. Other Revenue

Other revenue includes bulk sale of water, sale of water meters, late payment 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, 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 Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. section 32 (5) 2. ii.).





# Chapter 6

## Recommendations



## 6. Recommendations

This report presents the water financial plan for the Township of Southgate 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 for water, 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 Township's 2026 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 Southgate Water Financial Plan prepared by Watson & Associates Economists Ltd. dated January 15, 2026, be approved.
2. Notice of availability of the Financial Plan be advertised.
3. The Financial Plan, dated January 15, 2026, be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, Section 3 (1) 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. Section 32 (5) 2 ii)).

# Appendix A

## Water and Wastewater 2026 Rate Study Summary Tables for Water Services

Table A-1  
Township of Southgate  
Water Capital Budget Forecast (uninflated \$)

Description	Total	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Capital Expenditures</b>											
<b>Non-Growth Related:</b>	-										
Equipment	202,000	9,000		5,000	111,000			77,000			
Hydrants	161,000				6,000	12,000	6,000		19,000	112,000	6,000
AMP Backlog	472,000	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200
Gold St WM Upgrade to 6"	-										
PLCs for Wells (3) - Hardware/Software	-										
Young Street (Main to Victoria)	302,000		302,000								
Gold Street	616,250						123,250	123,250	123,250	123,250	123,250
Hagan Street (West End to Young Street)	453,125						90,625	90,625	90,625	90,625	90,625
Proton Street (Grey Street to Main Street)	815,625						163,125	163,125	163,125	163,125	163,125
Proton Street (Main Street to Victoria Street)	181,250						36,250	36,250	36,250	36,250	36,250
Alice Street	181,250						36,250	36,250	36,250	36,250	36,250
Artemesia Street (Owen Sound Street to Main Street)	271,875						54,375	54,375	54,375	54,375	54,375
Toronto Street (Proton Street to Artemesia Street)	217,500						43,500	43,500	43,500	43,500	43,500
Grey Street	996,875						199,375	199,375	199,375	199,375	199,375
Holland Street	163,125						32,625	32,625	32,625	32,625	32,625
<b>Growth Related:</b>	-										
Well D3 High Lift Pumping Upgrades	428,000	428,000									
Water Meter Readings Collection Tower	35,000	35,000									
New Well D6 construction	6,424,603										6,424,603
Main Street (Young Street to Ida Street)	2,906,750	2,906,750									
Hwy #10 Watermain Looping (1.2km- Flato East - Eco 2)	2,081,571		2,081,571								
Bradley Street (Highpoint Street to East end of Bradley)	507,500		507,500								
Osprey Street (Victoria Street to Main Street), Osprey Street (Main Street to Grey Street), Grey Street (Osprey to Bradley), and Bradley Street (White Rose Subdivision to Grey)	4,530,000		4,530,000								
Main Street East (Sinclair Street to Highway 10) (220m-Oversizing to 300mm)	1,045,000			348,333	348,333	348,333					
Grey County Rail Trail (Hagan Street to Eco Parkway)(920m)	968,000		968,000								
Bell-Hagan-Gold Loop	513,000					513,000					
Owen Sound Street	1,848,750						369,750	369,750	369,750	369,750	369,750
Water Collection System Review (5-year Cycle)	116,145				58,405					57,739	
<b>Total Capital Expenditures</b>	<b>26,438,194</b>	<b>3,425,950</b>	<b>8,436,271</b>	<b>400,533</b>	<b>570,939</b>	<b>920,533</b>	<b>1,202,325</b>	<b>1,273,325</b>	<b>1,215,325</b>	<b>1,366,064</b>	<b>7,626,928</b>



**Table A-2**  
**Township of Southgate**  
**Water Capital Budget Forecast and Recommended Capital Financing (inflated \$)**

Description	Total	Forecast									
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Capital Expenditures</b>											
<b>Non-Growth Related:</b>	-	-	-	-	-	-	-	-	-	-	-
Equipment	234,000	9,000	-	5,000	125,000	-	-	95,000	-	-	-
Hydrants	206,000	-	-	-	7,000	14,000	7,000	-	24,000	146,000	8,000
AMP Backlog	558,000	49,000	50,000	52,000	53,000	55,000	56,000	58,000	60,000	62,000	63,000
Young Street (Main to Victoria)	320,000	-	320,000	-	-	-	-	-	-	-	-
Gold Street	782,000	-	-	-	-	-	147,000	152,000	156,000	161,000	166,000
Hagan Street (West End to Young Street)	574,000	-	-	-	-	-	108,000	111,000	115,000	118,000	122,000
Proton Street (Grey Street to Main Street)	1,035,000	-	-	-	-	-	195,000	201,000	207,000	213,000	219,000
Proton Street (Main Street to Victoria Street)	230,000	-	-	-	-	-	43,000	45,000	46,000	47,000	49,000
Alice Street	230,000	-	-	-	-	-	43,000	45,000	46,000	47,000	49,000
Artemesia Street (Owen Sound Street to Main Street)	345,000	-	-	-	-	-	65,000	67,000	69,000	71,000	73,000
Toronto Street (Proton Street to Artemesia Street)	275,000	-	-	-	-	-	52,000	53,000	55,000	57,000	58,000
Grey Street	1,264,000	-	-	-	-	-	238,000	245,000	253,000	260,000	268,000
Holland Street	207,000	-	-	-	-	-	39,000	40,000	41,000	43,000	44,000
<b>Growth Related:</b>	-	-	-	-	-	-	-	-	-	-	-
Well D3 High Lift Pumping Upgrades	441,000	441,000	-	-	-	-	-	-	-	-	-
Water Meter Readings Collection Tower	36,000	36,000	-	-	-	-	-	-	-	-	-
New Well D6 construction	8,634,000	-	-	-	-	-	-	-	-	-	8,634,000
Main Street (Young Street to Ida Street)	2,994,000	2,994,000	-	-	-	-	-	-	-	-	-
Hwy #10 Watermain Looping (1.2km- Flato East - Eco 2)	2,208,000	-	2,208,000	-	-	-	-	-	-	-	-
Bradley Street (Highpoint Street to East end of Bradley)	538,000	-	538,000	-	-	-	-	-	-	-	-
Osprey Street (Victoria Street to Main Street), Osprey Street (Main Street to Grey Street), Grey Street (Osprey to Bradley), and Bradley Street (White Rose Subdivision to Grey)	4,806,000	-	4,806,000	-	-	-	-	-	-	-	-
Main Street East (Sinclair Street to Highway 10) (220m-Oversizing to 300mm)	1,177,000	-	-	381,000	392,000	404,000	-	-	-	-	-
Grey County Rail Trail (Hagan Street to Eco Parkway)(920m)	1,027,000	-	1,027,000	-	-	-	-	-	-	-	-
Bell-Hagan-Gold Loop	595,000	-	-	-	-	595,000	-	-	-	-	-
Owen Sound Street	2,344,000	-	-	-	-	-	442,000	455,000	468,000	482,000	497,000
Water Collection System Review (5-year Cycle)	141,000	-	-	-	66,000	-	-	-	-	75,000	-
<b>Total Capital Expenditures</b>	<b>31,201,000</b>	<b>3,529,000</b>	<b>8,949,000</b>	<b>438,000</b>	<b>643,000</b>	<b>1,068,000</b>	<b>1,435,000</b>	<b>1,567,000</b>	<b>1,540,000</b>	<b>1,782,000</b>	<b>10,250,000</b>
<b>Capital Financing</b>											
Provincial/Federal Grants	-	-	-	-	-	-	-	-	-	-	-
Development Charges Reserve Fund	-	-	-	-	-	-	-	-	-	-	-
Non-Growth Related Debenture Requirements	3,272,344	-	529,976	-	-	-	-	598,165	637,569	784,531	722,103
Growth Related Debenture Requirements	22,048,209	3,123,900	7,721,100	342,900	402,300	899,100	163,800	168,618	173,435	234,874	8,818,182
Water Reserve	5,880,447	405,100	697,924	95,100	240,700	168,900	1,271,200	800,217	728,996	762,596	709,714
<b>Total Capital Financing</b>	<b>31,201,000</b>	<b>3,529,000</b>	<b>8,949,000</b>	<b>438,000</b>	<b>643,000</b>	<b>1,068,000</b>	<b>1,435,000</b>	<b>1,567,000</b>	<b>1,540,000</b>	<b>1,782,000</b>	<b>10,250,000</b>



Table A-3  
Township of Southgate  
Water Reserve Continuity (inflated \$)

Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Opening Balance	(1,095,857)	857,557	612,230	132,410	295,248	406,345	830,812	199,708	101,000	101,000	101,000
Transfer from Capital	1,865,806										
Transfer from Operating	175,118	153,711	216,792	255,015	347,774	585,141	638,119	700,509	727,996	761,596	708,714
Transfer to Capital	96,000	405,100	697,924	95,100	240,700	168,900	1,271,200	800,217	728,996	762,596	709,714
Transfer to Operating	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>849,067</b>	<b>606,169</b>	<b>131,099</b>	<b>292,325</b>	<b>402,322</b>	<b>822,586</b>	<b>197,731</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
Interest	8,491	6,062	1,311	2,923	4,023	8,226	1,977	1,000	1,000	1,000	1,000

Table A-4  
Township of Southgate  
Municipality-Wide Water Development Charges Reserve Fund Continuity (inflated \$)

Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Opening Balance	(1,437,624)	0	108,064	108,772	-	-	3,315	94,008	818	24	2,409
Development Charge Proceeds	157,380	322,465	444,965	574,516	711,451	856,110	1,008,747	1,169,838	1,339,651	1,518,566	1,707,009
Transfer From Operating (Loan from Wastewater DC Reserve Fund)	1,495,716	-	-	330,177	327,245	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-	-	-
Transfer to Operating	215,471	215,471	445,333	1,013,465	1,038,697	852,827	918,985	1,263,037	1,340,444	1,516,206	1,708,989
<b>Closing Balance</b>	<b>0</b>	<b>106,994</b>	<b>107,695</b>	<b>-</b>	<b>-</b>	<b>3,282</b>	<b>93,078</b>	<b>810</b>	<b>24</b>	<b>2,385</b>	<b>429</b>
Interest	0	1,070	1,077	-	-	33	931	8	0	24	4
Required from Development Charges	-	3,123,900	7,721,100	342,900	402,300	899,100	163,800	168,618	173,435	234,874	8,818,182



**Table A-6**  
**Township of Southgate**  
**Operating Budget Forecast – Water (inflated \$)**

Description	Forecast									
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Expenditures</b>										
<u>Operating Costs</u>	-	-	-	-	-	-	-	-	-	-
Admin	198,674	204,600	210,700	217,000	223,500	230,200	237,100	244,200	251,500	259,000
Unit #322	7,000	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,700	9,000
Lead Testing	13,770	14,200	14,600	15,000	15,500	16,000	16,500	17,000	17,500	18,000
Scada System	33,000	34,000	35,000	36,100	37,200	38,300	39,400	40,600	41,800	43,100
Meters	31,720	32,700	33,700	34,700	35,700	36,800	37,900	39,000	40,200	41,400
Hydrants	18,200	18,700	19,300	19,900	20,500	21,100	21,700	22,400	23,100	23,800
Watermain	25,900	26,700	27,500	28,300	29,100	30,000	30,900	31,800	32,800	33,800
Water Service	28,200	29,000	29,900	30,800	31,700	32,700	33,700	34,700	35,700	36,800
Well #4	96,750	99,700	102,700	105,800	109,000	112,300	115,700	119,200	122,800	126,500
Well #3	115,900	119,400	123,000	126,700	130,500	134,400	138,400	142,600	146,900	151,300
DWQMS	4,900	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600
Training	20,500	21,100	21,700	22,400	23,100	23,800	24,500	25,200	26,000	26,800
Standby	18,500	19,100	19,700	20,300	20,900	21,500	22,100	22,800	23,500	24,200
Well #5	66,550	68,500	70,600	72,700	74,900	77,100	79,400	81,800	84,300	86,800
Water Tower	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900
Well # D6	-	-	-	-	-	-	-	-	-	100,794
<b>Sub Total Operating</b>	<b>682,564</b>	<b>703,000</b>	<b>724,200</b>	<b>746,000</b>	<b>768,400</b>	<b>791,500</b>	<b>815,100</b>	<b>839,600</b>	<b>865,000</b>	<b>991,794</b>
<u>Capital-Related</u>										
Existing Debt (Principal) - Growth Related	197,400	202,066	206,843	211,732	-	-	-	-	-	-
Existing Debt (Interest) - Growth Related	18,071	13,405	8,628	3,739	-	-	-	-	-	-
New Growth Related Debt (Principal)	-	104,906	368,390	394,641	423,937	471,088	495,432	520,911	547,572	577,363
New Growth Related Debt (Interest)	-	124,956	429,604	428,584	428,891	447,897	435,606	422,533	408,634	396,126
Existing Debt (Principal) - Non-Growth Related	178,077	183,321	188,731	194,312	72,323	75,244	78,284	81,447	84,738	72,346
Existing Debt (Interest) - Non-Growth Related	65,855	60,611	55,201	49,620	44,607	41,686	38,646	35,483	32,192	28,769
New Non-Growth Related Debt (Principal)	-	-	17,798	18,509	19,250	20,020	20,821	41,741	64,821	93,760
New Non-Growth Related Debt (Interest)	-	-	21,199	20,487	19,747	18,977	18,176	41,270	65,103	93,891
Repayment of Loan to Wastewater D.C. Reserve Fund	-	-	-	-	-	-	332,000	397,000	560,000	735,500
Transfer to Capital Reserve	153,711	216,792	255,015	347,774	585,141	638,119	700,509	727,996	761,596	708,714
<b>Sub Total Capital Related</b>	<b>613,114</b>	<b>906,057</b>	<b>1,551,408</b>	<b>1,669,398</b>	<b>1,593,894</b>	<b>1,713,030</b>	<b>2,119,473</b>	<b>2,268,381</b>	<b>2,524,656</b>	<b>2,706,469</b>
<b>Total Expenditures</b>	<b>1,295,678</b>	<b>1,609,057</b>	<b>2,275,608</b>	<b>2,415,398</b>	<b>2,362,294</b>	<b>2,504,530</b>	<b>2,934,573</b>	<b>3,107,981</b>	<b>3,389,656</b>	<b>3,698,263</b>
<b>Revenues</b>										
Base Charge	440,201	476,061	518,625	568,683	627,102	661,736	701,021	744,956	793,541	846,777
Other Revenue	38,000	39,100	40,300	41,500	42,700	44,000	45,300	46,700	48,100	49,500
Contributions from Development Charges Reserve Fund	215,471	445,333	1,013,465	1,038,697	852,827	918,985	1,263,037	1,340,444	1,516,206	1,708,989
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>693,672</b>	<b>960,494</b>	<b>1,572,390</b>	<b>1,648,880</b>	<b>1,522,629</b>	<b>1,624,721</b>	<b>2,009,358</b>	<b>2,132,100</b>	<b>2,357,847</b>	<b>2,605,265</b>
<b>Water Billing Recovery - Operating</b>	<b>602,006</b>	<b>648,563</b>	<b>703,218</b>	<b>766,519</b>	<b>839,666</b>	<b>879,810</b>	<b>925,215</b>	<b>975,881</b>	<b>1,031,809</b>	<b>1,092,998</b>