

**LAMBTON AREA WATER SUPPLY
SYSTEM**

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

FINANCIAL PLAN # 020-301

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 **Planning for growth**

CONTENTS

	<u>Page</u>
1. INTRODUCTION	
1.1 Study Purpose	1-1
1.2 Background	1-1
1.2.1 Financial Plans Defined	1-2
1.2.2 Financial Plan Requirements – New System	1-2
1.2.3 Financial Plan Requirements – Existing System	1-3
1.2.4 Financial Plan Requirements – General	1-3
1.2.5 Public Sector Accounting Board (PSAB) Requirements	1-4
2. SUSTAINABLE FINANCIAL PLANNING	
2.1 Introduction	2-1
2.2 Sustainable Water and Sewage Systems Act	2-1
2.3 Water Opportunities Act, 2010 (Bill 72)	2-2
2.4 Water Forecast	2-2
3. APPROACH	
3.1 Overview	3-1
3.2 Conversion Process	3-1
3.2.1 Calculate Tangible Capital Asset Balances	3-1
3.2.2 Convert Statement of Operations	3-2
3.2.3 Convert Statement of Financial Position	3-2
3.2.4 Convert Statements of Cash Flow and Change in Net Financial Assets/Debt	3-5
3.2.5 Verification and Note Preparation	3-5
4. FINANCIAL PLAN	
4.1 Introduction	4-1
4.2 Water Financial Plan	4-1
4.2.1 Statement of Financial Position	4-1
4.2.2 Statement of Operations	4-2
4.2.3 Statement of Change in Net Assets/Debt	4-2
4.2.4 Statements of Change in Cash Flow	4-3
5. PROCESS FOR FINANCIAL PLAN APPROVAL AND SUBMISSION TO THE PROVINCE	5-1
6. RECOMMENDATIONS	6-1
 <u>APPENDICES</u>	
A 2014 WATER FORECAST – SUMMARY TABLES	A-1

1. INTRODUCTION

1. INTRODUCTION

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the Lambton Area Water Supply System (LAWSS) to prepare a water financial plan as part of the five submission requirements for the purposes of obtaining a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regards to the LAWSS's Water System has been completed and documented by Watson within the "Lambton Area Water Supply System Integrated Asset Management Plan for Water System, August 31, 2009". As part of this financial plan, the capital and operating forecasts have been updated (2014 Forecast). The objective of the report provided herein is to convert the findings of the 2014 Forecast into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O.Reg. 453/07).

1.2 Background

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

"No person shall,

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

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

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

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

1.2.1 Financial Plan Defined

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

"financial plans" means,

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

As of time of writing, the Sustainable Water and Sewage Systems Act, 2002 (SWSSA) cited above has been repealed (see Section 2.2 of this report) however, the standards that it directs underpin the specific requirements of s.30 (1) part b as they are outlined in O.Reg. 453/07 and which will be examined in detail below.

1.2.2 Financial Plan Requirements – New System

O.Reg. 453/07 provides the following parameters with regards to s.30 (1) part b of the SDWA for new water systems:

- Financial plans must be approved by resolution of the Governing Body indicating that the drinking water system is financially viable;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six year period (commencing when the system first serves the public);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a "Statement of Operations" as per Public Sector Accounting Board (PSAB)) for each year in which the financial plans apply;
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system.
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public, and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – Existing System

O.Reg. 453/07 also provides details with regards to s.30 (1) part b of the SDWA for existing water systems. The requirements for existing systems are summarized as follows:

- Financial plans must be approved by resolution of the Governing Body;
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six year period (commencing when the system first serves the public);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the PSAB) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per PSAB) for each year in which the financial plans apply; and
- gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the components of a “Statement of Cash Flow” as per PSAB) for each year in which the financial plans apply.
- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system.
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.4 Financial Plan Requirements - General

Given that the legislation falls under the SDWA, a financial plan is mandatory for water systems and encouraged for wastewater systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The financial plan is to be completed, approved and submitted at the time of licence renewal (i.e. six months prior to licence expiry). 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 document.

1.2.5 Public Sector Accounting Board (PSAB) Requirements

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

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

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

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

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

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

FIGURE 1-1 STATEMENT OF FINANCIAL POSITION

OLD FORMAT (PRE-2009)	NEW FORMAT
<p><u>Assets</u></p> <p>Financial Assets</p> <p style="padding-left: 20px;">Cash</p> <p style="padding-left: 20px;">Accounts Receivable</p> <p style="padding-left: 20px;">Investments</p> <p style="padding-left: 20px;">Inventory for resale</p> <p style="padding-left: 20px;">Other Assets</p> <hr/> <p>Total Financial Assets</p> <hr/> <p><u>Non-Financial Assets</u></p> <p style="padding-left: 20px;">Inventory of Supplies</p> <p style="padding-left: 20px;">Prepaid Expenses</p> <hr/> <p>Total Non-Financial Assets</p> <hr/> <p><u>Liabilities</u></p> <p>Accounts Payable & Accrued Liabilities</p> <p>Debt (Principal only)</p> <p>Other (DC Reserves-Deferred Revenue)</p> <hr/> <p>Total Liabilities</p> <hr/> <p>NET ASSETS</p> <hr/> <p><u>Municipal Position</u></p> <p>Fund Balances</p> <p style="padding-left: 20px;">Current Fund</p> <p style="padding-left: 20px;">Capital Fund</p> <p style="padding-left: 20px;">Reserves and Reserve Funds</p> <p>Accounts to be Recovered</p> <p style="padding-left: 20px;">From Future Revenues</p> <p style="padding-left: 20px;">From Reserves & Reserve Funds</p> <hr/> <p>TOTAL MUNICIPAL POSITION</p> <hr/>	<p><u>Financial Assets</u></p> <p>Cash</p> <p>Accounts Receivable</p> <p>Investments</p> <p>Inventory for resale</p> <p>Other Assets</p> <hr/> <p>Total Financial Assets</p> <hr/> <p><u>Liabilities</u></p> <p>Accounts Payable & Accrued Liabilities</p> <p>Debt (Principal only)</p> <p>Other (DC Reserves-Deferred Revenue)</p> <hr/> <p>Total Liabilities</p> <hr/> <p>NET FINANCIAL ASSETS/(DEBT)</p> <hr/> <p><u>Non-Financial Assets</u></p> <p>Tangible Capital Assets</p> <p>Inventory of Supplies</p> <p>Prepaid Expenses</p> <hr/> <p>Total Non-Financial Assets</p> <hr/> <p>ACCUMULATED SURPLUS/(DEFICIT)</p> <hr/>

FIGURE 1-2 STATEMENT OF OPERATIONS

OLD FORMAT (PRE-2009)

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

NEW FORMAT

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

FIGURE 1-3
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/DEBT

NEW STATEMENT

Annual Surplus/(Deficit)
Less: Acquisition of tangible capital assets
Add: Amortization of tangible capital assets
(Gain)/Loss on disposal of tangible capital assets
Add: Proceeds on sale of tangible capital assets
Add: Write-downs of tangible capital assets
Sub-total
Less: Acquisition of supplies inventory
Less: Acquisition of prepaid expenses
Add: Consumption of supplies inventory
Add: Use of prepaid expenses
Sub-total
(Increase)/Decrease in net financial assets/net debt
Net financial assets/(net debt), beginning of year
Net financial assets/(net debt), end of year

FIGURE 1-4 STATEMENT OF CASH FLOW¹

DIRECT METHOD	INDIRECT METHOD
<p><u>Operating Transactions</u> Cash received from: Water Operations Less: Cash paid for: Operating expenses Finance charges</p>	<p><u>Operating Transactions</u> Annual Surplus/(Deficit) Add: Amortization of Tangible Capital Assets Loss/(Gain) on sale of Tangible Capital Assets Decrease/(Increase) in Accounts Receivable Increase/(Decrease) in Accounts Payable Decrease/(Increase) in Inventories for sale Other items</p>
Cash provided by operating transactions	Cash provided by operating transactions
<p><u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>	<p><u>Capital Transactions</u> Proceeds on sale of tangible capital assets Less: Cash used to acquire tangible capital assets</p>
Cash applied to capital transactions	Cash applied to capital transactions
<p><u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments</p>	<p><u>Investing Transactions</u> Proceeds from investments Less: Cash used to acquire investments</p>
Cash provided by (applied to) investing transactions	Cash provided by (applied to) investing transactions
<p><u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (principal only)</p>	<p><u>Financing Transactions</u> Proceeds from debt issue Less: Debt repayment (principal only)</p>
Cash applied to financing transactions	Cash applied to financing transactions
Increase in cash and cash equivalents	Increase in cash and cash equivalents
Cash and cash equivalents, beginning of year	Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year	Cash and cash equivalents, end of year

¹ The statement of cash flow can be prepared using either the direct or indirect methods. The indirect method derives cash flow by making adjustments to the net surplus/deficit reported on the statement of operations. The direct method calculates cash flow identifying the direct sources and uses of cash.

2. SUSTAINABLE FINANCIAL PLANNING

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2.1 Introduction

In general, sustainability refers to the ability to maintain a certain position over time. While the SDWA requires a declaration of the financial plan's sustainability, it does not give a clear definition of what would be considered sustainable. Instead, the Ministry of the Environment released a guideline ("Towards Financially Sustainable Drinking-Water and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water and Wastewater Services are provided below:

- Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system(s) to which they relate.
- Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
- Principle #3: Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
- Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.
- Principle #5: An asset management plan is a key input to the development of a financial plan.
- Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.
- Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.
- Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.
- Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and members of the Governing Body.

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (SWSSA) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the "full cost" of providing their water and the 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 (Bill 72)

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

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

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

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

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

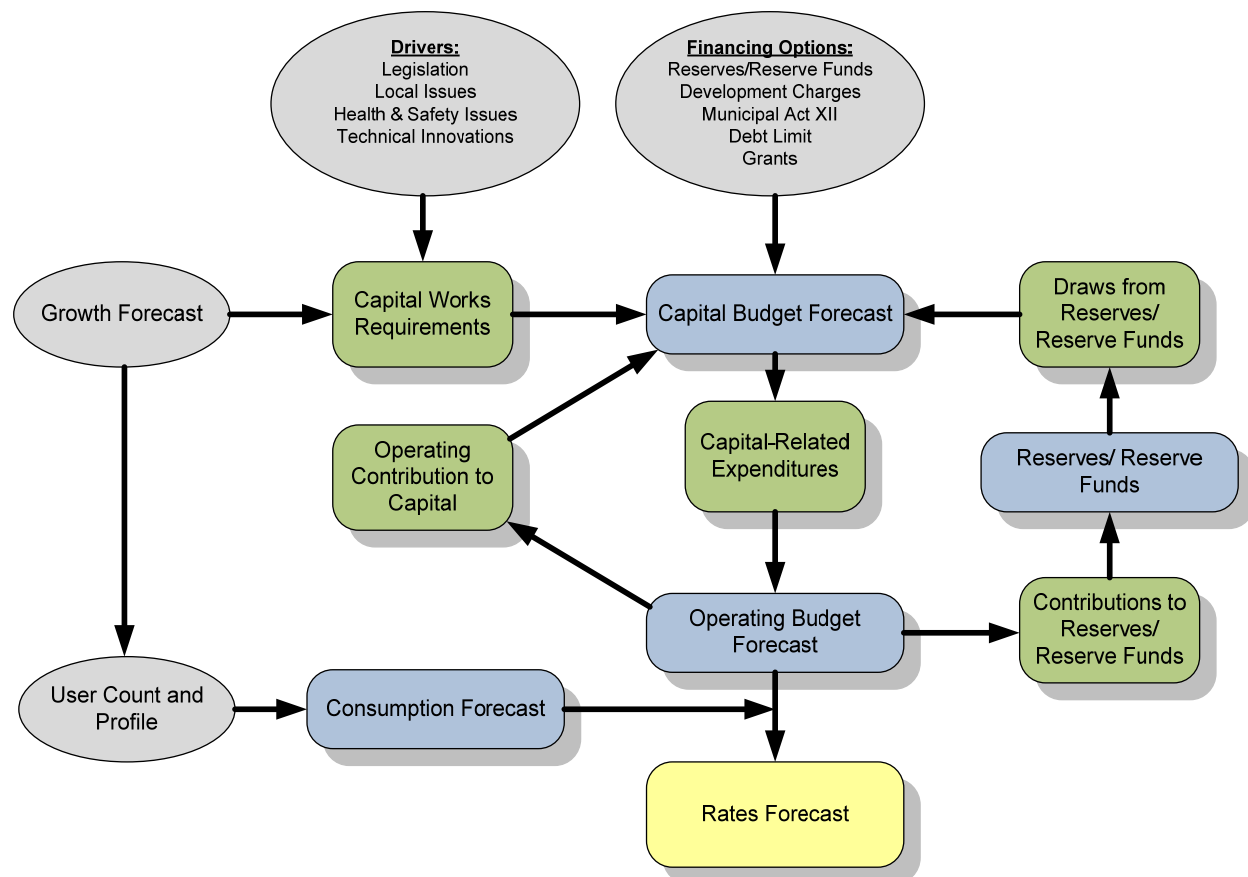
Regulations (still forthcoming) will prescribe details in regard to any time periods or time limits, contents of the plans, identifying which portions of the plan will require certification, the public consultation process (if required), limitations updates and refinements.

2.4 Water Forecast

As noted above, Watson had completed extensive financial planning as documented in 2009 the “Lambton Area Water Supply System Integrated Asset Management Plan for Water System and subsequently updated the capital and operating forecasts for the 2014 Forecast. The study process was designed to address the “full cost” principles within SWSSA and does so in a

manner that also reflects the guiding principles toward sustainable financial planning. Below, Figure 2-1 summarizes the process.

**FIGURE 2-1
WATER RATE CALCULATION PROCESS**



As a result of employing this process, the 2009 Plan provides a sound financial plan for the LAWSS's water system by providing:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources (*Principles 2, 4, 5, 6, 9*);
- An analysis of fixed and variable operating costs in order to determine how they will be impacted by evolving infrastructure needs and system growth (*Principles 2, 3, 6, 7, 9*);
- A review and recommendation on rate structures that ensure revenues are equitable and sufficient to meet system needs (*Principles 2, 3, 6, 7, 9*); and
- A public process that involves ongoing consultation with the main stakeholders including LAWSS staff, Board, the general public (specifically the users of the system) and others with the aim of gaining input and collaboration on the sustainability of the financial plan (*Principles 1, 9*).

The details of the financial plan arising from the 2014 Forecast are contained in Appendix A. It is recommended that the rate study portion of the 2009 Plan be updated in the near future.

Current Debt Obligation

LAWSS's current debt obligation is expected to be paid off by 2017. As was shown in the 2009 Asset Management Study. The Budget room created in 2018 and onward has resulted in increases in contributions to capital reserves.

Twinning Project

Through discussions with staff, it was identified that the transmission main twinning project should be shown in the financial plan as a capital project to be undertaken from 2020 to 2022 for an estimated cost of \$44 million. Currently this project is shown as being financed by two-thirds (2/3) grant funding and one-third (1/3) by reserve funding. Removing this project from the forecast would have the impact of increasing reserve balances by approximately \$14.6 million, by the end of the forecast period.

3. APPROACH

3. APPROACH

3.1 Overview

The 2014 Forecast has been prepared on a modified cash basis; therefore a conversion was required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan 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 tangible capital assets, an inventory has already been compiled and reported in the annual Financial Statements of LAWSS as part of the effort to become compliant with PSAB 3150. With these initial asset values, the following calculations have been made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for the 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 within the 2014 Forecast. However, these estimates only represent future assets that LAWSS anticipates purchasing or constructing without consideration for assets that are contributed by developers and other parties (at no or partial cost to LAWSS). These contributed assets could form a significant part of the infrastructure going forward in terms of the sustainability of the system as a whole and despite their non-monetary nature; the financial plan may need to be adjusted in order to properly account for these transactions. Once the sequence and total asset acquisition

has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner as that used for existing assets.

Once the historical cost, accumulated amortization, and amortization expenses are calculated as described above, the total net book value of the tangible capital assets can be determined and recorded on the projected Statement of Financial Position.

3.2.2 Convert Statement of Operations

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

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

3.2.3 Convert Statement of Financial Position

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

FIGURE 3-1
Lambton Area Water Supply System
Conversion Adjustments
Statement of Operations (Water)

Modified Cash Basis	Budget		Adjustments		Full Accrual Budget 2014	Accrual Basis
	2014		DR	CR		
Revenues						Revenues
Rate Based Revenue	12,184,980				12,184,980	Rate Based Revenue
Transfers from Reserves	-		-			
Other Revenue	138,000			-	138,000	Other Revenue
Total Revenues	12,322,980				12,322,980	Total Revenues
Expenditures						Expenses
Operating Capital	4,659,196		515,000		5,174,196	Operating Expenses
Transfers to Reserves	4,247,713			4,247,713		
Transfers to Capital	-			-		
Debt Repayment (Principal & Interest)	3,416,071		1,844,049	2,593,000	823,071	Interest on Debt
					1,844,049	Amortization
					-	Loss on Disposal of Tangible Capital Assets
Total Expenditures	12,322,980				7,841,316	Total Expenses
Net Expenditures						Annual Surplus/(Deficit)
Increase (decrease) in amounts to be recovered	-					Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances			4,481,664		86,013,652	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS			6,840,713	6,840,713		

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

FIGURE 3-2
Lambton Area Water Supply System
Conversion Adjustments
Statement of Financial Position (Water)

Modified Cash Basis	Budget 2014	Adjustments		Full Accrual Budget 2014	Accrual Basis
		DR	CR		
ASSETS					ASSETS
Financial Assets					Financial Assets
Cash	5,990,860			5,990,860	Cash
Accounts Receivable	418,816			418,816	Accounts Receivable
Total Financial Assets	6,409,676			6,409,676	Total Financial Assets
LIABILITIES					LIABILITIES
Accounts Payable & Accrued Liabilities	193,024			193,024	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	9,070,000			9,070,000	Debt (Principal only)
Deferred Revenue	-			-	Deferred Revenue
Other	-			-	Other
Total Liabilities	9,263,024			9,263,024	Total Liabilities
Net Assets/(Debt)	(2,853,348)			(2,853,348)	Net Financial Assets/(Debt)
		89,382,000	515,000	88,867,000	Non-Financial Assets
		-		-	Tangible Capital Assets
		-		-	Inventory of Supplies
					Prepaid Expenses
				88,867,000	Total Non-Financial Assets
Municipal Position					
Water Reserves	6,216,652	6,216,652	-		
Gas Tax Reserve Fund	-	-	-		
Development Charge Reserve Fund	-	-	-		
Amounts to be Recovered	(9,070,000)	-	9,070,000		
Total Municipal Position	(2,853,348)		86,013,652	86,013,652	Accumulated Surplus/(Deficit), end of year
TOTAL ADJUSTMENTS		95,598,652	95,598,652		

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

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

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

The Statement of Change in Net Financial Assets/Debt is a new statement which reconciles the difference between the surplus or deficit from current operations and the change in net financial assets/debt for the year. This is significant as net debt provides an indication of future revenue requirements. In order to complete the Statement of Net Financial Assets/Debt, additional information regarding any gains/losses on disposals of assets, asset write-downs, acquisition/use of supplies inventory, and the acquisition use of prepaid expenses is necessary, (if applicable). Although the Statement of Change in Net Financial Assets/Debt is not required under O.Reg. 453/07, it has been included in this report as a further indicator of financial viability.

3.2.5 Verification and Note Preparation

The final step in the conversion process is to ensure that all of the statements created by the previous steps are in balance. The Statement of Financial Position summarizes the resources and obligations of LAWSS 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 assets/debt as calculated on the Statement of Net Financial Assets/Debt.

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

- a. Opening cash balances Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained with the LAWSS's ledgers and/or financial statements.

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- b. Amortization Expense The method and timing of amortization should be based on the LAWSS'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 2014 Forecast.
 - d. Contributed Assets As noted earlier, contributed assets could represent a significant part of LAWSS'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 (i.e. it first appeared on the 2009 financial statements) 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, accrued revenues (developer contributions), and/or other minor miscellaneous revenues.

4. FINANCIAL PLAN

4. FINANCIAL PLAN

4.1 Introduction

The following tables provide the complete financial plan for the LAWSS'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 LAWSS'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 LAWSS'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 2014, the LAWSS's Water System will be in a net debt position of approximately \$2.85 million. This is due to the long-term debt principle balance currently outstanding. The financial plan developed for the LAWSS forecasts an improving net financial debt position in each subsequent year of the forecast period, resulting in a net financial asset position of approximately \$37.5 million by 2023.

Another important indicator on the Statement of Financial Position is the tangible capital asset balance. As noted earlier, providing this information is a new requirement 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.
- 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.

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

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the system 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 increase by approximately \$44.2 million over the 10-year forecast period. This indicates that LAWSS 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 from 64% in 2014 to 56% in 2023 and as a result, the annual surplus improves from \$4.48 million in 2014 to approximately \$6.57 million by 2023. It is important to note that an annual surplus is beneficial to ensure funding is available to non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately \$89.7 million to a 2014 opening accumulated surplus of \$81.5 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominately made up of reserve and reserve fund balances as well as historic 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 in each year of the forecast period, forecasted annual surpluses exceed forecasted tangible capital asset acquisitions (net of amortization) resulting in increases in net financial assets. This allows for a long term plan of funding capital through accumulated surplus (i.e. reserves and reserve funds) as is evidenced by the ratio of cumulative annual surplus

before amortization to cumulative tangible capital asset acquisitions ranging from 5.62 to 1.62 over the forecast period¹.

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the water system is expected to generate and use cash resources during the planning period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash and accrual based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e. tangible capital asset acquisitions), repay debt, and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of LAWSS to improve from a balance of approximately \$3.62 million at the beginning of 2014, to approximately \$37.26 million by the end of 2023.

¹ A desirable ratio is 1:1 or better.

Table 4-1
Lambton Area Water Supply System
Statement of Financial Position: Water Services
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2014 - 2023

	Notes	Forecast										
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Financial Assets												
Cash	1	5,990,860	7,612,674	7,902,179	10,642,472	16,915,478	23,755,452	25,805,803	27,889,237	30,044,612	37,255,205	
Accounts Receivable	1	418,816	430,768	434,004	437,282	443,140	446,916	450,767	454,695	460,421	466,467	
Total Financial Assets		6,409,676	8,043,442	8,336,183	11,079,754	17,358,618	24,202,368	26,256,570	28,343,932	30,505,033	37,721,672	
Liabilities												
Accounts Payable & Accrued Liabilities	1	193,024	214,428	218,716	223,090	227,552	232,103	236,745	241,480	246,310	251,236	
Debt (Principal only)	2	9,070,000	6,274,000	3,257,000	-	-	-	-	-	-	-	
Deferred Revenue	3	-	-	-	-	-	-	-	-	-	-	
Total Liabilities		9,263,024	6,488,428	3,475,716	223,090	227,552	232,103	236,745	241,480	246,310	251,236	
Net Financial Assets/(Debt)		(2,853,348)	1,555,014	4,860,467	10,856,664	17,131,066	23,970,265	26,019,825	28,102,452	30,258,723	37,470,436	
Non-Financial Assets												
Tangible Capital Assets	4	88,867,000	89,880,355	92,275,012	92,200,375	92,150,991	91,627,303	105,939,702	120,233,408	134,402,105	133,765,302	
Total Non-Financial Assets		88,867,000	89,880,355	92,275,012	92,200,375	92,150,991	91,627,303	105,939,702	120,233,408	134,402,105	133,765,302	
Accumulated Surplus/(Deficit)	5	86,013,652	91,435,369	97,135,479	103,057,039	109,282,057	115,597,568	131,959,527	148,335,860	164,660,828	171,235,738	
Financial Indicators												
1) Increase/(Decrease) in Net Financial Assets		45,544,497	5,220,713	4,408,362	3,305,453	6,274,402	6,839,199	2,049,560	2,082,627	2,156,271	7,211,713	
2) Increase/(Decrease) in Tangible Capital Assets		44,159,253	(739,049)	1,013,365	2,394,657	(49,384)	(523,688)	14,312,399	14,293,706	14,168,697	(636,803)	
3) Increase/(Decrease) in Accumulated Surplus		89,703,750	4,481,664	5,421,717	5,921,560	6,225,018	6,315,511	16,361,959	16,376,333	16,324,968	6,574,910	

Table 4-2
Lambton Area Water Supply System
Statement of Operations: Water Services
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2014 - 2023

	Notes	Forecast												
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023			
Water Revenue														
Rate Based Revenue		12,184,980	12,532,696	12,626,845	12,722,227	12,892,645	13,002,488	13,114,548	13,228,839	13,395,416	13,571,324			
Other Revenue	6	138,000	542,362	570,453	615,197	748,402	942,199	1,073,560	1,134,627	1,197,271	1,335,713			
Grants		-	-	-	-	-	-	9,780,000	9,780,000	9,780,000	-			
Total Revenues		12,322,980	13,075,058	13,197,298	13,337,424	13,641,047	13,944,687	23,988,108	24,143,466	24,372,687	14,907,037			
Water Expenses														
Operating Expenses	Sch. 4-1	5,174,196	5,225,842	5,329,359	5,437,947	5,545,645	5,735,498	5,850,548	5,966,839	6,085,416	6,207,324			
Interest on Debt	2	823,071	610,854	380,486	130,280	-	-	-	-	-	-			
Amortization	4	1,844,049	1,816,645	1,787,343	1,847,637	1,870,384	1,893,688	1,755,601	1,800,294	1,962,303	2,124,803			
Total Expenses		7,841,316	7,653,341	7,497,188	7,415,864	7,416,029	7,629,186	7,606,149	7,767,133	8,047,719	8,332,127			
Annual Surplus/(Deficit)		4,481,664	5,421,717	5,700,110	5,921,560	6,225,018	6,315,511	16,361,959	16,376,333	16,324,968	6,574,910			
Accumulated Surplus/(Deficit), beginning of year	5	81,531,988	86,013,652	91,435,369	97,135,479	103,057,039	109,282,057	115,597,568	131,959,527	148,335,860	164,660,828			
Accumulated Surplus/(Deficit), end of year		86,013,652	91,435,369	97,135,479	103,057,039	109,282,057	115,597,568	131,959,527	148,335,860	164,660,828	171,235,738			

Note 5:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Accumulated Surplus/(Deficit) Reconciliation:										
Reserve Balances										
Reserves: Capital/Other	6,216,652	7,829,014	8,117,467	10,856,664	17,131,066	23,970,265	26,019,825	28,102,452	30,258,723	37,470,436
Total Reserves Balance	6,216,652	7,829,014	8,117,467	10,856,664	17,131,066	23,970,265	26,019,825	28,102,452	30,258,723	37,470,436
Less: Debt Obligations and Deferred Revenue	(9,070,000)	(6,274,000)	(3,257,000)	-	-	-	-	-	-	-
Add: Tangible Capital Assets	88,867,000	89,880,355	92,275,012	92,200,375	92,150,991	91,627,303	105,939,702	120,233,408	134,402,105	133,765,302
Total Ending Balance	86,013,652	91,435,369	97,135,479	103,057,039	109,282,057	115,597,568	131,959,527	148,335,860	164,660,828	171,235,738

Financial Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1) Expense to Revenue Ratio	64%	59%	57%	56%	54%	55%	32%	32%	33%	56%
2) Increase/(Decrease) in Accumulated Surplus	89,703,750	5,421,717	5,700,110	5,921,560	6,225,018	6,315,511	16,361,959	16,376,333	16,324,968	6,574,910

SCHEDULE 4-1
Lambton Area Water Supply System
Schedule of Operating Expenses: Water Services
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2014 - 2023

	Notes	Forecast													
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023				
Operating Expenses															
Primary Lambton Operating OCWA Cost															
Service Fee		1,983,318	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Fee (Operational Support Services)		-	281,541	287,171	292,915	298,773	304,749	310,844	317,060	323,402	329,870	336,346	342,870	349,440	356,010
Salaries/Benefits OCWA		-	1,447,119	1,476,061	1,505,582	1,535,694	1,566,408	1,597,736	1,629,691	1,662,285	1,695,530	1,729,324	1,763,668	1,798,562	1,834,006
Transportation & Communications		61,014	45,046	45,947	46,866	47,804	48,760	49,735	50,730	51,744	52,779	53,834	54,939	56,064	57,209
Services		-	1,085,621	1,107,333	1,129,480	1,152,069	1,175,111	1,198,613	1,222,585	1,247,037	1,271,978	1,297,420	1,323,362	1,349,804	1,376,746
Hydro/Supplies/Chemicals		1,776,240	1,903,214	1,941,279	1,980,104	2,019,706	2,060,101	2,101,303	2,143,329	2,186,195	2,229,919	2,274,593	2,320,217	2,366,791	2,414,315
Sludge/Sewage		173,625	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Allowances															
Taxes		200,000	175,681	179,195	182,779	186,434	190,163	193,966	197,846	201,803	205,839	210,000	214,300	218,740	223,300
LAWSS Management Services															
Training/Travel/Mileage		35,000	6,757	6,892	7,030	7,171	7,314	7,460	7,609	7,762	7,917	8,074	8,233	8,394	8,556
Salary & Benefits		200,000	191,448	195,277	199,182	203,166	207,229	211,374	215,601	219,913	224,311	228,794	233,361	238,013	242,750
Accounting Services - County of Lambton		-	11,262	11,487	11,717	11,951	12,190	12,434	12,682	12,936	13,195	13,459	13,727	14,000	14,276
Miscellaneous Expenses		200,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution Repairs		30,000	28,154	28,717	29,291	29,877	30,475	31,084	31,706	32,340	32,987	33,649	34,326	35,018	35,725
Non TCA - Expenses from Capital Budget	7	515,000	50,000	50,000	53,000	53,000	133,000	136,000	138,000	140,000	143,000	146,000	149,000	152,000	155,000
TOTAL OPERATING EXPENSES		5,174,196	5,225,842	5,329,359	5,437,947	5,545,645	5,735,498	5,850,548	5,966,839	6,085,416	6,207,324	6,333,773	6,460,822	6,588,476	6,716,735

Table 4-3
Lambton Area Water Supply System
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
2014 - 2023

	Notes	Forecast										
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Annual Surplus/(Deficit)		4,481,664	5,421,717	5,700,110	5,921,560	6,225,018	6,315,511	16,361,959	16,376,333	16,324,968	6,574,910	
Less: Acquisition of Tangible Capital Assets	4	(1,105,000)	(2,830,000)	(4,182,000)	(1,773,000)	(1,821,000)	(1,370,000)	(16,088,000)	(16,094,000)	(16,131,000)	(1,488,000)	
Add: Amortization of Tangible Capital Assets	4	1,844,049	1,816,645	1,787,343	1,847,637	1,870,384	1,893,688	1,755,601	1,800,294	1,962,303	2,124,803	
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-	-	
Increase/(Decrease) in Net Financial Assets/(Net Debt)		739,049	(1,013,355)	(2,394,657)	74,637	49,384	523,688	(14,312,399)	(14,293,706)	(14,168,697)	636,803	
Net Financial Assets/(Net Debt), beginning of year		5,220,713	4,408,362	3,305,453	5,996,197	6,274,402	6,839,199	2,049,560	2,082,627	2,156,271	7,211,713	
Net Financial Assets/(Net Debt), end of year		(8,074,061)	(2,853,348)	1,555,014	4,860,467	10,856,664	17,131,066	23,970,265	26,019,825	28,102,452	30,258,723	
		(2,853,348)	1,555,014	4,860,467	10,856,664	17,131,066	23,970,265	26,019,825	28,102,452	30,258,723	37,470,436	
Financial Indicators		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
1) Acquisition of Tangible Capital Assets (Cumulative)		1,105,000	3,935,000	8,117,000	9,890,000	11,711,000	13,081,000	29,149,000	45,243,000	61,374,000	62,862,000	
2) Annual Surplus/Deficit before Amortization (Cumulative)		6,325,713	13,564,075	21,051,528	28,820,725	36,916,127	45,125,326	63,242,886	81,419,513	99,706,784	108,406,497	
3) Ratio of Annual Surplus before Amortization to Acquisition of TCAs (Cumulative)		5.72	3.45	2.59	2.91	3.15	3.45	2.17	1.80	1.62	1.72	

Table 4-4
 Lambton Area Water Supply System
 Statement of Cash Flow - Indirect Method: Water Services
 UNAUDITED: FOR FINANCIAL PLANNING PURPOSES ONLY
 2014 - 2023

	Notes	Forecast												
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023			
Operating Transactions														
Annual Surplus/Deficit		4,481,664	5,421,717	5,700,110	5,921,560	6,225,018	6,315,511	16,361,959	16,376,333	16,324,968	6,574,910			
Add: Amortization of TCA's	4	1,844,049	1,816,645	1,787,343	1,847,637	1,870,384	1,893,688	1,755,601	1,800,294	1,962,303	2,124,803			
Less: Earned Deferred Revenue	3													
Change in A/R (Increase)/Decrease		(235,618)	(11,952)	(3,236)	(3,278)	(5,858)	(3,776)	(3,851)	(3,928)	(5,726)	(6,046)			
Change in A/P (Increase)/(Decrease)		(17,538)	21,404	4,288	4,374	4,462	4,551	4,642	4,735	4,830	4,926			
Less: Interest Proceeds		-	(242,362)	(270,453)	(315,197)	(448,402)	(642,199)	(773,560)	(834,627)	(897,271)	(1,035,714)			
Cash Provided by Operating Transactions		6,072,557	7,005,452	7,218,052	7,455,096	7,645,604	7,567,775	17,344,791	17,342,807	17,389,104	7,662,879			
Capital Transactions														
Less: Cash Used to acquire Tangible Capital Assets	4	(1,105,000)	(2,830,000)	(4,182,000)	(1,773,000)	(1,821,000)	(1,370,000)	(16,068,000)	(16,094,000)	(16,131,000)	(1,488,000)			
Cash Applied to Capital Transactions		(1,105,000)	(2,830,000)	(4,182,000)	(1,773,000)	(1,821,000)	(1,370,000)	(16,068,000)	(16,094,000)	(16,131,000)	(1,488,000)			
Investing Transactions														
Proceeds from Investments		-	242,362	270,453	315,197	448,402	642,199	773,560	834,627	897,271	1,035,714			
Cash Provided by (applied to) Investing Transactions		-	242,362	270,453	315,197	448,402	642,199	773,560	834,627	897,271	1,035,714			
Financing Transactions														
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-	-			
Less: Debt Repayment (Principal only)	2	(2,593,000)	(2,796,000)	(3,017,000)	(3,257,000)	-	-	-	-	-	-			
Cash Applied to Financing Transactions		(2,593,000)	(2,796,000)	(3,017,000)	(3,257,000)	-	-	-	-	-	-			
Increase in Cash and Cash Equivalents		2,374,557	1,621,814	289,505	2,740,293	6,273,006	6,839,974	2,050,351	2,083,434	2,155,375	7,210,593			
Cash and Cash Equivalents, beginning of year	1	3,616,303	5,990,860	7,612,674	7,902,179	10,642,472	16,915,478	23,755,452	25,805,803	27,889,237	30,044,612			
Cash and Cash Equivalents, end of year	1	5,990,860	7,612,674	7,902,179	10,642,472	16,915,478	23,755,452	25,805,803	27,889,237	30,044,612	37,255,205			

NOTES TO FINANCIAL PLAN

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

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

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

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

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

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

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

In order to show a balanced financial plan in a full accrual format for LAWSS, initial balances for these items were obtained from the most recent audited financial statements of the system. For each year of the forecast, projections of revenues, expenses, debt requirements and other cash inflows and outflows were applied to these initial balances in order to determine annual balances for each forecasted year.

Significant assumptions used during the preparation of the financial plan have been documented below:

1. Cash, Receivables and Payables

Cash balances were determined by adjusting the opening cash balances obtained from the 2013 audited financial statements by the anticipated cash inflows and outflows for each applicable year of the forecast.

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

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

2. Debt

Outstanding debt at the end of 2013 was \$11,663,000 with no additional debt proceeds anticipated throughout the forecast period. Principal repayments for existing and new debt over the forecast period are scheduled as follows:

Year	Principal Payments
2014	2,593,000
2015	2,796,000
2016	3,017,000
2017	3,257,000
2018	-
2019	-
2020	-
2021	-
2022	-
2023	-
Total	\$ 11,663,000

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

3. Deferred Revenue

Deferred revenue is typically made up of items 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 (i.e. development charges for municipalities). LAWSS does not collect water development charges and thus deferred revenue is assumed to be zero over the forecast period.

4. Tangible Capital Assets

- Opening 2014 net book value of tangible capital assets includes water related assets in the following categories:
 - i. Infrastructure (i.e. mains, hydrants and hydrant leads)
 - ii. Facilities
 - iii. Equipment
 - iv. Land and Land Improvements
- Amortization is calculated based on using the straight-line approach with no amortization in the year of acquisition or construction.
- Given the planned asset replacement forecast in the 2014 Forecast, useful life on acquisitions is assumed to be equal to the weighted average useful life for all assets on hand in each respective asset category.
- Write-offs are assumed to equal \$0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset. The value of each asset disposal is calculated by estimating the original purchase/construction date and deflating current replacement costs 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 during the forecast period and are therefore assumed to be \$0.
- LAWSS does not have lead service piping in the water system.

The balance of tangible capital assets is summarized as follows:

Asset Historical Cost	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Opening Tangible Capital Asset Balance	127,684,738	128,776,944	131,526,489	135,648,656	137,354,092	139,103,180	140,423,681	156,438,926	172,476,900	188,545,598
Acquisitions	1,105,000	2,830,000	4,182,000	1,773,000	1,821,000	1,370,000	16,068,000	16,094,000	16,131,000	1,488,000
Disposals	12,794	80,455	59,833	67,564	71,912	49,499	52,755	56,026	62,302	61,423
Closing Tangible Capital Asset Balance	128,776,944	131,526,489	135,648,656	137,354,092	139,103,180	140,423,681	156,438,926	172,476,900	188,545,598	189,972,175
Opening Accumulated Amortization	38,078,689	39,909,944	41,646,134	43,373,644	45,153,717	46,952,189	48,796,378	50,499,224	52,243,492	54,143,493
Amortization Expense	1,844,049	1,816,645	1,787,343	1,847,637	1,870,384	1,893,688	1,755,601	1,800,294	1,962,303	2,124,803
Amortization on Disposal	12,794	80,455	59,833	67,564	71,912	49,499	52,755	56,026	62,302	61,423
Ending Accumulated Amortization	39,909,944	41,646,134	43,373,644	45,153,717	46,952,189	48,796,378	50,499,224	52,243,492	54,143,493	56,206,873
Net Book Value	88,867,000	89,880,355	92,275,012	92,200,375	92,150,991	91,627,303	105,939,702	120,233,408	134,402,105	133,765,302

5. Accumulated Surplus

Accumulated Surplus for 2014 is reconciled as follows:

LAWSS	2014 Opening Accumulated Surplus
Reserve Balances	
Reserves: Capital/Other	3,588,939
Total Reserves Balance	3,588,939
Less: Debt Obligations and Deferred Revenue	(11,663,000)
Add: Tangible Capital Assets	89,606,049
Total Opening Balance	81,531,988

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

6. Other Revenue

Other revenue includes interest and other non-operating general revenues.

7. Operating Expenses

Capital expenditures for items not meeting the definition of tangible capital assets have been reclassified as operating expenses and have been expensed in the year in which they occur.

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

5. PROCESS FOR APPROVAL AND SUBMISSION TO THE PROVINCE

As provided in section 1.2, the requirement to prepare the financial plan is provided in Section 32 (5) 2 ii of the SDWA. Proof of the preparation of a financial plan is one of the submission requirements for municipal drinking water licensing and upon completion, must be submitted to the Ministry of the Environment. As part of O.Reg. 453/07, the process established for approval of the plan, public circulation, and filing is provided as follows:

1. The financial plan must be approved by resolution of the municipality who owns the drinking water system or the governing body of the owner of the system. (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 system's website. (O.Reg. 453/07, Section 3 (1) 5)
3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. The owner of the drinking water system must provide proof satisfactory to the Ministry of the Environment that the financial plans for the system satisfy the requirements under the Safe Water Drinking Act. (SDWA Section 32 (5) 2 ii)

6. RECOMMENDATIONS

6. RECOMMENDATIONS

This report presents the water financial plan for LAWSS in accordance with the mandatory reporting formats for water System as detailed in O.Reg. 453/07. It is important to note that while mandatory, the financial plan is provided for the LAWSS Board's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the 2009 Asset Management Study and 2014 Forecast. Nevertheless, the Board is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The LAWSS Water Financial Plan prepared by Watson & Associates Economists Ltd. dated December 17, 2014 be approved.
2. Notice of availability of the Financial Plan be advertised.
3. Submit the Financial Plan, the LAWSS Board's Resolution approving the Financial Plan to the Ministry of Municipal Affairs and Housing. (O.Reg. 453/07, Section 3 (1) 6)
4. Submit the Financial Plan, the LAWSS Board's Resolution approving the Financial Plan to the Ministry of the Environment, satisfying the requirements under the Safe Drinking Water Act. (SDWA Section 32 (5) 2 ii)

**APPENDIX A
2014 WATER FORECAST
SUMMARY TABLES**

Appendix A-1
Lambton Area Water Supply System (LAWSS)
Water Service
Capital Budget Forecast
 Inflated \$

Description	Budget 2014	Forecast								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
CAPITAL EXPENDITURES										
2014 LAWSS Capital Projects										
HVAC Replacement in Administration Area (Part 3)	100,000									
Shoreline Repair (Part 2)	150,000									
Engineering Studies (asset painting, Flow and energy studies, Phase I ESAs)	100,000									
Water Audits for LAWSS Members	70,000									
Polymer System Replacement (Part 2)	150,000									
Mag Meters (2 at raw water intake) (Part 2)	100,000									
New Fluoride System (Part 2)	50,000									
Hydrant Painting	25,000									
Main plant HVAC	350,000									
Transfer to Reserve	125,000									
2014 LAWSS Major Maintenance Projects										
Additional Hydro Costs for 2013	200,000									
Highlift Floor Painting	50,000									
Security Fencing Upgrades	50,000									
Watford Tower Building Upgrade	5,000									
Level Transmitters Port Lambton and Forest Towers	5,000									
Flow Transmitter WLBS	7,500									
Camera for Detecting Electrical hot spots	7,500									
Water Main/Valve Markers	5,000									
Filter Inlet Valve Rebuilds (Part 2)	20,000									
Circuit Breakers (four per year)	20,000									
Lake Huron Intake Crib Inspection	8,000									
Highlift Pumps Surge Valve Rebuilds (HL-4C and HL-44)	50,000									
High Lift Pressure Release Valve Rebuild (Dump Valve)	30,000									
New Valve for ELBS	30,000									
Dual Medial Filters Level Controllers and Switches	10,000									
ROV inspection of WTP reservoir	7,000									
Clean out low lift reservoir	20,000									
Water Main Replacements										
East Lambton - Phase 5 Confederation Water Main Replacement - Minielly-South Plympton		563,000	-	-	-	-	-	-	-	-
East Lambton - Phase 6 Confederation Water Main Replacement - South Plympton-Wanstead		-	574,000	-	-	-	-	-	-	-
East Lambton - Phase 7 Confederation Water Main Replacement - Wanstead-Stewardson		-	-	586,000	-	-	-	-	-	-
East Lambton - Phase 8 Confederation Water Main Replacement - Stewardson-Forest		-	-	-	598,000	-	-	-	-	-
East Lambton - Phase 9 Confederation Water Main Replacement - Forest-Kings Court		-	-	-	-	609,000	-	-	-	-
East Lambton - Phase 10 Confederation Water Main Replacement - Kings Court-Bethesda		-	-	-	-	-	622,000	-	-	-
East Lambton - Phase 11 Confederation Water Main Replacement - Bethesda-First School		-	-	-	-	-	-	634,000	-	-
East Lambton - Phase 12 Confederation Water Main Replacement - First School-Underpass		-	-	-	-	-	-	-	647,000	-
East Lambton - Phase 13 Confederation Water Main Replacement - Underpass-Nauvoo		-	-	-	-	-	-	-	-	660,000
Phase 2 - Murphy Road Water Main Replacement Hwy 402 to London Line		1,126,000	-	-	-	-	-	-	-	-
Lambton Area WTP:										
Replace Filter Inlet Gate Actuator		-	-	-	-	4,000	4,000	4,000	5,000	5,000
Replace Filter Inlet Gates		-	-	-	-	21,000	22,000	22,000	23,000	23,000
Refurbish Low Lift Check Valves	16,000	16,000	16,000	17,000	-	-	-	-	-	-
Refurbish Low Lift Butterfly Valves	16,000	16,000	16,000	17,000	-	-	-	-	-	-
Replace Ball Valve (HLP4) 0000132458 (same as HLP2)	26,000	26,000	27,000	27,000	-	-	-	-	-	-
Replace Limitorque Operator 0000132660	8,000	8,000	8,000	8,000	-	-	-	-	-	-
Refurbish Relief Control Valve No.33	3,000	3,000	4,000	4,000	-	-	-	-	-	-
Refurbish all Manual Butterfly Valves between Pump Discharge Header and Distribution Discharge Header (16-18 units)	26,000	26,000	27,000	27,000	-	-	-	-	-	-
Replace Backwash Throttling Valve 0000164024	-	-	-	-	7,000	7,000	7,000	8,000	8,000	
Process Piping Repairs	-	-	-	-	21,000	22,000	22,000	23,000	23,000	
Chemical Piping Repairs	-	-	-	-	14,000	14,000	15,000	15,000	15,000	
Small Chemical Valves	-	-	-	-	7,000	7,000	7,000	8,000	8,000	
Small non-Chemical Valves	-	-	-	-	21,000	22,000	22,000	23,000	23,000	
Repalce all backwash inlet motorized butterfly valves and actuators	-	-	-	-	85,000	87,000	88,000	90,000	92,000	
Repalce all backwash effluent motorized valves and actuators	-	-	-	-	45,000	46,000	47,000	48,000	49,000	
Allow for replacement of service water valves and actuators	-	-	-	-	23,000	23,000	24,000	24,000	25,000	
Replace Filter to Waste valves and operators	-	-	-	-	28,000	29,000	29,000	30,000	31,000	
Repalce Filter Bypass Butterfly Valve and Manual Operator	-	-	-	-	11,000	11,000	11,000	11,000	11,000	
Replace Filter Valves (0000132382) (Limitorque Motorized Operator and Valve)	-	-	-	-	91,000	93,000	94,000	96,000	98,000	
Filter Surface Sweep - Replace	-	-	-	-	85,000	87,000	88,000	90,000	92,000	
Refurbish Flocc Drive Gear Boxes	3,000	3,000	4,000	4,000	-	-	-	-	-	
Influent Channel Sluice Gates - Refurbish	14,000	14,000	14,000	14,000	-	-	-	-	-	
Replace Raw Water inlet ball valves	-	-	-	-	28,000	29,000	29,000	30,000	31,000	
Sanitary Sludge Pumps - Replace	-	-	-	-	7,000	7,000	7,000	8,000	8,000	
Replace Service Water Pumps	-	-	-	-	7,000	7,000	7,000	8,000	8,000	
Fencing Upgrades	8,000	8,000	8,000	8,000	-	-	-	-	-	
Upgrade HVAC Controls to DDC	-	-	-	-	71,000	72,000	74,000	75,000	77,000	
Allowance for Fan Replacements	52,000	53,000	54,000	55,000	-	-	-	-	-	
Replace 27.6 kV Outdoor Switchgear	91,000	93,000	95,000	97,000	-	-	-	-	-	
Replace Two 6000 kVA Outdoor Transformers	131,000	133,000	136,000	139,000	-	-	-	-	-	
Place 2000A Indoor Switchgear	209,000	214,000	218,000	222,000	-	-	-	-	-	
Annual Maintenance on UPS	10,000	10,000	11,000	11,000	11,000	12,000	12,000	12,000	12,000	
Replace 2000A Switchgear	184,000	187,000	191,000	195,000	-	-	-	-	-	
Replace 400A Switchgear	7,000	7,000	7,000	7,000	-	-	-	-	-	
Replace MCCs 1, 3 & 4	19,000	20,000	20,000	20,000	-	-	-	-	-	
Replace 15 Power Panels	26,000	26,000	27,000	27,000	-	-	-	-	-	
Replace 9 Distribution Transformers	24,000	24,000	25,000	25,000	-	-	-	-	-	
Replace 9 Lighting Panels	21,000	22,000	22,000	23,000	-	-	-	-	-	
Maintain Indoor & Exterior Lighting	2,000	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	
Maintain 4 Diesel Generators	8,000	8,000	8,000	8,000	9,000	9,000	9,000	9,000	9,000	
Rebuild 2 Mainline Valves	-	80,000	-	-	-	-	-	-	-	
SCADA	-	57,000	-	-	-	-	-	-	-	
Rebuild 1 Filter (10 year plan)	113,000	115,000	117,000	120,000	12,000	12,000	13,000	13,000	13,000	
Elevated Storage Pressure Stabilization East/West Lambton Grid	-	2,297,000	-	-	-	-	-	-	-	
Overhaul PCV 1 every 2 years	-	14,000	-	14,000	-	-	-	-	-	
Refurbish 1 pump/motor per year	52,000	53,000	54,000	55,000	57,000	58,000	59,000	60,000	61,000	
Replace Chemical Pumps	3,000	3,000	4,000	4,000	-	-	-	-	-	
Replace Oil Storage Tanks	2,000	2,000	2,000	2,000	-	-	-	-	-	
Replace Motorized Dampers	2,000	2,000	2,000	2,000	-	-	-	-	-	
Replace 2 Turbine Flow Meters	2,000	2,000	2,000	2,000	-	-	-	-	-	

Description	Budget 2014	Forecast								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Indian Road Water Tower:										
Repaint Tower (just completed)	-	-	-	-	-	57,000	58,000	59,000	60,000	61,000
Replace Sump Pump	2,000	2,000	2,000	2,000	2,000	-	-	-	-	-
Replace Chemical Pump/Recoat containment	2,000	2,000	2,000	2,000	2,000	-	-	-	-	-
Refurbish Main Valve	7,000	7,000	7,000	7,000	7,000	-	-	-	-	-
Building Maintenance (Chemical & Instrumentation Buildings)	3,000	3,000	4,000	4,000	4,000	-	-	-	-	-
Replace Unit Heaters	1,000	1,000	1,000	1,000	1,000	-	-	-	-	-
Replace Lighting Panels	2,000	2,000	2,000	2,000	2,000	-	-	-	-	-
West Lambton Reservoir & Pumping Station:										
Overhaul 1 pump per year	39,000	40,000	41,000	42,000	43,000	43,000	44,000	45,000	46,000	
Refurbish Pressure Reducing/Sustaining Valves (1 per year)	7,000	7,000	7,000	7,000	7,000	7,000	7,000	8,000	8,000	
Replace Sump Pumps	10,000	10,000	11,000	11,000	-	-	-	-	-	
Partial Painting of Tanks	26,000	26,000	27,000	27,000	-	-	-	-	-	
Allowance for Fan Replacements	-	-	-	-	21,000	22,000	22,000	23,000	23,000	
Replace Oil Storage Tanks	-	-	-	-	7,000	7,000	7,000	8,000	8,000	
Replace Domestic Hot Water Tank	-	-	-	-	1,000	1,000	1,000	1,000	1,000	
Replace Motorized Dampers	-	-	-	-	1,000	1,000	1,000	1,000	1,000	
Replace Dehumidifier	-	-	-	-	14,000	14,000	15,000	15,000	15,000	
Replace Air Handling Units	-	-	-	-	14,000	14,000	15,000	15,000	15,000	
Replace Service Water Pump	-	-	-	-	7,000	7,000	7,000	8,000	8,000	
Replace UPS or UPS Batteries	10,000	10,000	11,000	11,000	-	-	-	-	-	
Port Lambton Tower:										
Replace Sump Pump	-	-	-	-	1,000	1,000	2,000	2,000	2,000	
Repaint Tower	-	-	-	-	53,000	54,000	55,000	56,000	58,000	
Replace Lighting Panels	2,000	2,000	2,000	2,000	-	-	-	-	-	
Forest Standpipe:										
Replace Lighting Panel	1,000	1,000	1,000	1,000	-	-	-	-	-	
Watford Tower:										
Replace Lighting Panel	1,000	1,000	1,000	1,000	-	-	-	-	-	
Transmission Mains										
						14,670,000	14,670,000	14,670,000	-	
Total Capital Expenditures	\$ 1,745,000	\$ 2,880,000	\$ 4,232,000	\$ 1,826,000	\$ 1,874,000	\$ 1,503,000	\$ 16,204,000	\$ 16,232,000	\$ 16,271,000	\$ 1,631,000
Capital Financing										
Provincial/Federal Grants	-	-	-	-	-	-	9,780,000	9,780,000	9,780,000	-
Development Charges	-	-	-	-	-	-	-	-	-	-
Non-Growth Related Debenture Requirements	-	-	-	-	-	-	-	-	-	-
Growth Related Debenture Requirements	-	-	-	-	-	-	-	-	-	-
Operating Contributions	-	-	-	-	-	-	-	-	-	-
Transfer from Lifecycle Reserve Fund	-	-	-	-	-	-	-	-	3,600,000	-
Water Reserve	1,620,000	2,880,000	4,232,000	1,826,000	1,874,000	1,503,000	6,424,000	6,452,000	2,891,000	1,631,000
Total Capital Financing	\$ 1,620,000	\$ 2,880,000	\$ 4,232,000	\$ 1,826,000	\$ 1,874,000	\$ 1,503,000	\$ 16,204,000	\$ 16,232,000	\$ 16,271,000	\$ 1,631,000

Appendix A-2
Lambton Area Water Supply System (LAWSS)
Water Service
Schedule of Non-Growth Related Debenture Repayments
Inflated \$

Debenture Year	Budget 2014	Forecast								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
2015										
2016			-	-	-	-	-	-	-	-
2017			-	-	-	-	-	-	-	-
2018			-	-	-	-	-	-	-	-
2019			-	-	-	-	-	-	-	-
2020			-	-	-	-	-	-	-	-
2021			-	-	-	-	-	-	-	-
2022			-	-	-	-	-	-	-	-
2023			-	-	-	-	-	-	-	-
Total Annual Debt Charges										

Appendix A-3
Lambton Area Water Supply System (LAWSS)
Water Service
Water Reserves/ Reserve Funds Continuity
Inflated \$

Description	Budget 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Opening Balance	3,588,939	6,363,736	6,930,198	6,141,374	7,770,975	10,364,994	11,890,899	7,655,766	3,062,159	1,640,659
Transfer from Operating	4,247,713	3,250,000	3,250,000	3,250,000	4,200,000	2,700,000	1,900,000	1,700,000	1,400,000	200,000
Transfer to Capital	1,620,000	2,880,000	4,232,000	1,826,000	1,874,000	1,503,000	6,424,000	6,452,000	2,891,000	1,631,000
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	6,216,652	6,733,736	5,948,198	7,565,374	10,096,975	11,561,994	7,366,899	2,903,766	1,571,159	209,659
Interest	147,084	196,462	193,176	205,601	268,019	328,905	288,867	158,393	69,500	27,755

Appendix A-4
Lambton Area Water Supply System (LAWSS)
Water Service
Water Lifecycle Reserve Fund Continuity
Inflated \$

Description	Budget 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Opening Balance	-	1,030,000	2,075,900	3,153,177	4,262,772	7,943,155	13,256,450	19,541,144	26,217,378	29,795,149
Transfer from Operating	-	1,000,000	1,000,000	1,000,000	3,500,000	5,000,000	5,800,000	6,000,000	6,350,000	7,607,000
Transfer to Capital	-	-	-	-	-	-	-	-	3,600,000	-
Transfer to Operating	-	-	-	-	-	-	-	-	-	-
Closing Balance	-	2,030,000	3,075,900	4,153,177	7,762,772	12,943,155	19,056,450	25,541,144	28,967,378	37,402,149
Interest	-	45,900	77,277	109,595	180,383	313,295	484,694	676,234	827,771	1,007,959

Appendix A-5
Lambton Area Water Supply System (LAWSS)
Water Services
Operating Budget Forecast
Inflated \$

Description	Budget 2014	Forecast								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
OCCWA Annual Operating Expenses										
Primary Lambton Operating OCWA Cost										
Fixed Fee (Operational Support Services)		281,541	287,171	292,915	298,773	304,749	310,844	317,060	323,402	329,870
Salaries/Benefits OCWA		1,447,119	1,476,061	1,505,582	1,535,694	1,566,408	1,597,736	1,629,691	1,662,285	1,695,530
Service Fee	1,983,318	-	-	-	-	-	-	-	-	-
Transportation & Communications	61,014	45,046	45,947	46,866	47,804	48,760	49,735	50,730	51,744	52,779
Services		866,019	883,339	901,006	919,026	937,407	956,155	975,278	994,783	1,014,679
Hydro/Supplies/Chemicals	1,776,240	1,903,214	1,941,279	1,980,104	2,019,706	2,060,101	2,101,303	2,143,329	2,186,195	2,229,919
Sludge/Sewage	173,625	-	-	-	-	-	-	-	-	-
Testing										
Lead Testing Regulation 170		219,602	223,994	228,474	233,043	237,704	242,458	247,307	252,253	257,298
Tax Allowances										
Taxes	200,000	175,681	179,195	182,779	186,434	190,163	193,966	197,846	201,803	205,839
LAWSS Management Services										
Training/Travel/Mileage	35,000	6,757	6,892	7,030	7,171	7,314	7,460	7,609	7,762	7,917
Manager/Admin Assistnat (Salary & Benefits)	200,000	191,448	195,277	199,182	203,166	207,229	211,374	215,601	219,913	224,311
Accounting Services - County of Lambton		11,262	11,487	11,717	11,951	12,190	12,434	12,682	12,936	13,195
Distribution Repairs	200,000	-	-	-	-	-	-	-	-	-
Miscellaneous Expenses	30,000	28,154	28,717	29,291	29,877	30,475	31,084	31,706	32,340	32,987
Sub Total Operating	4,659,196	5,175,842	5,279,359	5,384,947	5,492,645	5,602,498	5,714,548	5,828,839	5,945,416	6,064,324
Capital-Related										
Existing Debt	3,416,071	3,406,854	3,397,486	3,387,280	-	-	-	-	-	-
New Debt	-	-	-	-	-	-	-	-	-	-
Transfer to Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Reserves and Reserve Funds	4,247,713	3,250,000	3,250,000	3,250,000	4,200,000	2,700,000	1,900,000	1,700,000	1,400,000	200,000
Sub Total Capital Related	7,663,784	6,656,854	6,647,486	6,637,280	4,200,000	2,700,000	1,900,000	1,700,000	1,400,000	200,000
Total Expenditures	\$ 12,322,980	\$ 11,832,696	\$ 11,926,845	\$ 12,022,227	\$ 9,692,645	\$ 8,302,498	\$ 7,614,548	\$ 7,528,839	\$ 7,345,416	\$ 6,264,324
Revenues										
Brooke-Alvinston	103,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Investment Income	25,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Revenue from Rental fees (Coast Guard, Execulink)	10,000	-	-	-	-	-	-	-	-	-
Contributions from Reserves / Reserve Funds	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	\$ 138,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Water Billing Recovery - Operating	12,184,980	11,532,696	11,626,845	11,722,227	9,392,645	8,002,498	7,314,548	7,228,839	7,045,416	5,964,324
Lifecycle Reserve Contribution (\$)		1,000,000	1,000,000	1,000,000	3,500,000	5,000,000	5,800,000	6,000,000	6,350,000	7,607,000
Water Billing Recovery - Total	\$ 12,184,980	\$ 12,532,696	\$ 12,626,845	\$ 12,722,227	\$ 12,892,645	\$ 13,002,498	\$ 13,114,548	\$ 13,228,839	\$ 13,395,416	\$ 13,571,324

Appendix A-6
Lambton Area Water Supply System (LAWSS)
Water Services
Water Rate Forecast
Inflated \$

Description	Budget 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Water Billing Recovery	12,184,980	12,532,696	12,626,845	12,722,227	12,892,645	13,002,498	13,114,548	13,228,839	13,395,416	13,571,324
Total Consumption (m ³)	17,808,809	18,182,154	18,182,154	18,182,154	18,182,154	18,182,154	18,182,154	18,182,154	18,182,154	18,182,154
Constant Rate	0.6842	0.6893	0.6945	0.6997	0.7091	0.7151	0.7213	0.7276	0.7367	0.7464

