Township of Georgian Bluffs

2026 Water System Financial Plan No. 083-301A

DFA Infrastructure International Inc.

March 25, 2026

DFA Infrastructure International Inc.

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Samantha Buchanan
Manager of Finance/Treasurer
Township of Georgian Bluffs
177964 Grey Road 18,
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Re: 2026 Water System Financial Plan No. 083-301A

Dear Samantha

We are pleased to submit to you the above noted report entitled: "2026 Water System Financial Plan No. 083-301A". Please note, the financial plan is based on the recommendations contained of the Township's water rate study that will be presented to your Council in the near future.

Yours truly,

DFA Infrastructure International Inc.
Derek Ali, MBA, P.Eng.
President

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1 Introduction

1.1 Background

Regulation 188/07 under the Safe Drinking Water Act requires Ontario municipalities to apply for and obtain Drinking Water System Licences as part of their overall DWQMS. One of the requirements of holding a valid drinking water licence is preparing and submitting to the Province an updated financial plan in accordance with O.Reg. 453/07. The financial plan must include financial statements on the following:

- The proposed or projected financial position of the drinking water systems;
- The proposed or projected gross cash receipts and gross cash payments;
- The proposed or projected financial operations of the drinking water system; and
- Details on the extent to which the above information applies to the replacement of lead service pipes, if applicable.

The financial plan must apply to a period of at least six (6) years with the first year being the year the existing license expires. In the Township's case an updated Water System Financial Plan is required for the period 2026 to 2031.

It is important to note that the water system financial plan is based on the recommendations contained in the Township's water rate study that will be presented to Council in the near future entitled 2026 Water Rate Study and O. Reg 453/07 Financial Plan.

Upon Council's approval, the financial plan will be made available to the public at no charge and posted on the Township's website. The plans will also be submitted to the Province as part of the Township's drinking water license renewal application.

2 O.Reg 453/07 Water System Financial Plan No. 083-301A

This section presents an updated water system financial plan as defined in O.Reg. 453/07, thereby allowing the Township to fulfil its obligations under the drinking water licensing regulations for the renewal of its drinking water systems license. The number for the updated financial plan is 083-301A

2.1 Water Tangible Capital Assets (TCA) Analysis

As noted in the introduction the results of the 2026 Water Rate Study are used as the basis for preparing the water system financial plan. The Township's Tangible Capital Asset inventories were also used in the preparation of the water system financial plan. The amortization of the tangible capital assets is shown as a "non-cash" annual cost that reflects the annual "use" of assets until the end of their respective useful lives. Allowances are made to finance the replacement and/ or rehabilitation of the existing assets once they "expire" and can no longer play a role in providing the required drinking water service to customers. It should be noted however that since amortization is based on the original (historical) cost at the time the asset was placed in service it does not account for inflation since the year of installation. Therefore, basing asset replacement costs on amortization alone is not sufficient to cover the future replacement needs.

The TCA projections contained in the Township's water system financial plan are based on the following assumptions:

- Amortization of existing assets is based on the Township's Tangible Capital Assets Policies and Procedures. Amortization of new infrastructure investments is based on straight line depreciation with half year depreciation charged in the year of acquisition;
- Historical costs, life expectancy and remaining useful life are as identified in the TCA data provided by the Township;
- Fully depreciated assets continue to be used in service i.e. no asset removals; and
- New assets to be acquired are based on the capital forecast derived from the recommendations contained in the Township's water and wastewater rate study.

Water Asset Value

The water system is comprised of the following asset classes:

- Curb Stops;
- Watermains;
- Equipment:
- Hydrants and
- Structures.

Table 2-1 shows the estimated capital asset value based on historical cost and accumulated amortization to 2025. This is reflected as the net book value (NBV) i.e. the "accounting" value and indicates that the water system as a whole is approximately 53 depreciated or has approximately 47% remaining life based on the TCA data. This suggests that the water system assets are over half was through their useful life.

Table 2-1: Water – Asset Amortization and Book Value (NBV)

2025 Water Asset Details			
Historical Cost	**$**	**20,528,026**	**100%**
Accumulated Amortization	**$**	**10,927,430**	**53%**
Net Book Value	**$**	**9,600,597**	**47%**

2.2 Water Financial Statements

This financial plan involves the review, analysis and assessment of financial information contained in the rate study including costs, revenues, debt, cash transactions and Tangible Capital Assets (TCA) to prepare the following three (3) financial statements covering the period 2026 – 2031 as required under O.Reg 453/07:

- Statement of Financial Position;
- Statement of Operations; and
- Statement of Cash Flow

2.2.1 Water - Statement of Financial Position

The Statement of Financial Position is presented in Table 2-2. This statement summarizes the Township's water-related financial and non-financial assets i.e. Tangible Capital Assets (TCA) and liabilities and provides the net financial asset (or net debt) position and accumulated surplus related to managing the water system. The financial assets are primarily cash balances in the water reserve funds. Liabilities consist of the water long-term debt. The non-financial assets (TCA) include the Township's water infrastructure. The historical costs are amortized over the asset life to arrive at the net book value each year from 2026 to 2031. New assets are added in the years acquired, developed or built. Contributed assets are primarily new infrastructure and facilities that would be transferred to the Township's ownership and control by developers as they are completed. However this is assumed to be zero. It is also assumed that other non-financial assets such as inventory and prepaid expenses are zero.

Contained within the Statement of Financial Position are important indicators, the first being net financial assets (or net debt) which is defined as the difference between financial assets and liabilities. This indicator provides a measure of the water system's "future revenue requirement". Table 2-2 indicates that in 2026, the Township's water system will be in a net financial asset position of $2.3 million. This will increase to $3.1 million by 2031. The net financial asset position indicates that financial resources will be available to fund future operations.

The next important indicator contained in the Statement of Financial Position is the net-book value of TCA. Table 2-2 shows that net TCA are expected to stay level over the forecast period at about $12.1 million. This indicates that the Township has plans to invest in tangible capital assets at the same level as the consumption of existing assets. Further, a consumption ratio consisting of the accumulated amortization of the Township's TCA as a percentage of historical cost ratio highlights the aged condition of the assets and their potential replacement needs. The Township's Water Asset Consumption Ratio increases over the forecast period from 45% to 48%, suggesting that the water system would be slightly less than half through its life expectancy by 2031. As this percentage increases over time, it indicates the Township may not be allocating adequate funds to finance the replacement or rehabilitation of aging assets as they expire, and to provide for system expansion.

Another important indicator in the Statement of Financial Position is the accumulated surplus. This indicator provides a measure of the resources available to the Township for managing its water system. The accumulated surplus is projected to increase from approximately $14.4 million in 2026 to approximately $15.2 million by 2031. The 2031 accumulated surplus consists of non-financial assets that are made up of the net TCA balance representing past investments in water infrastructure and the net financial asset balance.

Table 2-2: Water – Statement of Financial Position

	2026	2027	2028	2029	2030	2031
Financial Assets						
Cash,Receivables and Investment	$3,808,548	$3,945,850	$4,108,861	$4,254,772	$4,381,929	$4,325,444
Total Financial Assets	$3,808,548	$3,945,850	$4,108,861	$4,254,772	$4,381,929	$4,325,444
Financial Liabilities						
Long-term Liabilities	$1,500,000	$1,446,958	$1,392,060	$1,335,241	$1,276,433	$1,215,566
Total Financial Liabilities	$1,500,000	$1,446,958	$1,392,060	$1,335,241	$1,276,433	$1,215,566
Net Financial Assets (Net Debt)	$2,308,548	$2,498,892	$2,716,801	$2,919,531	$3,105,497	$3,109,878
Non-Financial Assests						
Tangible Capital Assets	$21,859,697	$22,019,387	$22,227,588	$22,512,430	$22,878,343	$23,387,044
Accumulated Amortization	($9,731,797)	($10,127,924)	($10,515,261)	($10,824,822)	($11,116,822)	($11,289,887)
Total Non-Financial Assets	$12,127,900	$11,891,463	$11,712,328	$11,687,608	$11,761,521	$12,097,157
Accumulated Surplus	**$14,436,449**	**$14,390,355**	**$14,429,128**	**$14,607,139**	**$14,867,018**	**$15,207,034**

Financial Indicators	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Increase (Decrease) in Net Financial Assets	($2,043,803)	$190,344	$217,909	$202,731	$185,965	$4,381
Increase (Decrease) in Tangible Capital Assets	$2,527,304	($236,437)	($179,136)	($24,720)	$73,913	$335,635
Increase (Decrease) in Accumulated Surplus	$483,501	($46,093)	$38,773	$178,011	$259,878	$340,016
Water Asset Consumption Ratio	45%	46%	47%	48%	49%	48%

2.2.2 Water - Statement of Operations

The Statement of Operations is presented in Table 2-3 It summarizes the annual revenues and expenses associated with managing the Township's water system. It provides a report on the transactions and events that have an influence on the accumulated surplus. The main revenue items included are:

- Revenues from water rates and charges;
- Earned revenues; and
- Other Revenues (administrative fees, penalties, bulk water sales, interest earned on cash balances).

The main expense items are:

- The annual cost of operating and maintaining the water systems;
- Interest costs; and
- Amortization expenses on existing and added TCA.

The operating surplus (or deficit) is an important indicator contained in the Statement of Operations. An operating surplus (deficit) measures whether operating revenues generated in a year were sufficient to cover operating expenses incurred in that year. It is important to note that an annual surplus is necessary to ensure funds will be available to address non-expense items such as TCA acquisitions over and above amortization expenses, reserve/reserve fund contributions for asset replacement and rate stabilization, and repayment of outstanding debt principal when debt is carried. A ratio of operating surplus to total revenue is shown in Table 2-3 and reflects the percent of total revenue that can be allocated to funding the non-expense items noted above.

Table 2-3: Water – Statement of Operation

	2026	2027	2028	2029	2030	2031
Water Revenue						
Rate Revenue	$1,577,525	$1,671,380	$1,770,788	$1,876,074	$1,987,586	$2,105,688
Earned Revenue	$500,000	$0	$0	$0	$0	$0
Other Revenue	$124,432	$128,557	$133,379	$137,752	$141,633	$140,608
Total Revenues	**$2,201,957**	**$1,799,937**	**$1,904,167**	**$2,013,826**	**$2,129,218**	**$2,246,296**
Water Expenses						
Gross	$1,235,875	$1,260,593	$1,285,804	$1,311,520	$1,337,751	$1,364,506
Tota Total Operating Expenses	**$1,235,875**	**$1,260,593**	**$1,285,804**	**$1,311,520**	**$1,337,751**	**$1,364,506**
Interest on Debt	$0	$52,500	$50,644	$48,722	$46,733	$44,675
Amortization	$482,581	$532,938	$528,946	$475,573	$484,856	$497,099
Total Expenses	**$1,718,456**	**$1,846,030**	**$1,865,394**	**$1,835,815**	**$1,869,340**	**$1,906,280**
Annual Surplus/(Deficit)	$483,501	($46,093)	$38,773	$178,011	$259,878	$340,016
Accumulated Surplus/(Deficit), Beginning of Year	$13,952,948	$14,436,449	$14,390,355	$14,429,128	$14,607,139	$14,867,018
Accumulated Surplus/ (Deficit), End of Year	**$14,436,449**	**$14,390,355**	**$14,429,128**	**$14,607,139**	**$14,867,018**	**$15,207,034**

Financial Indicators	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Increase (Decrease) in Total Revenues	$698,600	($402,020)	$104,229	$109,660	$115,392	$117,078
Increase (Decrease) in Total Expenses	$1,288,814	$127,574	$19,364	($29,579)	$33,525	$36,940
Increase (Decrease) in Annual Surplus	($590,213)	($529,594)	$84,866	$139,238	$81,867	$80,138
Water Operating Surplus Ratio	22.0%	-2.6%	2.0%	8.8%	12.2%	15.1%

2.2.3 Water - Statement of Cash Flows

The Statement of Cash Flow is presented in Table 2-4. This statement summarizes the main cash inflows and outflows related to the water system in four (4) main areas - operating, capital, investing and financing, and shows the annual changes in cash.

The operating cash transactions begin with the surplus or deficit identified in the Statement of Operations. This figure is adjusted to add or subtract non-cash items that were included as revenues or expenses (e.g. amortization expenses and earned revenues). It is assumed that there are no “investing activities” over the period. The capital section indicates the amounts to be spent to acquire capital assets (TCA) or to be received from the sale of assets. In the Township’s case, it is assumed that there are no assets to be sold to generate cash. The financing section identifies funds external sources, proceeds from the issuance of debenture as cash inflows, and the portion of debt repaid as cash outflows.

Table 2-4 indicates that cash is being generated from operations, which is used in funding the acquisition of TCA and towards building internal reserves. The Town's cash position is projected to increase over the forecast period from $3.8 million in 2026 to $4.3 million in 2031.

Table 2-4: Water – Statement of Cash Flow

	2026	2027	2028	2029	2030	2031
Cash Provided by:						
Operating Activities						
Annual Surplus/(Deficit)	$483,501	($46,093)	$38,773	$178,011	$259,878	$340,016
Non-Cash Items						
Amortization	$482,581	$532,938	$528,946	$475,573	$484,856	$497,099
Earned Revenue	($500,000)	$0	$0	$0	$0	$0
Net Change in Cash Provided by Operating Activities	$466,082	$486,845	$567,719	$653,584	$744,734	$837,115
Capital Activities						
Purchase of TCA	($3,009,885)	($296,501)	($349,810)	($450,853)	($558,769)	($832,734)
Net Change in Cash Used in Capital Activities	($3,009,885)	($296,501)	($349,810)	($450,853)	($558,769)	($832,734)
Financing Activities						
Proceeds From Long-Term Debt	$1,500,000	$0	$0	$0	$0	$0
Repayment of Long-Term Debt	$0	($53,042)	($54,898)	($56,820)	($58,808)	($60,866)
Net Change in Cash Used in Financing Activities	$2,000,000	($53,042)	($54,898)	($56,820)	($58,808)	($60,866)
Net Change in Cash and Cash Equivalents	($543,803)	$137,302	$163,010	$145,911	$127,157	($56,485)
Cash and Cash Equivalents, Beginning of the Year	$4,352,351	$3,808,548	$3,945,850	$4,108,861	$4,254,772	$4,381,929
Cash and Cash Equivalents, End of the Year	**$3,808,548**	**$3,945,850**	**$4,108,861**	**$4,254,772**	**$4,381,929**	**$4,325,444**

2.3 Lead Service Pipe Removal

The financial plan is also required to detail the extent to which the information described above relates directly to the replacement of lead service pipes. There are no known lead service pipes in the Township. There is no dedicated lead service pipe removal program in place. If lead pipe is discovered during normal operations, it is replaced accordingly. Therefore, there are no significant material financial costs associated with lead pipe removal.

3 Conclusions & Recommendations

The following are the main conclusions regarding the water system:

1. The financial statements for the water system are prepared are based on the recommendations contained in the Township's water and wastewater rate study, indicate the following:
    - The accumulated surplus is projected to increase from approximately $14.4 million in 2026 to approximately $15.2 million by 2031.
    - The operating surplus ratio is projected to average approximately 10.0 % over the forecast period.
    - The cash position is projected to increase from $3.8 million in 2026 to a $4.3 million in 2031.

   These indicate that the financial outlook for the water system over the 6-year period 2026 to 2031 is excellent.

The following are the main recommendations resulting from the O. Reg 453.07 water system plan:

2. That the O.Reg. 453/07 Water System Financial Plan No. 083-301A including the Financial Statements contained herein be approved by Council and submitted to the Province of Ontario in accordance with the Drinking Water System License renewal requirements and O. Reg. 453/07.
3. That a copy of the Water Financial Plan No. 083-301A be posted on the Township's website and made available to the public at no charge.