

THE CONSOLIDATED SIX YEAR WATER FINANCIAL PLAN (2010-2015)

Recommendation

The City Manager, the Commissioner of Finance/City Treasurer, the Commissioner of Engineering and Public Works, the Director of Public Works and the Director of Financial Services recommend:

- 1) That the attached Consolidated Six Year Water Financial Plan provides a viable and sustainable financial plan for the combined Vaughan Water Distribution System (license 011-101, permit 011-210) and the Kleinburg Water Distribution System (license 011-102, permit 011 -202); and
- 2) That the Vaughan and Kleinburg Consolidated Six Year Water Financial Plan be adopted; and
- 3) That a copy of the Vaughan and Kleinburg Consolidated Six Year Water Financial Plan be forwarded to the Ministry of Municipal Affairs and Housing and the Ministry of the Environment; and
- 4) That the Vaughan and Kleinburg Consolidated Six Year Water Financial Plan be placed on the City's web site.

Economic Impact

There is no economic impact as result of this report.

Communications Plan

As required by legislation the City's Vaughan and Kleinburg Consolidated six year financial plan for water will be available to the public on the City's web site.

Purpose

For Council adoption of the City's Vaughan and Kleinburg Consolidated Six Year Water Financial Plan (2010-2015) that provides a financially viable and sustainable water system as required by the Safe Drinking Water Act, 2002, Ontario regulation 453/07 and that a copy of the financial plan be forwarded to the Ministry of Municipal Affairs.

Background Analysis and Options

The Safe Drinking Water Act (SDWA) – Licensing Requirements

The Safe Drinking Water Act is comprehensive in its legislative requirements and was enacted to place all legislation and regulations relating to the treatment and distribution of drinking water into one Act. The SDWA expands on existing policy and practices and introduces new regulations to protect drinking water. It includes certification of drinking water system operators and analysts and puts in place certain financial reporting requirements and the need for municipalities to develop financially sustainable water treatment and distribution systems.

Under the Safe Drinking Water Act the City has received a full scope – Entire Accreditation Certificate on July 7th, 2009 for its Drinking Water Quality Management Standards (DWQMS). As a result of receiving the accreditation the City must now provide to the Ministry of Municipal Affairs and Housing by July 1st an annual unaudited six year financial plan for Water only.

The six year financial plan must include: Statement of Operations
Statement of Financial Position
Statement of Net Financial Assets
Statement of Cash Flow

The financial plan must be adopted by the Council of the municipality and the resolution must also indicate that the drinking water system is financially viable. The act does not require that a six year financial plan be prepared for wastewater.

The financial plans presented under regulation O.Reg 453/07 must be compliant with the new CICA PSAB requirements PS1200 and PS3150. These new accounting standards for the preparation of financial statements provide for full accrual accounting and the inclusion of tangible capital assets. The tangible capital assets of the City include land, buildings, facilities, vehicles, equipment and underground water/ wastewater assets, etc.

The above regulation does not require that the annual six year water forecast be audited.

Consolidated Six Year Water Forecast - Highlights - 2010 to 2015

PSAB Standards

The City has implemented for 2009 the new Public Sector Accounting Board (PSAB) standards 3150 Tangible Capital Assets and 1200 Financial Statement Presentation as outlined below.

Accounting for Tangible Capital Assets – PSAB Standard 3150

The City of Vaughan has implemented the accounting and reporting recommendations of the Public Sector Accounting Board section 3150 regarding the accounting for municipal tangible capital assets. Tangible capital assets consist of land, parks, buildings, bridges, sidewalks, vehicles, equipment, streetlights, roads and underground water/wastewater infrastructure.

The PSAB 3150 tangible capital asset requirement is one of the most significant changes to ever occur in municipal accounting. This project was co-coordinated by Reserves and Investments and involved all departments over a two year period ending in the successful identification and valuing of all the City's tangible capital assets above and below ground. This project included the determination of the asset value, asset service life, annual amortization and disposals. These assets are classified on the financial statements under "Non Financial Assets".

Financial Statement Presentation - PSAB Standard 1200

This standard moves municipal financial statements away from fund accounting. The statement of financial position and financial activities are no longer reported by fund. For example reporting financial operations by fund i.e. Operating, Capital, Reserves will no longer be reported. The statement of operations is on a consolidated basis only with consolidated budget comparisons. The municipal position which captured the various funds and amounts to be recovered is replaced with a single line titled "Accumulated Surplus/Deficit".

Forecast Factors and Assumptions

The development of the pro forma consolidated six year water financial statements incorporated the assumptions contained in the 2009 water/wastewater rate study, the 2009 development charges study and the City's 2009 Consolidated Financial Statements. The above referred studies included assumptions for growth, inflationary factors, lifecycle capital forecasts and development

charge revenues. The cost used for the purchase of potable water over the forecasted period was available from Regional publications.

In certain situations best estimates were used in the development of the forecasted figures when financial information or data was not known. Generally the development of the consolidated six year financial forecast used a conservative approach in terms of consumption, inflation, expenditures, etc. In addition the 2010 water budget as approved by Council formed the base year of the six year forecast.

Statement of Operations

The base year for the statement of operations six year forecast was the 2010 water budget which was presented and approved by Council on May 11, 2010.

Revenues

Total water revenues for 2010 for residential, commercial properties and other revenues are \$39.6m as per the approved budget and over the six year forecast period will generate \$61.8m annually by 2015.

The annual forecasted revenue figures were developed using a conservative growth pattern of 2.0% for both residential and commercial properties. This growth rate approximates the growth used in the 2009 rate study. The revenue forecast assumes an average year in terms of weather for the forecasted period.

The water rate per cubic meter in 2010 is 106.3 cents and will move to 134.4 cents in 2015 representing a 6% average increase per year. The water rate as shown is moving to a full cost recovery position over ten years. This smoothing approach was recommended in the 2009 rate study. The rate based revenues over the six year period will translate into water revenues for residential and commercial properties that total \$36.5m in 2010 and will increase to \$54.8m by 2015.

Purchase of Potable Water

The Region of York has increased their rate for the purchase of potable water for 2010 and 2011 by 10%, for 2012, 2013 5%, for 2014 and thereafter 2%. This Regional water increase and the City's anticipated growth have been factored into the cost of the purchased potable water.

Purchases of potable water over this period are forecasted to be \$25.2m to \$35.7m for 2015 and includes unmetered water at a forecasted rate of 13% over the six year period.

Expenditures

Expenses

The operating and maintenance costs represent the administration, joint services costs and preventative maintenance activities of the City's underground infrastructure. Two factors impacting the forecast is growth of the water system and the second is inflation. Growth is conservatively estimated at 2.0% and inflation of 3% over this period. In 2010 the first year of the forecasted period the operating costs total \$8.0m increasing to \$9.5m in 2015.

For the balance of the expenditures the factors that have been applied over the six year period include inflation at 3%, growth at 2.0% where applicable and inflation at 3% for insurance and joint services expenditures.

The annual amortization expense is based on a straight line approach. The amortization calculation is simply the value of the asset divided by the expected operational life of the asset. The increasing amortization expense over the six year period represents the growth in the underground water distribution system. The amortization expense for 2010 is \$4.7m and increases to \$5.1m by 2015.

Annual Surplus/Deficit

The annual surplus or lifecycle contribution over the forecasted period moves from a small surplus position of \$75,000 to an annual surplus of \$9.6m in 2015. These annual surpluses are net of amortization.

This gradual increase in the surplus amount over the six year period reflects the move in the consumption rates to full cost recovery. This gradual consumption rate approach was recommended in the 2009 rate study due to the young age of the City's underground infrastructure and the current funding level in the water reserve.

Statement of Financial Position

The SDWA O.Reg. 453/07 requires that the statement of financial position be forecasted at a minimum over a six year period. The City's 2009 Consolidated Financial Statements were used as a base for the development of the six year pro forma Statement of Financial Position.

Financial Assets

Financial assets consisting of cash and water accounts receivables for 2010 is \$35.1m and are forecasted over the six year period to reach \$66.9m. Growth of the water system and rate increases are the reasons behind the increase.

The liabilities comprise various current payables, long term liabilities such as debentures, future employee benefits and deferred revenue. The liabilities total \$13.9m in 2010 and are forecasted over the six year period to reach \$18.1m. This increase over the period is a reflection of the increasing size of the water system infrastructure.

Non Financial Assets

The tangible capital assets consist of booster stations, land, vehicles, water distribution system, water filling stations, water meters and work in progress. The continuity of the above and below ground tangible capital assets over the forecasted period are as follows:

2009 Opening balance	\$262.7m
Additions	8.5m
Assumed assets	14.0m
Work in progress	6.5m
Total	291.7m
Amortization	(29.7m)
2015 Closing balance	\$262.0m

Accumulated Surplus

Accumulated water surplus at the end of the forecasted period 2015 is comprised of three components; net tangible capital assets, amounts to be recovered in the future (debenture costs & employee future benefits) and the accumulated reserve that is earned annually through the financial results of the water operations is as follows:

Investment in tangible capital assets	\$262.0m
Amounts to be recovered	(5.4m)
Reserve balance	54.2m
Accumulated surplus 2015	\$310.8m

Statement of Change in Net Financial Assets – (Sustainability)

The attached Statement of Changes in Net Financial Assets forecast is a significant document that shows whether or not sufficient cash is being generated annually to cover both operational and future financial needs of the water system. The accumulated increase over the six year forecast period totals \$27.8m resulting in a balance \$48.8m by the end of 2015. This annual increase is the result of a planned implementation of the appropriate consumption rates based on the 2009 water rate study.

The \$48.8m in accumulated net financial assets is significant however it should be viewed in context of it's lifespan of approximately 80 years and the value of the City's water infrastructure that totals \$340m in 2015. This is a significant amount of infrastructure that will be replaced therefore sufficient funds must be accumulated over time. As an indication of the magnitude of the rate study shows that approximately \$75m in water infrastructure will need to be replaced over the next 20 years.

The water consumption rate study will be updated on a regular basis so that both the operational expenditures and capital infrastructure replacement needs can be determined. When both the operational and infrastructure component requirements are completed then the appropriate long term water rates can be calculated so that full cost recovery is attained. This approach will provide sufficient funds to maintain a sustainable water system in the long term.

The overall increase in net financial assets over the six year forecast period as shown above demonstrates that sufficient funds are being placed in the reserves thereby providing a financially viable consolidated drinking water system.

Relationship to Vaughan Vision 2020

- Pursue excellence in service delivery
- Ensure financial sustainability
- Maintain assets and infrastructure

Regional Implications

No Implications

Conclusion

The attached consolidated six year water financial plan for the years 2010 to 2015 demonstrates a financially sustainable plan for the Vaughan and Kleinburg water distribution systems.

Attachments

The consolidated six year water financial plan and notes.

Report prepared by:

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Respectfully submitted,

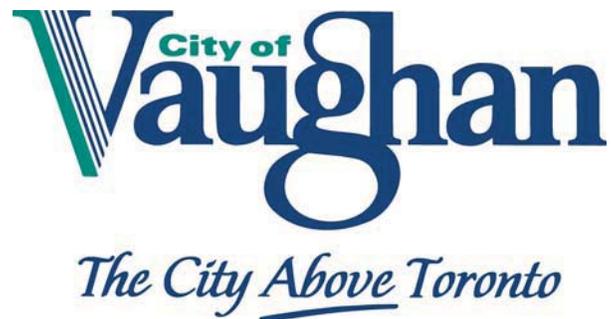
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The Corporation of the City of Vaughan

Consolidated Water System Financial Plan

**Vaughan Water System
Kleinburg Water System**

Vaughan Vision 20 | 20

LOOKING TO OUR FUTURE



CITY OF VAUGHAN
WATER SYSTEM
STATEMENT OF FINANCIAL POSITION

<i>As at December 31</i>	FORECAST					
	2010	2011	2012	2013	2014	2015
Financial Assets						
Cash and Cash Equivalents	28,575,000	31,814,000	35,253,000	38,932,000	46,688,000	57,066,000
Water Billings Receivable	6,581,000	7,218,000	7,804,000	8,438,000	9,123,000	9,863,000
Total Financial Assets	\$35,156,000	\$39,032,000	\$43,057,000	\$47,370,000	\$55,811,000	\$66,929,000
Liabilities						
Accounts Payable	641,000	646,000	666,000	687,000	709,000	731,000
Accrued Liabilities	10,323,000	11,714,000	12,964,000	14,253,000	15,456,000	16,738,000
Debenture and other debt	1,169,000	1,030,000	889,000	748,000	604,000	460,000
Deferred Revenue - Obligatory Reserve Funds	1,815,000	1,915,000	1,715,000	815,000	388,000	188,000
Total Liabilities	\$13,948,000	\$15,305,000	\$16,234,000	\$16,503,000	\$17,157,000	\$18,117,000
Net Financial Assets	\$21,208,000	\$23,727,000	\$26,823,000	\$30,867,000	\$38,654,000	\$48,812,000
Non-Financial Assets						
Tangible Capital Assets	262,568,000	264,416,000	263,471,000	265,680,000	262,500,000	261,945,000
Inventory of Supplies	101,000	101,000	101,000	101,000	101,000	101,000
Total Non-Financial Assets	\$262,669,000	\$264,517,000	\$263,572,000	\$265,781,000	\$262,601,000	\$262,046,000
Accumulated Surplus	\$283,877,000	\$288,244,000	\$290,395,000	\$296,648,000	\$301,255,000	\$310,858,000



CITY OF VAUGHAN
WATER SYSTEM
STATEMENT OF OPERATIONS

<i>For the years ended December 31</i>	FORECAST					
	2010	2011	2012	2013	2014	2015
Revenues						
Rate Based	36,558,000	40,099,000	43,355,000	46,875,000	50,681,000	54,797,000
Other	1,175,000	1,199,000	1,222,000	1,247,000	1,272,000	1,297,000
Contributions from Developers	1,000,000	1,300,000	1,400,000	1,500,000	900,000	400,000
Contributed / Assumed Assets	752,000	3,783,000	814,000	3,847,000	881,000	3,917,000
Interest Income	185,000	814,000	962,000	1,038,000	1,177,000	1,410,000
Total Revenues	\$39,670,000	\$47,195,000	\$47,753,000	\$54,507,000	\$54,911,000	\$61,821,000
Expenses						
Water Purchases	25,266,000	28,278,000	30,621,000	32,795,000	34,362,000	35,750,000
Operating and Maintenance	8,008,000	8,100,000	8,426,000	8,776,000	9,155,000	9,566,000
Allocated Overhead	1,475,000	1,520,000	1,565,000	1,612,000	1,661,000	1,710,000
Interest Expense	66,000	65,000	64,000	62,000	61,000	60,000
Amortization	4,780,000	4,865,000	4,926,000	5,009,000	5,065,000	5,132,000
Total Expenses	\$39,595,000	\$42,828,000	\$45,602,000	\$48,254,000	\$50,304,000	\$52,218,000
Annual Surplus	\$75,000	\$4,367,000	\$2,151,000	\$6,253,000	\$4,607,000	\$9,603,000
Accumulated Surplus, beginning of year	\$283,802,000	\$283,877,000	\$288,244,000	\$290,395,000	\$296,648,000	\$301,255,000
Accumulated Surplus, end of year	\$283,877,000	\$288,244,000	\$290,395,000	\$296,648,000	\$301,255,000	\$310,858,000

**CITY OF VAUGHAN
WATER SYSTEM
STATEMENT OF CASH FLOW**

As at December 31	FORECAST					
	2010	2011	2012	2013	2014	2015
Cash provided by (used in):						
Operations:						
Excess revenues over expenses	75,000	4,367,000	2,151,000	6,253,000	4,607,000	9,603,000
Items not involving cash:						
Amortization	4,780,000	4,865,000	4,926,000	5,009,000	5,065,000	5,132,000
Contributions from Developers	(1,000,000)	(1,300,000)	(1,400,000)	(1,500,000)	(900,000)	(400,000)
Contributed/Assumed Assets	(752,000)	(3,783,000)	(814,000)	(3,847,000)	(881,000)	(3,917,000)
	3,103,000	4,149,000	4,863,000	5,915,000	7,891,000	10,418,000
Uses:						
Increase in water billings receivable	(154,000)	(637,000)	(586,000)	(633,000)	(685,000)	(740,000)
Decrease in deferred revenue			(200,000)	(900,000)	(427,000)	(200,000)
	(154,000)	(637,000)	(786,000)	(1,533,000)	(1,112,000)	(940,000)
Sources:						
Increase in accounts payable	103,000	5,000	20,000	21,000	22,000	23,000
Increase in accrued liabilities	843,000	1,391,000	1,250,000	1,289,000	1,203,000	1,281,000
Increase in deferred revenue	500,000	100,000				
	1,446,000	1,496,000	1,270,000	1,310,000	1,225,000	1,304,000
Net change in cash from operations	\$4,395,000	\$5,008,000	\$5,347,000	\$5,692,000	\$8,004,000	\$10,782,000
Capital:						
Cash used to acquire tangible capital assets	(2,823,000)	(1,630,000)	(1,767,000)	(1,871,000)	(105,000)	(260,000)
Net change in cash from capital	(\$2,823,000)	(\$1,630,000)	(\$1,767,000)	(\$1,871,000)	(\$105,000)	(\$260,000)
Financing:						
Debenture and other debt repaid	(138,000)	(139,000)	(141,000)	(142,000)	(143,000)	(144,000)
Net change in cash from financing	(\$138,000)	(\$139,000)	(\$141,000)	(\$142,000)	(\$143,000)	(\$144,000)
Investments:						
Increase in investments						
Net change in cash from investments	\$0	\$0	\$0	\$0	\$0	\$0
Net change in cash and cash equivalents	\$1,434,000	\$3,239,000	\$3,439,000	\$3,679,000	\$7,756,000	\$10,378,000
Cash and cash equivalents, beginning of year	\$27,141,000	\$28,575,000	\$31,814,000	\$35,253,000	\$38,932,000	\$46,688,000
Cash and cash equivalents, end of year	\$28,575,000	\$31,814,000	\$35,253,000	\$38,932,000	\$46,688,000	\$57,066,000

**CITY OF VAUGHAN
WATER SYSTEM**

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

<i>As at December 31</i>	FORECAST					
	2010	2011	2012	2013	2014	2015
Annual Surplus / (Deficit)	75,000	4,367,000	2,151,000	6,253,000	4,607,000	9,603,000
Less: Acquisition of Tangible Capital Assets	(4,575,000)	(6,713,000)	(3,981,000)	(7,218,000)	(1,885,000)	(4,577,000)
Add: Amortization of Tangible Capital Assets	4,780,000	4,865,000	4,926,000	5,009,000	5,065,000	5,132,000
	280,000	2,519,000	3,096,000	4,044,000	7,787,000	10,158,000
Less: Acquisition of Supplies Inventory						
Add: Consumption of Supplies Inventory						
	0	0	0	0	0	0
Increase in Net Financial Assets	\$280,000	\$2,519,000	\$3,096,000	\$4,044,000	\$7,787,000	\$10,158,000
Net Financial Assets, beginning of year	\$20,928,000	\$21,208,000	\$23,727,000	\$26,823,000	\$30,867,000	\$38,654,000
Net Financial Assets, end of year	\$21,208,000	\$23,727,000	\$26,823,000	\$30,867,000	\$38,654,000	\$48,812,000

CITY OF VAUGHAN

WATER SYSTEM

NOTES TO THE CONSOLIDATED SIX YEAR FINANCIAL PLAN

The City of Vaughan with a population of 283,000 is located in the Regional Municipality of York, Province of Ontario, Canada. The City manages, maintains and distributes drinking water to 75,000 property owners through two water systems, the Vaughan water system and the Kleinburg water system.

1. SAFE DRINKING WATER ACT

Under the Safe Drinking Water Act (SDWA) the City has received a full scope – Accreditation Certificate on July 7th, 2009 for its Drinking Water Quality Management Standards (DWQMS). As a result of receiving the accreditation the City must now under the SDWA regulation 453/07 provide to the Ministry of Municipal Affairs and Housing a six year financial plan for Water.

The six year financial plan must include:

- Statement of Operations
- Statement of Financial Position
- Statement of Net Financial Assets
- Statement of Cash Flow

The consolidated six year financial plan must be adopted by the Council of the municipality and the resolution must also indicate that the drinking water system financial plan is sustainable and financially viable.

2. THE SIX YEAR FINANCIAL PLAN - ASSUMPTIONS

The development of the pro forma consolidated six year water financial statements incorporated the assumptions contained in the 2009 water/wastewater rate study, the 2009 development charges study and the initial year of the forecast incorporates the approved 2010 Water Budget.

The above studies included assumptions for growth, inflationary factors, lifecycle capital forecasts and development charge revenues. The cost used for the purchase of potable water over the forecasted period was available from Region of York.

In certain situations best estimates were used in the development of the forecasted figures when financial information or data was not known. Generally the development of the consolidated six year financial forecast used a conservative approach in terms of consumption, inflation, expenditures and estimates.

3. FINANCIAL ASSETS

Financial assets consist of cash, cash equivalents, accounts receivables and billing accruals. Controlled by the City, these economic resources are a result of past transactions or events where future economic benefits are expected to be obtained.

Water reserve ending fund balances were adjusted for accrued transactions as reflected in accounts receivable/payable and conversion of other account balances to determine opening cash values. Forecasted accounts receivable and billing accruals are projected estimates based on historical trends.

4. LIABILITIES

Liabilities consist of accounts payable, accrued liabilities, long term debt and deferred revenue.

Accounts Payable & Accrued Liabilities

Accounts payable and accrued liabilities represent the costs of goods and services acquired in the period and recognized whether or not payments have been made or invoices received. Forecasted accounts payable and accruals are projected estimates based on historical trends.

Long Term Debt

The City has incurred long term debt which consists of debentures for watermain replacements. Forecasted principal and interest payments are based on existing debentures only and no additional debentures are projected in this forecast period.

Deferred Revenue

Deferred revenue represents special area development charge reserve fund balances which are considered a liability until funds are expended for projects related to growth activity. Forecasts are based on existing projects as outlined in the Development Charges Background Study (September 2008). Due to the nature and timing of collections and spending, projections are based on anticipated activity on remaining net project estimates at 2009.

5. NON-FINANCIAL ASSETS

Non-financial assets consist of tangible capital assets (TCA), inventory supplies, and prepaid expenses. These are not available to discharge existing liabilities and are held for use in the provision of services.

Tangible Capital Assets

TCA are physical assets with useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Forecasted capital additions reflect budgeted capital expenditures (2010), contributed/assumed assets, work in progress (WIP) and special area projects. Specific details are outlined as follows:

Additions

Capital spending is forecasted for 2010 per the approved capital budget and subsequent years reflect outstanding commitments for the year ended 2009 totalling \$6.8M. These expenditures are reflected as tangible capital assets in this forecast period and depreciated accordingly (half year rule applied).

Contributed/Assumed Assets

These asset additions exceed those funded from water and are funded from other sources or are assets contributed by developers. Due to the nature and timing of recognizing these assets a conservative approach has been applied. Water meters have been forecasted on the basis of a future growth of 2%. Contributed or assumed assets are reflected as revenues on the forecasted statement of operations.

Work In Progress

Work in progress (WIP) primarily consists of special area development charges for this forecast period representing projects that are not completed. Such assets are not depreciated in this forecast period. WIP may also consist of assets contributed, assumed or funded from other sources.

Disposals

Not projected for this forecast period.

Amortization

Tangible capital assets are physical assets with a useful life extending beyond one year that are acquired, constructed or developed.

The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - Years
Water and Wastewater Infrastructure	80 – 95
Water Booster Stations – Concrete	85
Water Booster Stations – Machinery & Equipment	20 - 35
Water Filling Stations	25
Water Meters	20
Vehicles	7

Annual amortization is charged in the year the asset is available for productive use and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**CITY OF VAUGHAN
WATER SYSTEM
TANGIBLE CAPITAL ASSET SUMMARY**

<i>At at December 31</i>	FORECAST					
	2010	2011	2012	2013	2014	2015
Opening TCA Balance (Historical Cost)	326,496,000	331,071,000	337,784,000	341,765,000	348,983,000	350,868,000
Additions	4,575,000	6,713,000	3,981,000	7,218,000	1,885,000	4,577,000
Disposals	0	0	0	0	0	0
Closing TCA Balance (Historical Cost)	\$331,071,000	\$337,784,000	\$341,765,000	\$348,983,000	\$350,868,000	\$355,445,000
Opening Accumulated Amortization	63,723,000	68,503,000	73,368,000	78,294,000	83,303,000	88,368,000
Amortization Expense	4,780,000	4,865,000	4,926,000	5,009,000	5,065,000	5,132,000
Amortization on Disposals	0	0	0	0	0	0
Ending Accumulated Amortization	\$68,503,000	\$73,368,000	\$78,294,000	\$83,303,000	\$88,368,000	\$93,500,000
Net Book Value	\$262,568,000	\$264,416,000	\$263,471,000	\$265,680,000	\$262,500,000	\$261,945,000

6. NET FINANCIAL ASSETS

Net financial assets as defined is the difference between financial assets and liabilities and is a key indicator in determining the water system financial ability to replace its infrastructure. As reflected in the statement of changes in net financial assets the City is in a net financial asset position which is an indication that the City has sufficient resources to finance current and future activities. Forecasted net financial assets for the years 2010-2015 are \$21.0M - \$48.8M.

7. ACCUMULATED SURPLUS

Accumulated surplus consists of reserve and reserve fund balances, contributions of tangible capital assets and debt related transactions.

CITY OF VAUGHAN WATER SYSTEM STATEMENT OF ACCUMULATED SURPLUS

<i>As at December 31</i>	FORECAST					
	2010	2011	2012	2013	2014	2015
Surplus:						
Investment in tangible capital assets	262,568,000	264,416,000	263,471,000	265,680,000	262,500,000	261,945,000
Amounts to be recovered in future years:						
Future Benefits	(1,985,000)	(2,382,000)	(2,859,000)	(3,431,000)	(4,117,000)	(4,940,000)
Debentures	(1,169,000)	(1,030,000)	(889,000)	(748,000)	(604,000)	(460,000)
	<u>259,414,000</u>	<u>261,004,000</u>	<u>259,723,000</u>	<u>261,501,000</u>	<u>257,779,000</u>	<u>256,545,000</u>
Reserves set aside for specific purposes by council:						
Water	<u>24,463,000</u>	<u>27,240,000</u>	<u>30,672,000</u>	<u>35,147,000</u>	<u>43,476,000</u>	<u>54,313,000</u>
Accumulated Surplus	<u>\$283,877,000</u>	<u>\$288,244,000</u>	<u>\$290,395,000</u>	<u>\$296,648,000</u>	<u>\$301,255,000</u>	<u>\$310,858,000</u>