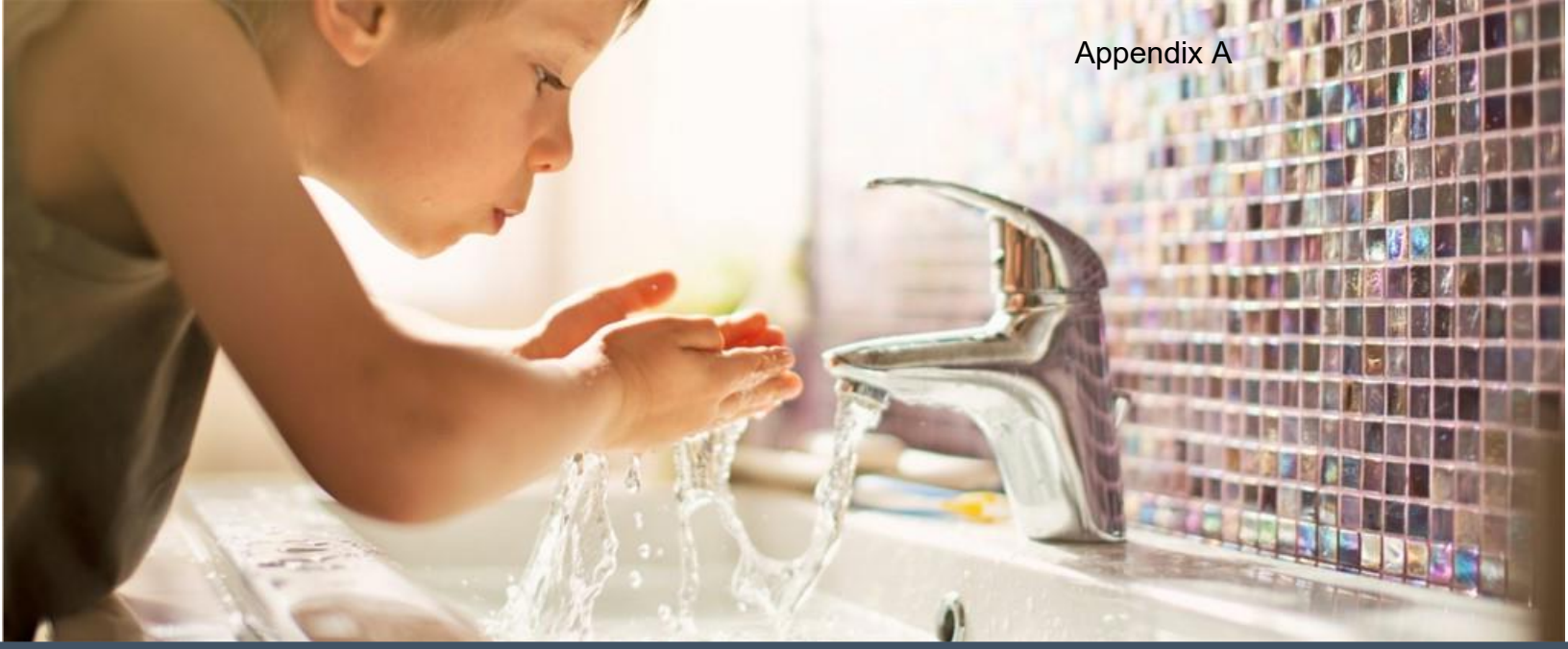
Appendix A



Water Ontario Regulation 453/07 Financial Plan

The District Municipality of Muskoka

Financial Plan #143-301

February 7, 2025

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List of Acronyms and Abbreviations

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



Report

Chapter 1
Introduction

1. Introduction

1.1 Study Purpose

Watson & Associates Economists Ltd. (Watson) was retained by the District Municipality of Muskoka (Municipality) to prepare a water financial plan as part of the five submission requirements for the purposes of renewing a municipal drinking water license as per the *Safe Drinking Water Act, 2002*. In general, a financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand versus supply, and consideration of available funding sources. This detailed financial planning and forecasting in regard to the Municipality's water system has already been completed and documented within the Municipality's "2025-2026 Draft Rate Supported Operating Budget and 2025-2026 Draft Capital Budget and Forecast" (2025-2026 Budget). The objective of the report provided herein is to convert the findings of the 2025-2026 Budget into the prescribed reporting requirements for a financial plan as defined by Ontario Regulation 453/07 (O. Reg. 453/07).

1.2 Background

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

> "No person shall,
>
> a) establish a new municipal drinking water system or replace or carry out an alteration to a municipal drinking water system except under the authority of and in accordance with an approval under this Part or a drinking water works permit; or
>
> b) use or operate a municipal drinking water system that was established before or after this section comes into force except under the authority of and in accordance with an approval under this Part or municipal drinking water licence."

In order to become licensed, a municipality must satisfy five key requirements as per subsection 44 (1):

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

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

1.2.1 Financial Plan Defined

Section 30 of the S.D.W.A. provides the following definition of financial plans:

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

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

1.2.2 Financial Plan Requirements – Existing System (Licence Renewal)

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

- Financial plans must be approved by resolution of Council (or governing body);
- Financial plans must include a statement that the financial impacts have been considered and apply for a minimum six-year period (commencing in the year of licence expiry);
- Financial plans must include detail regarding proposed or projected financial operations itemized by total revenues, total expenses, annual surplus/deficit and accumulated surplus/deficit (i.e. the components of a “Statement of Operations” as per the P.S.A.B.) for each year in which the financial plans apply;
- Financial plans must present financial position itemized by total financial assets, total liabilities, net debt, non-financial assets, and tangible capital assets (i.e. the components of a “Statement of Financial Position” as per P.S.A.B.) for each year in which the financial plans apply;
- Gross cash receipts/payments itemized by operating transactions, capital transactions, investing transactions and financial transactions (i.e. the

components of a “Statement of Cash Flow” as per P.S.A.B.) for each year in which the financial plans apply;

- Financial plans applicable to two or more solely-owned drinking water systems can be prepared as if they are for one drinking water system;
- Financial plans are to be made available to the public upon request and at no charge;
- If a website is maintained, financial plans are to be made available to the public through publication on the Internet at no charge;
- Notice of the availability of the financial plans is to be given to the public; and
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing.

1.2.3 Financial Plan Requirements – General

Given that the requirement for a financial plan is legislated under the S.D.W.A., a financial plan is mandatory for water systems. The financial plans shall be for a forecast period of at least six years but longer planning horizons are encouraged. The 2025-2033 forecast included in this financial plan goes above and beyond the minimum requirement. The financial plan is to be completed and approved by resolution of Council or the governing body in accordance with subsection 3 (1), paragraph 1 of O. Reg. 453/07. Confirmation of approval of the financial plan must be submitted at the time of municipal drinking water license renewal (i.e., six months prior to license expiry).

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

1.2.4 Public Sector Accounting Board (P.S.A.B.) Requirements

The components of the financial plans indicated by the regulation are consistent with the requirements for financial statement presentation as set out in section PS1201 of the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook:

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

The format required is to conform to the requirements of PS1201 and PS3150. The financial statements are to be reported on a full accrual accounting basis. The accrual accounting method recognizes revenues and expenses in the same period as the activities that give rise to them regardless of when they are actually paid for. Since an exchange of cash is not necessary to report a financial transaction, the accrual method is meant to provide a more accurate picture of financial position.

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

The Statement of Cash Flow and the Statement of Change in Net Financial Assets/Debt are required statements. The Statement of Change in Net Financial Assets/Debt reports on whether enough revenue was generated in a period to cover the expenses in the period and whether sufficient resources have been generated to support current and future activities. The Statement of Cash Flow reports on how activities were financed for a given period providing a measure of the changes in cash for that period.

Chapter 2
Sustainable Financial Planning

2. Sustainable Financial Planning

2.1 Introduction

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

Principle #1: Ongoing public engagement and transparency can build support for, and confidence in, financial plans and the system to which they relate.

Principle #2: An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.

Principle #3: Revenues collected for the provision of water services should ultimately be used to meet the needs of those services.

Principle #4: Life-cycle planning with mid-course corrections is preferable to planning over the short-term, or not planning at all.

Principle #5: An asset management plan is a key input to the development of a financial plan.

Principle #6: A sustainable level of revenue allows for reliable service that meets or exceeds environmental protection standards, while providing sufficient resources for future rehabilitation and replacement needs.

Principle #7: Ensuring users pay for the services they are provided leads to equitable outcomes and can improve conservation. In general, metering and the use of rates can help ensure users pay for services received.

Principle #8: Financial plans are "living" documents that require continuous improvement. Comparing the accuracy of financial projections with actual results can lead to improved planning in the future.

Principle #9: Financial plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

2.2 Sustainable Water and Sewage Systems Act

The *Sustainable Water and Sewage Systems Act* (S.W.S.S.A.) was passed on December 13, 2002. The intent of the Act was to introduce the requirement for municipalities to undertake an assessment of the "full cost" of providing their water and wastewater services. In total, there were 40 areas within the Act to which the Minister could have made Regulations. It is noted that the regulations, which accompany the Act, were not issued and the Act was repealed on December 31, 2012.

2.3 Water Opportunities Act, 2010

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

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

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

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

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

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

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

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

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

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

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

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

The Municipality completed an A.M.P. in 2024 which included a review of the Municipality's water and wastewater infrastructure. The Municipality will need to consider the impacts of funding the lifecycle requirements identified in the A.M.P. during the annual budget and forecast process.

2.5 Water Forecast

The Municipality has already completed financial planning through the 2025-2026 Budget. The forecast was designed to address "full cost" principles and reflect the guiding principles toward sustainable financial planning.

As a result of employing this process, the 2025-2026 Budget provides the basis for a financial plan for the Municipality's water system by including:

- A detailed assessment of current and future capital needs including an analysis of potential funding sources;
- An analysis of operating costs in order to determine how they will be impacted by evolving infrastructure needs and the system's growth*;*
- An analysis of required water rates that ensure revenues are equitable and sufficient to meet the system's needs*;* and
- A public process that involves consultation with the main stakeholders including the Municipality's staff, Council, the general public (specifically the users of the system) and others, with the aim of gaining input and collaboration on the sustainability of the water financial plan.

The background information and details of the financial plan are contained within the Municipality's 2025-2026 Budget.

Chapter 3
Approach

3. Approach

3.1 Overview

The 2025-2026 Budget has been used as a starting point to prepare the water financial plan. The water forecast contained in the 2025-2026 Budget was prepared on a modified cash basis; therefore, a conversion is required in order to present a full accrual financial plan for the purposes of this report. The conversion process used will help to establish the structure of the financial plan along with the opening balances that will underpin the forecast. This chapter outlines the conversion process utilized and summarizes the adjustments made to prepare the financial plan.

3.2 Conversion Process

The conversion from the existing modified cash basis financial plan to the full accrual reporting format required under O. Reg. 453/07 can be summarized in the following steps:

1. Calculate Tangible Capital Asset Balances
2. Convert Statement of Operations
3. Convert Statement of Financial Position
4. Convert Statement of Cash Flow and Net Assets/Debt
5. Verification and Note Preparation

3.2.1 Calculate Tangible Capital Asset Balances

In calculating tangible capital asset balances, existing and future purchased, developed, and/or contributed assets will need to be considered. For existing water assets, an inventory has already been compiled and summarized as part of the Municipality's annual P.S.A.B. 3150 compliance processes. As required for P.S.A.B. 3150 reporting purposes, the asset inventory listing included historical cost (which is the original cost to purchase, develop, or construct each asset) along with an estimated useful life for each asset. The following calculations are made to determine net book value:

- Accumulated amortization up to the year prior to the first forecast year.
- Amortization expense on existing assets for each year of the forecast period.
- Acquisition of new assets for each year of the forecast period.
- Disposals and related gains or losses for each year of forecast period.

Future water capital needs have also been determined and summarized within the 2025-2026 Budget. However, these estimates only represent future assets that the Municipality anticipates purchasing or constructing. At present, the Municipality does not anticipate any assets will be contributed by developers and other parties (at no or partial cost to the Municipality). If, over the forecast period, additional capital needs arise or contributed assets are anticipated, the financial plan may need to be adjusted to properly account for these transactions. Once the sequence and total asset acquisition has been determined for the forecast period, annual amortization of these assets for each year is calculated in a similar manner to that used for existing assets.

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

3.2.2 Convert Statement of Operations

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

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

Modified Cash Basis	Budget 2025	Adjustments DR	Adjustments CR	Full Accrual Budget 2025	Accrual Basis
Revenues					**Revenues**
Rate Based Revenue	10,904,822			10,904,822	Rate Based Revenue
Special Area Levy	4,538,099			4,538,099	Special Area Levy
Transfers from Reserves	-	-			
			109,613	109,613	Earned Development Charges Revenue
Other Revenue	11,204,320		3,648,078	14,852,399	Other Revenue (Includes Transfer from Wastewater)
Total Revenues	**26,647,241**			**30,404,933**	**Total Revenues**
Expenditures					**Expenses**
Operating	8,447,058	2,231,039		10,678,097	Operating Expenses
Capital					
Transfers to Reserves	16,249,132		16,249,132		
Debt Repayment (Principal & Interest)	1,951,051		1,454,576	496,476	Interest on Debt
		5,812,183		5,812,183	Amortization
Total Expenditures	**26,647,241**			**16,986,756**	**Total Expenses**
Net Expenditures	**-**			**13,418,177**	**Annual Surplus/(Deficit)**
Increase (decrease) in amounts to be recovered	**-**			120,182,753	Accumulated Surplus/(Deficit), beginning of year
Change in Fund Balances	**-**	**13,418,177**	**-**	**133,600,930**	**Accumulated Surplus/(Deficit), end of year**
TOTAL ADJUSTMENTS		**21,461,399**	**21,461,399**		

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

3.2.3 Convert Statement of Financial Position

Once the Statement of Operations has been converted and the net book value of tangible capital assets has been recorded, balances for the remaining items on the Statement of Financial Position are determined and recorded (see Table 3-2). As noted earlier, the applicable balances from the Statement of Capital and the Statement of Reserve and Reserve Funds will need to be transferred to this statement. The opening/actual balances for the remaining accounts such as accounts receivable, inventory, accounts payable, outstanding debt (principal only), are recorded and classified according to the structure of the Statement of Financial Position as outlined in PS1201.

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

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

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

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

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

Modified Cash Basis	Budget 2025	Adjustments DR	Adjustments CR	Full Accrual Budget 2025	Accrual Basis
ASSETS					**ASSETS**
Financial Assets					**Financial Assets**
Cash	4,752,932			4,752,932	Cash
Accounts Receivable	2,079,672			2,079,672	Accounts Receivable
Total Financial Assets	**6,832,604**			**6,832,604**	**Total Financial Assets**
LIABILITIES					**Liabilities**
Accounts Payable & Accrued Liabilities	417,339			417,339	Accounts Payable & Accrued Liabilities
Gross Long-term Liabilities	9,480,887			9,480,887	Debt (Principal only)
Deferred Revenue	3,219,932			3,219,932	Deferred Revenue
Total Liabilities	**13,118,158**			**13,118,158**	**Total Liabilities**
Net Assets/(Debt)	**(6,285,554)**			**(6,285,554)**	**Net Financial Assets/(Debt)**
		142,117,523	2,231,039	139,886,484	**Non-Financial Assets** Tangible Capital Assets
				139,886,484	**Total Non-Financial Assets**
Municipal Position					
Water Reserves	3,195,333	3,195,333	-		
Development Charge Reserve Fund	3,219,932	3,219,932	-		
Amounts to be Recovered	(12,700,819)	-	12,700,819		
Total Municipal Position	**(6,285,554)**		133,600,930	**133,600,930**	**Accumulated Surplus/(Deficit), end of year**
TOTAL ADJUSTMENTS		**148,532,788**	**148,532,788**		

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

3.2.5 Verification and Note Preparation

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

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

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

a) Opening cash balances – Opening cash balances are necessary to complete the Statement of Cash Flows and balance the Statement of Financial Position. Preferably, opening cash balances should be derived from actual information contained within the Municipality's ledgers. However, it may not be possible to extract this information from the ledgers for water alone; therefore, a reasonable proxy will be needed. One approach is to assume that opening cash balances equal ending reserve and reserve fund balances from the previous year adjusted for accrual-based transactions reflected by accounts receivable/payable balances. The following equation outlines this approach:

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

b) Amortization Expense – The method and timing of amortization should be based on the Municipality'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 Municipality.

d) Contributed Assets – As noted earlier, contributed assets could represent a significant part of the Municipality's infrastructure acquisitions. As such, a reasonable estimate of value and timing of acquisition/donation may be required in order to adequately capture these assets. In the case where contributed assets are deemed to be insignificant or unknown, an assumption of "no contributed assets within the forecast period" will be made.

e) Accumulated Surplus – The magnitude of the surplus in this area may precipitate the need for additional explanation especially in the first year of reporting. This Accumulated Surplus captures the historical infrastructure investment which has not been reported in the past but has accumulated to significant levels. It also includes all water reserve and reserve fund balances.

f) Other Revenues – Will represent the recognition of revenues previously deferred (i.e. development charge revenues) and/or accrued revenues (developer contributions), and/or other minor miscellaneous revenues.

Chapter 4
Financial Plan

4. Financial Plan

4.1 Introduction

The following tables provide the complete financial plan for the Municipality'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 Municipality's water system. It is not an audited document[1] 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 Municipality's water system. The first important indicator is net financial assets/(debt), which is defined as the difference between financial assets and liabilities. This indicator provides an indication of the system's "future revenue requirement." A net financial asset position is where financial assets are greater than liabilities and implies that the system has the resources to finance future operations. Conversely, a net debt position implies that the future revenues generated by the system will be needed to finance past transactions, as well as future operations. Table 4-1 indicates that for 2025, the Municipality's water system will be in a net debt position of approximately $6.29 million. The Municipality's net financial position is projected to increase to a financial debt position of approximately $0.82 million by the end of the forecast.

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

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

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

- These assets represent significant economic resources in terms of their historical and replacement costs. Therefore, ongoing capital asset management is essential to managing significant replacements and repairs.
- The annual maintenance required by these assets has an enduring impact on water operational budgets.

In general terms, an increase in the tangible capital asset balance indicates that assets may have been acquired either through purchase by the Municipality or donation/contribution by a third party. A decrease in the tangible capital asset balance can indicate a disposal, write down, or use of assets. A use of assets is usually represented by an increase in accumulated amortization due to annual amortization expenses arising as a result of allocating the cost of the asset to operations over the asset's useful life. Table 4-1 shows tangible capital assets are expected to grow by approximately $98.66 million over the 2025-2033 forecast period. This indicates that the Municipality 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 increasing over the forecast period, from 56% in 2025 to 90% by 2033. As a result, an annual surplus position is forecasted for all years within the forecast period, with an ending annual surplus of approximately $2.25 million by 2033. It is important to note that an annual surplus is beneficial to ensure funding is available for non-expense costs such as tangible capital asset acquisitions, reserve/reserve fund transfers and debt principal payments.

Another important indicator on this statement is accumulated surplus/deficit. An accumulated surplus indicates that the available net resources are sufficient to provide future water services. An accumulated deficit indicates that resources are insufficient to provide future services and that borrowing or rate increases are required to finance annual deficits. From Table 4-2, the financial plan proposes to add approximately $107.51 million to an opening 2025 accumulated surplus of $120.18 million over the forecast period. This accumulated surplus, as indicated in Table 4-2, is predominantly

made up of up of reserve and reserve fund balances as well as 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 in most years, forecasted annual surplus exceeds forecasted tangible capital asset acquisitions (net of amortization for the year), resulting in an overall increase to the net financial asset balance. The tangible capital asset acquisition exceeds the annual surplus in 2026 and 2027, resulting in a net debt position for those years. The ratio of cumulative annual surplus before amortization to cumulative tangible capital asset acquisitions is forecasted to decrease over the forecast period, decreasing from 1.17 in 2025 to 1.06 by 2033 (note: a desirable ratio is 1:1 or better).

4.2.4 Statement of Cash Flow (Table 4-4)

The Statement of Cash Flow summarizes how the Municipality's water system is expected to generate and use cash resources during the forecast period. The transactions that provide/use cash are classified as operating, capital, investing, and financing activities as shown in Table 4-4. This statement focuses on the cash aspect of these transactions and thus is the link between cash- and accrual-based reporting. Table 4-4 indicates that cash from operations will be used to fund capital transactions (i.e., tangible capital asset acquisitions) and build internal reserves and reserve funds over the forecast period. The financial plan projects the cash position of the Municipality's water system to decrease from a positive balance of approximately $2.34 million at the beginning of 2025 to a negative balance of approximately $47.05 million by the end of 2033. For further discussion on projected cash balances please refer to the Notes to the Financial Plan.

Table 4-1
Statement of Financial Position: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2033

	Notes	Forecast								
		2025	2026	2027	2028	2029	2030	2031	2032	2033
Financial Assets										
Cash	1	4,752,932	2,794,028	2,225,390	-	-	-	-	-	-
Accounts Receivable	1	2,079,672	2,173,526	2,204,677	2,278,288	2,378,039	2,477,533	2,587,002	2,701,675	2,821,758
Accounts Receivable - Other	3	-	-	-	-	16,884,608	16,609,406	35,739,700	47,560,733	47,638,694
Total Financial Assets		**6,832,604**	**4,967,554**	**4,430,067**	**2,278,288**	**19,262,647**	**19,086,939**	**38,326,702**	**50,262,408**	**50,460,452**
Liabilities										
Bank Indebtedness		-	-	-	178,248	18,467,319	18,540,272	36,745,046	47,647,582	47,049,762
Accounts Payable & Accrued Liabilities	1	417,339	456,455	476,996	498,461	520,892	544,332	568,827	594,424	621,173
Debt (Principal only)	2	9,480,887	8,312,372	7,548,836	6,923,146	6,276,260	5,644,795	4,990,583	4,312,400	3,608,960
Deferred Revenue	3	3,219,932	3,115,779	3,563,149	834,473	-	-	-	-	-
Total Liabilities		**13,118,158**	**11,884,606**	**11,588,981**	**8,434,328**	**25,264,471**	**24,729,399**	**42,304,456**	**52,554,406**	**51,279,895**
Net Financial Assets/(Debt)		**(6,285,554)**	**(6,917,052)**	**(7,158,914)**	**(6,156,040)**	**(6,001,824)**	**(5,642,460)**	**(3,977,754)**	**(2,291,998)**	**(819,443)**
Non-Financial Assets										
Tangible Capital Assets	4	139,886,484	151,810,537	155,198,813	162,385,820	180,563,308	180,805,103	216,575,677	227,728,636	228,511,006
Total Non-Financial Assets		**139,886,484**	**151,810,537**	**155,198,813**	**162,385,820**	**180,563,308**	**180,805,103**	**216,575,677**	**227,728,636**	**228,511,006**
Accumulated Surplus/(Deficit)	5	**133,600,930**	**144,893,485**	**148,039,899**	**156,229,780**	**174,561,484**	**175,162,643**	**212,597,923**	**225,436,638**	**227,691,563**

Financial Indicators	Total Change	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Increase/(Decrease) in Net Financial Assets	8,844,129	3,378,018	(631,498)	(241,862)	1,002,874	154,216	359,364	1,664,706	1,685,756	1,472,555
2) Increase/(Decrease) in Tangible Capital Assets	98,664,681	10,040,159	11,924,053	3,388,276	7,187,007	18,177,488	241,795	35,770,574	11,152,959	782,370
3) Increase/(Decrease) in Accumulated Surplus	107,508,810	13,418,177	11,292,555	3,146,414	8,189,881	18,331,704	601,159	37,435,280	12,838,715	2,254,925

Table 4-2
Statement of Operations: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2033

	Notes	Forecast								
		2025	2026	2027	2028	2029	2030	2031	2032	2033
Water Revenue										
Rate Based Revenue		10,904,822	11,415,075	11,928,753	12,465,547	13,026,497	13,612,689	14,225,260	14,865,397	15,534,340
Special Area Levy		4,538,099	4,733,999	4,454,693	4,471,744	4,661,311	4,823,702	5,034,763	5,257,415	5,491,965
Earned Development Charges Revenue	3	109,613	771,455	229,908	3,427,200	18,375,576	377,400	19,795,948	12,500,000	770,508
Other Revenue	6	14,852,399	11,050,559	4,264,186	4,972,297	219,662	852,410	18,188,907	1,228,257	244,727
Total Revenues		**30,404,933**	**27,971,088**	**20,877,540**	**25,336,788**	**36,283,046**	**19,666,201**	**57,244,878**	**33,851,069**	**22,041,540**
Water Expenses										
Operating Expenses	Sch. 4-1	10,678,097	10,411,848	11,292,660	10,419,474	10,772,499	11,319,354	11,997,718	12,335,273	12,956,242
Interest on Debt	2	496,476	434,497	382,522	350,400	321,891	292,443	262,574	231,580	199,103
Amortization	4	5,812,183	5,832,188	6,055,944	6,377,033	6,856,952	7,453,245	7,549,306	8,445,501	6,631,270
Loss on Disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Total Expenses		**16,986,756**	**16,678,533**	**17,731,126**	**17,146,907**	**17,951,342**	**19,065,042**	**19,809,598**	**21,012,354**	**19,786,615**
Annual Surplus/(Deficit)		**13,418,177**	**11,292,555**	**3,146,414**	**8,189,881**	**18,331,704**	**601,159**	**37,435,280**	**12,838,715**	**2,254,925**
Accumulated Surplus/(Deficit), beginning of year	5	120,182,753	133,600,930	144,893,485	148,039,899	156,229,780	174,561,484	175,162,643	212,597,923	225,436,638
Accumulated Surplus/(Deficit), end of year		133,600,930	144,893,485	148,039,899	156,229,780	174,561,484	175,162,643	212,597,923	225,436,638	227,691,563
Note 5:										
Accumulated Surplus/(Deficit) Reconciliation:		**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Reserve Balances										
Reserves: Development Charges		3,219,932	3,115,779	3,563,149	834,473	(16,884,608)	(16,609,406)	(35,739,700)	(47,560,733)	(47,638,694)
Reserves: Capital/Other		3,195,333	1,395,320	389,922	767,106	274,436	2,335	1,012,829	2,020,402	2,789,517
Total Reserves Balance		**6,415,265**	**4,511,099**	**3,953,071**	**1,601,579**	**(16,610,172)**	**(16,607,071)**	**(34,726,871)**	**(45,540,331)**	**(44,849,177)**
Less: Debt Obligations and Deferred Revenue		(12,700,819)	(11,428,151)	(11,111,985)	(7,757,619)	10,608,348	10,964,611	30,749,117	43,248,333	44,029,734
Add: Tangible Capital Assets	4	139,886,484	151,810,537	155,198,813	162,385,820	180,563,308	180,805,103	216,575,677	227,728,636	228,511,006
Total Ending Balance		**133,600,930**	**144,893,485**	**148,039,899**	**156,229,780**	**174,561,484**	**175,162,643**	**212,597,923**	**225,436,638**	**227,691,563**

Financial Indicators	Total Change	2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Expense to Revenue Ratio		56%	60%	85%	68%	49%	97%	35%	62%	90%
2) Increase/(Decrease) in Accumulated Surplus	107,508,810	13,418,177	11,292,555	3,146,414	8,189,881	18,331,704	601,159	37,435,280	12,838,715	2,254,925

Schedule 4-1
Statement of Operating Expenses: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2033

	Notes	Forecast								
		2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Expenses										
Personnel		3,240,956	3,381,710	3,533,887	3,692,912	3,859,093	4,032,752	4,214,226	4,403,866	4,602,040
Employee Related Expenses		124,584	124,584	130,190	136,049	142,171	148,569	155,254	162,241	169,542
Materials & Supplies		2,312,495	2,612,479	2,730,041	2,852,892	2,981,273	3,115,430	3,255,624	3,402,127	3,555,223
Purchased Services		1,099,879	1,390,879	1,453,469	1,518,875	1,587,224	1,658,649	1,733,288	1,811,286	1,892,794
Net Internal Service Charges		1,669,144	1,729,142	1,806,953	1,888,266	1,973,238	2,062,034	2,154,826	2,251,793	2,353,123
Non TCA - Expenses from Capital Budget	**7**	2,231,039	1,173,054	1,638,120	330,480	229,500	301,920	484,500	303,960	383,520
TOTAL OPERATING EXPENSES		**10,678,097**	**10,411,848**	**11,292,660**	**10,419,474**	**10,772,499**	**11,319,354**	**11,997,718**	**12,335,273**	**12,956,242**

Table 4-3
Statement of Changes in Net Financial Assets/Debt: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2033

	Notes	Forecast								
		2025	2026	2027	2028	2029	2030	2031	2032	2033
Annual Surplus/(Deficit)		13,418,177	11,292,555	3,146,414	8,189,881	18,331,704	601,159	37,435,280	12,838,715	2,254,925
Less: Acquisition of Tangible Capital Assets	4	(15,852,342)	(17,756,241)	(9,444,220)	(13,564,040)	(25,034,440)	(7,695,040)	(43,319,880)	(19,598,460)	(7,413,640)
Add: Amortization of Tangible Capital Assets	4	5,812,183	5,832,188	6,055,944	6,377,033	6,856,952	7,453,245	7,549,306	8,445,501	6,631,270
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Proceeds on Sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Add: Write-downs of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
		(10,040,159)	(11,924,053)	(3,388,276)	(7,187,007)	(18,177,488)	(241,795)	(35,770,574)	(11,152,959)	(782,370)
Less: Acquisition of Supplies Inventory		-	-	-	-	-	-	-	-	-
Less: Acquisition of Prepaid Expenses		-	-	-	-	-	-	-	-	-
Add: Consumption of Supplies Inventory		-	-	-	-	-	-	-	-	-
Add: Use of Prepaid Expenses		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Financial Assets/(Net Debt)		**3,378,018**	**(631,498)**	**(241,862)**	**1,002,874**	**154,216**	**359,364**	**1,664,706**	**1,685,756**	**1,472,555**
Net Financial Assets/(Net Debt), beginning of year		(9,663,572)	(6,285,554)	(6,917,052)	(7,158,914)	(6,156,040)	(6,001,824)	(5,642,460)	(3,977,754)	(2,291,998)
Net Financial Assets/(Net Debt), end of year		**(6,285,554)**	**(6,917,052)**	**(7,158,914)**	**(6,156,040)**	**(6,001,824)**	**(5,642,460)**	**(3,977,754)**	**(2,291,998)**	**(819,443)**

Financial Indicators		2025	2026	2027	2028	2029	2030	2031	2032	2033
1) Acquisition of Tangible Capital Assets (Cumulative)		29,675,852	47,432,093	56,876,313	70,440,353	95,474,793	103,169,833	146,489,713	166,088,173	173,501,813
2) Annual Surplus/Deficit before Amortization (Cumulative)		34,628,622	51,753,365	60,955,723	75,522,637	100,711,293	108,765,697	153,750,283	175,034,499	183,920,694
3) Ratio of Annual Surplus before Amortization to Acquisition of TCA's (Cumulative)		1.17	1.09	1.07	1.07	1.05	1.05	1.05	1.05	1.06

Table 4-4
Statement of Cash Flow – Indirect Method: Water Services
UNAUDITED: For Financial Planning Purposes Only
2025-2033

	Notes	Forecast								
		2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating Transactions										
Annual Surplus/Deficit		13,418,177	11,292,555	3,146,414	8,189,881	18,331,704	601,159	37,435,280	12,838,715	2,254,925
Add: Amortization of TCA's	4	5,812,183	5,832,188	6,055,944	6,377,033	6,856,952	7,453,245	7,549,306	8,445,501	6,631,270
(Gain)/Loss on disposal of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Less: Earned Deferred Revenue	3	(109,613)	(771,455)	(229,908)	(3,427,200)	(18,375,576)	(377,400)	(19,795,948)	(12,500,000)	(770,508)
Less: Developer Contributions		-	-	-	-	-	-	-	-	-
Add: Deferred Revenue Proceeds		644,777	667,302	677,278	698,524	656,495	652,602	665,654	678,966	692,547
Change in A/R (Increase)/Decrease		(73,750)	(93,854)	(31,151)	(73,611)	(99,751)	(99,494)	(109,469)	(114,673)	(120,082)
Change in A/P Increase/(Decrease)		32,894	39,116	20,541	21,465	22,431	23,440	24,495	25,597	26,749
Less: Interest Proceeds		(25,438)	(63,907)	(27,906)	(7,798)	(15,342)	(5,489)	(47)	(20,257)	(40,408)
Cash Provided by Operating Transactions		**19,699,230**	**16,901,945**	**9,611,212**	**11,778,294**	**7,376,913**	**8,248,063**	**25,769,271**	**9,353,849**	**8,674,493**
Capital Transactions										
Proceeds on sale of Tangible Capital Assets		-	-	-	-	-	-	-	-	-
Less: Cash Used to acquire Tangible Capital Assets	4	(15,852,342)	(17,756,241)	(9,444,220)	(13,564,040)	(25,034,440)	(7,695,040)	(43,319,880)	(19,598,460)	(7,413,640)
Cash Applied to Capital Transactions		**(15,852,342)**	**(17,756,241)**	**(9,444,220)**	**(13,564,040)**	**(25,034,440)**	**(7,695,040)**	**(43,319,880)**	**(19,598,460)**	**(7,413,640)**
Investing Transactions										
Proceeds from Investments		25,438	63,907	27,906	7,798	15,342	5,489	47	20,257	40,408
Less: Cash Used to Acquire Investments		-	-	-	-	-	-	-	-	-
Cash Provided by (applied to) Investing Transactions		**25,438**	**63,907**	**27,906**	**7,798**	**15,342**	**5,489**	**47**	**20,257**	**40,408**
Financing Transactions										
Proceeds from Debt Issue	2	-	-	-	-	-	-	-	-	-
Less: Debt Repayment (Principal only)	2	(1,454,576)	(1,168,515)	(763,536)	(625,690)	(646,886)	(631,465)	(654,212)	(678,182)	(703,441)
Cash Applied to Financing Transactions		**(1,454,576)**	**(1,168,515)**	**(763,536)**	**(625,690)**	**(646,886)**	**(631,465)**	**(654,212)**	**(678,182)**	**(703,441)**
Increase in Cash and Cash Equivalents		2,417,750	(1,958,904)	(568,638)	(2,403,638)	(18,289,071)	(72,953)	(18,204,774)	(10,902,536)	597,820
Cash and Cash Equivalents, beginning of year	1	2,335,182	4,752,932	2,794,028	2,225,390	(178,248)	(18,467,319)	(18,540,272)	(36,745,046)	(47,647,582)
Cash and Cash Equivalents, end of year	1	**4,752,932**	**2,794,028**	**2,225,390**	**(178,248)**	**(18,467,319)**	**(18,540,272)**	**(36,745,046)**	**(47,647,582)**	**(47,049,762)**

Water

Notes to Financial Plan

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

> "Each of the following sub-subparagraphs applies only if the information referred to in the sub-subparagraph is known to the owner at the time the financial plans are prepared:
>
> 1. Sub-subparagraphs 4 i A, B and C of subsection (1)
> 2. Sub-subparagraphs 4 iii A, C, E and F of subsection (1)."

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

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

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

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

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

The assumptions used have been documented below:

1. **Cash, Receivables and Payables**

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

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

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

   a) Receivables: Based on ratios of Municipality's water receivables as a percentage of annual water revenues; and

   b) Payables: Based on ratios of Municipality's water payables as a percentage of annual water operating expenses.

2. **Debt**

   The Municipality's outstanding water related debt principal at the end of 2024 is $10.94 million. The following provides the estimated Principal payments over the forecast period:

Year	Principal Payments
2025	1,454,576
2026	1,168,515
2027	763,536
2028	625,690
2029	646,886
2030	631,465
2031	654,212
2032	678,182
2033	703,441
Total	**7,326,503**

3. Deferred Revenue

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

4. Tangible Capital Assets

- Opening net book value of tangible capital assets includes water related assets, based on information contained with the Municipality's asset database.
- Amortization is calculated based on the straight-line approach with amortization applied in the year of acquisition or construction.
- Given the planned asset replacement forecast in the 2025-2026 Budget, useful life on acquisitions is assumed to be equal to typical values assigned by the Municipality for each asset category.
- Write-offs are assumed to equal $0 for each year in the forecast period.
- Tangible capital assets are shown on a net basis. It is assumed that disposals occur when the asset is being replaced, unless the asset is documented as a new asset.
- Gains/losses on disposal are assumed to be $0 (it is assumed that historical cost is equal to accumulated amortization for all disposals).
- Residual value is assumed to be $0 for all assets contained within the forecast period.
- Contributed Assets, as described in Section 3.2.1, are deemed to be insignificant/ unknown during the forecast period and are therefore assumed to be $0.
- The Municipality is unaware of any specific lead service piping in the municipal water system.

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

Table 4-5
Tangible Capital Asset Summary

Asset Historical Cost	2025	2026	2027	2028	2029	2030	2031	2032	2033
Opening Tangible Capital Asset Balance	257,592,505	271,367,405	285,119,929	291,138,838	300,974,809	325,838,035	333,193,286	370,767,100	389,999,063
Acquisitions	15,852,342	17,756,241	9,444,220	13,564,040	25,034,440	7,695,040	43,319,880	19,598,460	7,413,640
Disposals	2,077,442	4,003,717	3,425,311	3,728,069	171,214	339,789	5,746,066	366,497	446,819
Closing Tangible Capital Asset Balance	**271,367,405**	**285,119,929**	**291,138,838**	**300,974,809**	**325,838,035**	**333,193,286**	**370,767,100**	**389,999,063**	**396,965,884**
Opening Accumulated Amortization	127,746,180	131,480,921	133,309,392	135,940,025	138,588,989	145,274,727	152,388,183	154,191,423	162,270,427
Amortization Expense	5,812,183	5,832,188	6,055,944	6,377,033	6,856,952	7,453,245	7,549,306	8,445,501	6,631,270
Amortization on Disposal	2,077,442	4,003,717	3,425,311	3,728,069	171,214	339,789	5,746,066	366,497	446,819
Ending Accumulated Amortization	**131,480,921**	**133,309,392**	**135,940,025**	**138,588,989**	**145,274,727**	**152,388,183**	**154,191,423**	**162,270,427**	**168,454,878**
Net Book Value	**139,886,484**	**151,810,537**	**155,198,813**	**162,385,820**	**180,563,308**	**180,805,103**	**216,575,677**	**227,728,636**	**228,511,006**

5. Accumulated Surplus

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

Water	2025 Opening Accumulated Surplus
Reserve Balances	
Reserves: Development Charges	2,684,768
Reserves: Capital/Other	1,271,891
Total Reserves Balance	**3,956,659**
Less: Debt Obligations and Deferred Revenue	(13,620,231)
Add: Tangible Capital Assets	129,846,325
Total Opening Balance	**120,182,753**

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

6. Other Revenue

Other revenue includes revenues collected from fees/permits, local improvement charges, supplementary taxes, and transfers from the wastewater account.

7. Operating Expenses

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

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

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

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

1. The financial plan must be approved by resolution of Council of the municipality who owns the drinking water system or the governing body of the owner. (O. Reg. 453/07, subsection 3 (1), paragraph 1).

2. The owner of the drinking water system must provide notice advertising the availability of the financial plan. The plans will be made available to the public upon request and without charge. The plans must also be made available to the public on the municipality's website. (O. Reg. 453/07, subsection 3 (1), paragraph 5).

3. The owner of the drinking water system must provide a copy of the financial plan to the Director of Policy Branch, Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, subsection 3 (1), paragraph 6).

4. The owner of the drinking water system must provide proof satisfactory to the Director that the financial plans for the system satisfy the requirements under the *Safe Drinking Water Act*. (S.D.W.A. subsection 32 (5), subparagraph 2 ii).

Chapter 6
Recommendations

6. Recommendations

This report presents the water financial plan for the District Municipality of Muskoka 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 Council's interest and approval however, for decision making purposes, it may be more informative to rely on the information contained within the 2025-2026 Budget. Nevertheless, Council is required to pass certain resolutions with regard to this plan and regulations and it is recommended that:

1. The District Municipality of Muskoka Water Financial Plan prepared by Watson & Associates Economists Ltd. dated February 7, 2025 be approved.

2. Notice of availability of the Financial Plan be advertised.

3. The Water Financial Plan dated February 7, 2025 be submitted to the Ministry of Municipal Affairs and Housing. (O. Reg. 453/07, subsection 3 (1), paragraph 6)

4. The Council Resolution approving the Financial Plan be submitted to the Ministry of the Environment, Conservation, and Parks satisfying the requirements under the *Safe Drinking Water Act*. (S.D.W.A. subsection 32 (5), subparagraph 2 ii).