THE NATION MUNICIPALITY

DRINKING WATER WORKS PERMT
WATER FINANCIAL PLAN
2026-2031

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Executive Summary

In 2007, the Ontario Ministry of the Environment (MOE) released O.Reg. 453/07 (Financial Plans) under the Safe Drinking Water Act, 2002 (SDWA). This regulation requires that a Financial Plan is prepared as part of the Municipal Drinking Water Licensing Program set out in Part V of the SDWA. The Financial Plan is intended to ensure that drinking water system owners plan for the long-term financial stability of their drinking water systems to guarantee safe drinking water into the future.

This Financial Plan satisfies the requirements of O.Reg. 453/07 (Financial Plans). One component of the Plan is to provide information on the operating and capital expenditures required to ensure reliability and long-term sustainability of The Nation Municipality drinking water systems.

This plan outlines The Nation Municipality's Drinking Water Systems financial status, discusses current and future pressures, outlines the funding structure and provides a financial forecast for the water system. The financial impacts have been considered and applied for a 6-year period (2026 to 2031).

This Financial Plan is a dynamic document that will be updated regularly and should be considered a work in progress and a working document. At a minimum the Financial Plan is required by regulation to be updated and included with application for the renewal of the water system's Municipal Drinking Water Licence which must be done every five years. However, there are many potential changes that may occur in the interim period that may affect the operating and capital projections. This plan will be updated to reflect these changes as they occur.

1. Introduction & Background

The Nation Municipality received its Municipal Drinking Water Licences (MDWL) on August 4, 2011. One of the conditions of receiving the licence is that a Financial Plan that satisfies the conditions of *O. Reg 453/07* must be approved by Council within six months after the date the first licence for the system is issued. This plan has been created to comply with the requirements of Section 3 of *O. Reg 453/07* and covers the public portion of The Nation Municipality water treatment and distribution systems which includes all pumping stations, storage reservoirs, elevated storage tanks, watermains, groundwater wells, treatment plant, aeration, low lift works, potassium permanganate system, clarification, filtration, on-site storage, high lift works, emergency power, chemical addition. This plan is developed to renew the licences for a fourth time.

The Financial Plan attached was developed for all drinking water systems (St. Isidore Distribution System, SIDS, and Limoges Drinking Water System, LDWS) as well as tangible capital asset information that the Municipality generated in accordance with the Public Sector Accounting Board (PSAB) standard PS 3150 requirements. The Financial Plan includes future tangible capital asset acquisitions projected to occur over six years, from 2026 to 2031.

1.1. Legislative requirements

There have been several legislative initiatives affecting water system management and operations over the past decades. This regulation was designed by the Ministry of Environment (MOE) in response to

Honourable Dennis O'Connor's Walkerton Inquiry recommendations. The Inquiry Report recommended a comprehensive approach to the delivery of safe drinking water in Ontario.

The MOE has responded to the inquiry recommendations by making legislative changes. One change directly related to the development of this Financial Plan was the passage of the Safe Drinking Water Act, 2002 (SDWA). It requires owners of a municipal drinking water system to apply for and obtain a Municipal Drinking Water Licence. Further, Section 31(1) specifically states:

> ***31*** *(1) 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. 2002, c. 32, s. 31 (1).*

To become licenced, a municipality must satisfy five key requirements, one of which is this financial plan, as per Section 44(1):

> ***Director's decision, municipal drinking water licence***
>
> ***44*** *(1) After consideration of an application for a municipal drinking water licence under this Part, the Director shall issue a municipal drinking water licence to the owner of a municipal drinking water system if,*
> *(a) a drinking water works permit has been issued for the system;*
> *(b) the operational plans for the system satisfy the requirements in the Director's directions under Part III for the particular system or type of system;*
> *(c) the system will be operated by an accredited operating authority;*
> *(d) the financial plans for the system, if required, satisfy the requirements under this Act;*
> *(e) a permit to take water has been issued under the Ontario Water Resources Act that,*
> *(i) authorizes the system to take water, if water will be taken by the system from a raw water supply and the permit is required under the Ontario Water Resources Act in order to take the water, and*
> *(ii) authorizes the system to transfer water between Great Lakes watersheds as defined in section 34.5 of the Ontario Water Resources Act, if water will be transferred by the system between Great Lakes watersheds as defined in that section and the permit is required under that Act in order to transfer the water; and*
> *(f) the Director is satisfied that the system will be operated in accordance with the requirements under this Act and the conditions in the licence. 2002, c. 32, s. 44 (1); 2007, c. 12, s. 2 (2).*

Under Section 30 of the SDWA, the Financial Plan element of the licence program must either be prepared in accordance with the Sustainable Water and Sewage System Act, 2002 (SWSSA) or in accordance with the requirements set by the Minister of the Environment. SWSSA regulations have not been published. Accordingly, the requirements set by the Minister of Environment apply as per the 2007 MOE guidelines.

1.2. Financial Plan Regulatory Requirements – Existing System

The requirements for existing systems were enacted under *O. Reg 453/07* and are summarized below:

- The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by the council of the municipality, if the owner of the drinking water system is a municipality.
- The financial plans must apply for a period of at least six years.
- The first year to which the financial plans must apply must be the year determined in accordance with the following rules:
    - If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system's existing municipal drinking water licence would otherwise expire.
- The financial plans must include the following:
    - Details of the proposed or projected financial position of the drinking water system itemized by total financial assets, total liabilities, net debt, non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and changes in tangible capital assets that are additions, donations, write downs and disposals. (ie, the Statement of Financial Position)
    - Details of the proposed or projected financial operations of the drinking water system itemized by total revenues, further itemized by water rates, user charges and other revenues, total expenses, further itemized by amortization expenses, interest expenses and other expenses, annual surplus or deficit, and accumulated surplus or deficit. (i.e., the Statement of Operations)
    - Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges, capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets, investing transactions that are acquisitions and disposal of investments, financing transactions that are proceeds from the issuance of debt and debt repayment, changes in cash and cash equivalents during the year, and cash and cash equivalents at the beginning and end of the year. (i.e., the Statement of Cash Flows)
- The owner of the drinking water system must make the financial plans available, on request, to members of the public who are served by the drinking water system without charge as well as publish them on the municipal website.
- The owner of the drinking water system must provide notice advising the public of the availability of the financial plans in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.
- The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing.

The Financial Plan has been prepared for the six-year period of 2026 to 2031.

1.3. Accounting and policy changes regarding tangible capital assets

In June 2006, the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered accountants approved new municipal financial accounting and reporting standards requiring that tangible capital assets (TCA), including the assets of drinking water systems, be included in municipal financial statements. The official Public Accounting standard, PSAS 3150, came into effect on January 1, 2009.

2. Sustainable Financial Planning

2.1. Context

The Ministry of the Environment released a guideline ("Towards Financially Sustainable Drinking-Water and Wastewater Systems") that provides possible approaches to achieving sustainability. The Province's Principles of Financially Sustainable Water and Wastewater Services are provided below:

1) Ongoing public engagement and transparency can build support for, and confidence in, Financial Plans and the system(s) to which they relate.
2) An integrated approach to planning among water, wastewater, and storm water systems is desirable given the inherent relationship among these services.
3) Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
4) Lifecycle planning with mid-course corrections is preferable to planning over the short term or not planning at all.
5) An asset management plan is a key input to the development of a Financial Plan.
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.
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.
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.
9) Financial Plans benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

The intent of the guideline is to assist municipalities in meeting their regulatory obligations as well as provide practical advice regarding financial planning for drinking water services. It also provides guidance on sustainable long-term financial planning.

2.2. Existing Practices

Achieving financial sustainability in the water systems is a long-term goal. The overall guiding principle is to ensure that both current operating needs and long-term infrastructure renewal planning are addressed. While the Financial Plan is considered in the long-term planning process, other financial and non-financial planning documents such as asset management plans, development charge studies and master plans are also consulted when determining the long-term sustainability of the water systems.

3. The Nation Municipality Drinking Water Systems

The Nation Municipality was created in 1998 from the amalgamation of the former

- Township of Caledonia,
- Township of Cambridge,
- Township of South Plantagenet, and
- Village of St. Isidore

Drinking water systems exist in the two largest villages of the municipality, Limoges and St-Isidore. The Limoges Drinking Water System and the St. Isidore Distribution System are approximately 35 km apart. Both systems are maintained and operated by the Water & Wastewater Department of The Nation Municipality.

3.1. Limoges Drinking Water System

The Limoges Drinking Water System (LDWS) services approximately 2,285 connections, providing drinking water to a population of about 5,900 residents.

In 2017, an agreement was established with the City of Clarence-Rockland for the supply of treated drinking water. To support this arrangement, a 10 km transmission main was constructed in 2022, connecting the Cheney Water Tower to the Limoges Water Treatment Plant, thereby increasing the available water volume for the LDWS. In addition, two (2) groundwater production wells, located on Russland Road in the Township of Russell, continue to provide water to the system.

The LDWS infrastructure includes two (2) groundwater wells, one (1) drinking water treatment plant, one (1) pumping station, and two (2) treated water reservoirs.

The treatment process consists of aeration, potassium permanganate oxidation, coagulation/flocculation/sedimentation, filtration, chlorination for primary disinfection, followed by storage in the two treated water reservoirs, pumping, and chloramination for residual disinfection within the distribution system.

The distribution network serves the Village of Limoges, Le Baron Estates, Forest Park, Rue du Castor, the Multi-Domaine Mobile Home Park, the Limoges Industrial Park, and the Calypso Water Park. The system is composed of PVC and polyethylene watermains ranging in diameter from 25 mm service connections to 300 mm transmission mains.

A secondary water source is supplied by the City of Clarence-Rockland, with treated water conveyed from the Village of Cheney to the Limoges at-grade reservoirs through a 400 mm diameter transmission main approximately 9.8 km in length.

The table below shows the asset inventory for the LDWS with the total replacement value for the asset category.

Asset Category	Replacement Value
Buildings	$1,170,185
Flowmeter	$65,289
Hydrants	$4,162,978
Mechanical	$1,865,339
Meters	$7,859,085
Piping	$861,820
Pumping Station	$7,573,340
Reservoir	$4,765,462
Scada	$537,035
Study	$76,054
Treatment	$3,385,352
Valve Chambers & Manholes	$69,830
Valves	$4,958,200
Water Housing Connection	$8,201,309
Watermain	$50,129,412
Well	$579,938
Total Replacement Value	**$96,260,628**

3.2. St. Isidore Distribution System

The St. Isidore Distribution System (SIDS) service has approximately 512 service connections servicing a population of approximately 1,300. The water is being provided by the Alfred/Lefaivre Drinking System.

The St. Isidore Distribution System consists of one (1) secondary disinfection system, one (1) booster pumping station, one (1) storage reservoir, and one (1) elevated storage tank. The distribution network is composed of PVC and polyethylene pipes ranging in diameter from 25 mm service connections to 300 mm watermains.

The system includes 80 fire hydrants (including two on the feeder main), standard service connections, 111 gate valves, as well as isolation, interconnection, and drain valves ranging in diameter from 150 mm to 300 mm, along with blow-off points and valve chambers.

The table below shows the asset inventory for the SIDS with the total replacement value for the asset category The same table is also represented in the pie chart that follows.

Asset Category	Replacement Value
Buildings	$290,922
Flowmeter	$17,172
Hydrants	$1,461,056
Mechanical	$55,734
Meters	$3,070,080
Reservoir	$407,609
Tower	$7,933,143
Treatment	$513,090
Valve Chambers & Manholes	$136,339
Valves	$2,308,284
Water Housing Connection	$1,819,107
Watermain	$16,491,856
Total Replacement Value	**$34,504,392**

4. Financial Plan Summary

4.1. Financial Plan Requirements

To meet *O. Reg 453/07* requirements, the financial plan must include the following components:

- Statement of Operations
- Statement of Financial Position
- Statement of Cash Flow and Net Assets & Net Debt

It is important to note that *O. Reg 453/07* does not require an audited financial plan. As such, the Financial Plan presented is a forward-looking plan of the municipality's water systems. It is not an audited document and contains various estimates which may change over time.

4.2. Significant Assumptions

To show a balanced financial plan in a full accrual format, some of the items have been estimated since the municipality does not maintain all financial asset and liability data separately for water given that there is no obligation to disclose this data separately (as there is with revenue and expenses).

The significant assumptions are:

- *Opening cash balances*: These are necessary to complete the Statement of Cash Flows and to balance the Statement of Financial Position. Ideally, these balances should be derived from ledgers, but the municipality does not have cash ledgers specifically for water. Therefore, it is assumed that the opening cash balance is equal to the ending reserve fund balance from the previous year.
- *Accumulated surplus*: The surplus fluctuates from year to year, particularly in the years where infrastructure investment is large.
- *Debt*: Outstanding debt tied to water at the end of 2025 was approximately $13M, with additional debt anticipated throughout the forecast period. For financial reporting purposes, debt principal payments represent a decrease in debt liability and interest payments represent a current year operating expense.
- *Tangible Capital Assets (TCAs)*: The opening net book value of TCAs is estimated based on the 2024 year-end. This figure was used since the 2025 year-end is not yet completed. Other assumptions concerning capital assets are –
    - Amortization is calculated using the straight-line approach with a half year rule for the year of acquisition or construction.
    - Useful life is assumed to be equal to the weighted average useful life for all assets in each respective category.
    - Write-offs are assumed to the equal to $0.
    - Disposals occur when the asset is being replaced, unless the asset is documented as a new asset.
    - Residual value is assumed to be $0 for assets within the forecast period.

4.3. Statement of Financial Position

The Statement of Financial Position provides information that describes the assets, liabilities, net financial assets, and tangible capital assets of the Municipality's water system. The Forecasted Statement of Financial Position is provided in Appendix B.

Net financial assets/(debt), which is the difference between financial assets and liabilities is an indicator that provides a projection of the system's future revenue requirement. As net financial asset position occurs when financial assets are greater than liabilities and implies that the systems have the resources to finance future operations. Conversely, a net debt position implies that the future revenues will not be sufficient to finance past transactions as well as future operations. As shown below, the water system will be in a net debt position for most of the forecast period due to debt taken on to fund major infrastructure projects. This position improves as debt is paid down over time and deteriorates as new debt is taken on.

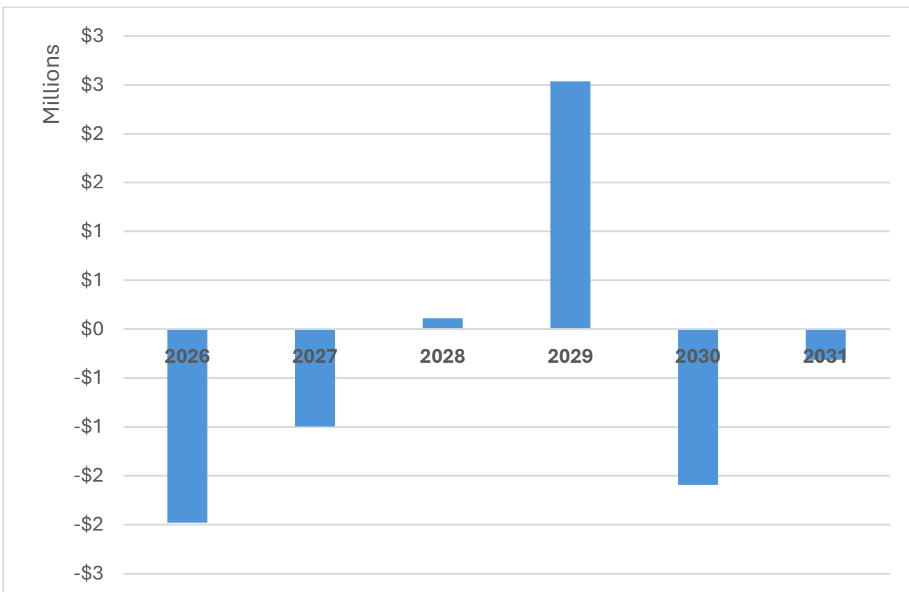

Figure 4.3a – Net debt position

Another indicator is the tangible capital asset balance. This information is a requirement for municipalities as part of PS3150, but it is also significant for financial planning because:

- These assets are vital to water service delivery.
- They represent important economic resources in terms of their historical and replacement costs. Ongoing capital asset management is essential to adequately managing significant replacements and repairs.
- The annual maintenance has a lasting impact on water operational budgets.

In general terms, an increase in TCA indicates assets were acquired through purchase or construction by the municipality or contribution or donation by a third party. A decrease in TCA indicates a disposal, write down or use of the assets. The use of assets is typically shown by an increase in accumulated amortization, which results from the annual amortization expense. This expense reflects how the asset's cost is spread over its useful life as part of the operating costs. TCA cost is expected to grow by $22M from 2026 to 2031 indicating that the municipality has invested in TCA more than anticipated use of existing assets over the forecast period. That said, net TCA will see a decrease from 2026 to 2029 due to amortization exceeding acquisitions. In 2030, large acquisitions are expected to which will increase the net TCA value as shown below:

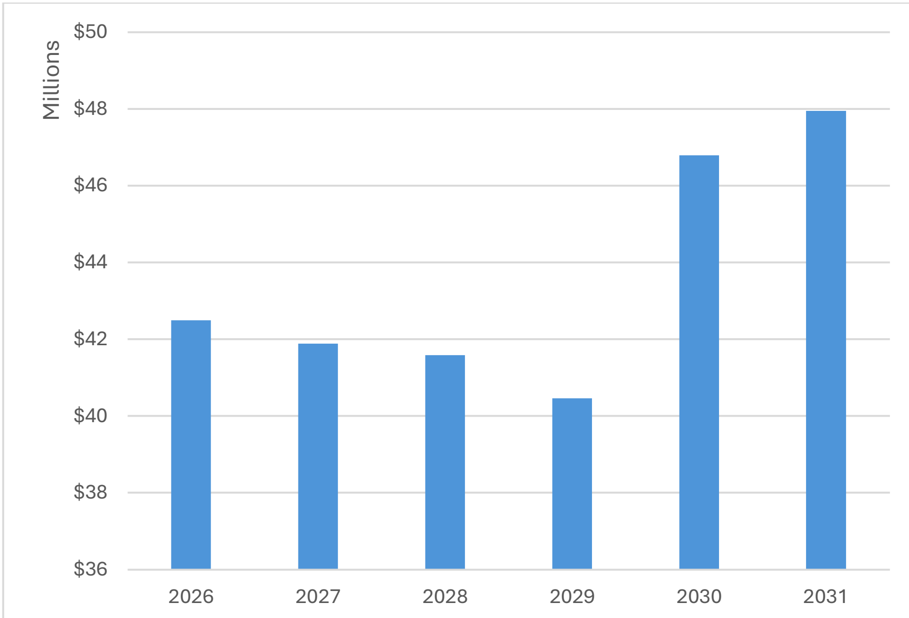

Figure 4.3b – Net TCA value over time

The accumulated surplus, the difference between net financial assets (assets and liabilities) and non-financial asset (net TCA) is projected to increase due to substantial investments in infrastructure needed to accommodate growth and ensure continued service to existing residents.

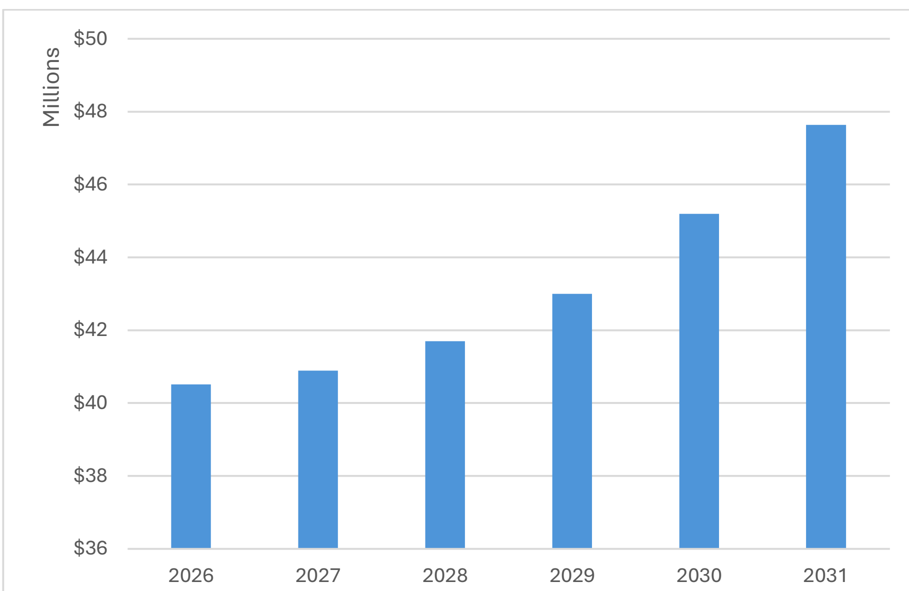

Figure 4.3c – Growth of accumulated surplus over time

A final note, it will be difficult to isolate the information that is relevant only to water for some of the balances required on the Statement of Financial Position. An example of this is cash or accounts receivable which are administered centrally by the finance department. *O. Reg 453/07* allows for the exclusion of these figures if they are not known at the time of preparation of the financial plan.

4.4. Statement of Operations

The forecasted Statement of Operations projects revenues and expenses. 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 run down. An annual surplus is required to ensure funding is available for costs such as tangible capital asset acquisitions, reserve fund transfers, and debt principal payments.

The Forecasted Statement of Operations is provided in Appendix C.

4.4.1. Revenues

Revenues are primarily derived from fixed and consumption-based rates billed quarterly to residents. Projections are based on growth and rate increases aligned with operating and capital needs. As small changes in assumptions can significantly impact revenue forecasts, they are reviewed annually. Fixed and variable rates increase by set dollar amounts rather than by the same percentage, ensuring adequate surplus. A minor portion of revenue also comes from water meter charges, though this is negligible compared to overall water rates.

4.4.1.1. Limoges Drinking Water System Rates:

The LDWS uses a combination of fixed and variable rates, with the variable portion based on a tiered structure. Higher consumption is charged at a higher rate, with "normal" usage defined as 40 m^3 per quarter, based on an analysis of historical averages. The 2026 rates, along with projected rates through 2031, are presented below. Rates for 2026 and beyond are estimates based on 2025 data and are subject to change following annual reviews of system needs and costs.

Limoges Water	2026	2027	2028	2029	2030	2031
Fixed rate (quarterly)	$113.12	$132.13	$152.12	$173.13	$195.19	$218.36
Variable rate (per m^3)						
Tier I: 0 – 40 m^3	$2.62	$2.84	$3.08	$3.33	$3.59	$3.86
Tier II: 41 – 50 m^3	$3.51	$3.82	$4.14	$4.48	$4.84	$5.21
Tier III: 51 – 60 m^3	$5.96	$6.30	$6.65	$7.02	$7.40	$7.80
Tier IV: > 61 m^3	$6.96	$7.30	$7.65	$8.02	$8.40	$8.80

Projected rate revenue distribution between fixed and variable rates for the next six years is shown below based on an average quarterly consumption of 40 m^3 and projected equivalent units.

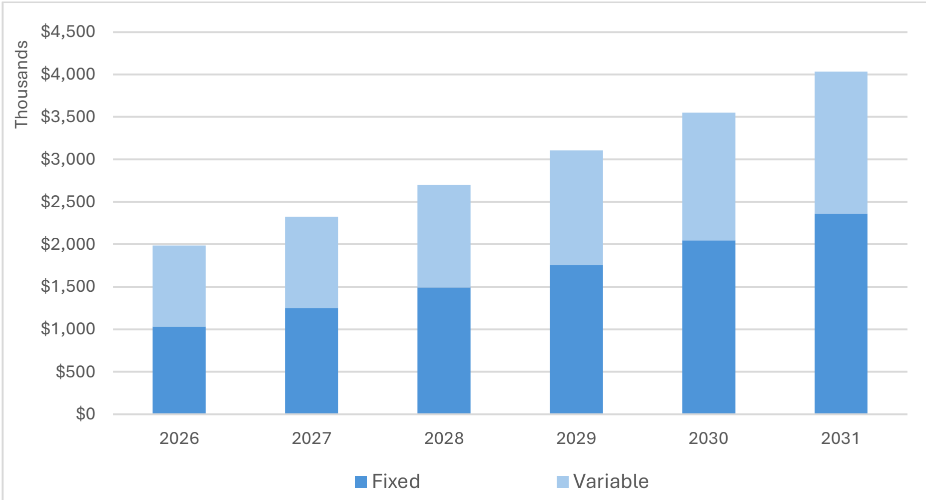

Figure 4.4.1a – Limoges water revenue distribution

4.4.1.2. St. Isidore Distribution System rates:

The SIDS uses a combination of fixed and variable rates, with the variable portion based on a tiered structure. Higher consumption is charged at a higher rate, with "normal" usage defined as 40 m^3 per quarter, based on an analysis of historical averages. The 2026 rates, along with projected rates through 2031, are presented below. Rates for 2026 and beyond are estimates based on 2025 data and are subject to change following annual reviews of system needs and costs.

St. Isidore Water	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Fixed rate (quarterly)	$157.28	$172.47	$188.40	$205.08	$222.55	$240.85
Variable rate (per m^3)						
Tier I: 0 – 40 m^3	$3.19	$3.37	$3.55	$3.74	$3.94	$4.15
Tier II: 41 – 50 m^3	$3.98	$4.25	$4.53	$4.82	$5.13	$5.45
Tier III: 51 – 60 m^3	$6.02	$6.35	$6.70	$7.06	$7.44	$7.83
Tier IV: > 61 m^3	$7.02	$7.35	$7.70	$8.06	$8.44	$8.83

Rate revenue distribution between fixed and variable rates for the next six years is shown below based on an average quarterly consumption of 40 m^3 and projected equivalent units.

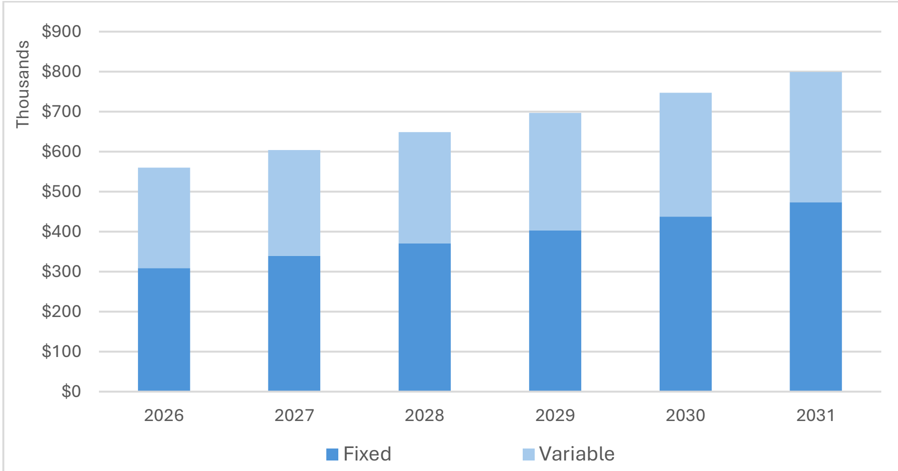

Figure 4.4.1b – St-Isidore water revenue distribution

4.4.2. Expenses

Current expenses were divided into three categories: operating expenses, interest on long-term debt and amortization.

The future period operating expenses was projected based on an estimated inflation rate of 2.5% per annum. Operating expenses are the costs incurred for providing the drinking water supply on a day-to-day basis. Items included in operating expenses typically include wages, benefits, contract to third party, materials, utilities, supplies, maintenance, chemicals, equipment, interest on long-term debt, amortization expense, etc.

There are current debts with associated repayment periods to which interest expense is attached. New debt is projected for future periods. Future debt is assumed to be for 25-year terms on the capital item for which borrowing is required.

The annual amortization expenses are based on the historical cost of assets, which was apportioned over the useful life of the assets using the straight-line amortization method. The amortization is a non-cash expense, which represents the usage of tangible capital assets (TCAs).

The breakdown of these expenses by category is shown in the figure below.

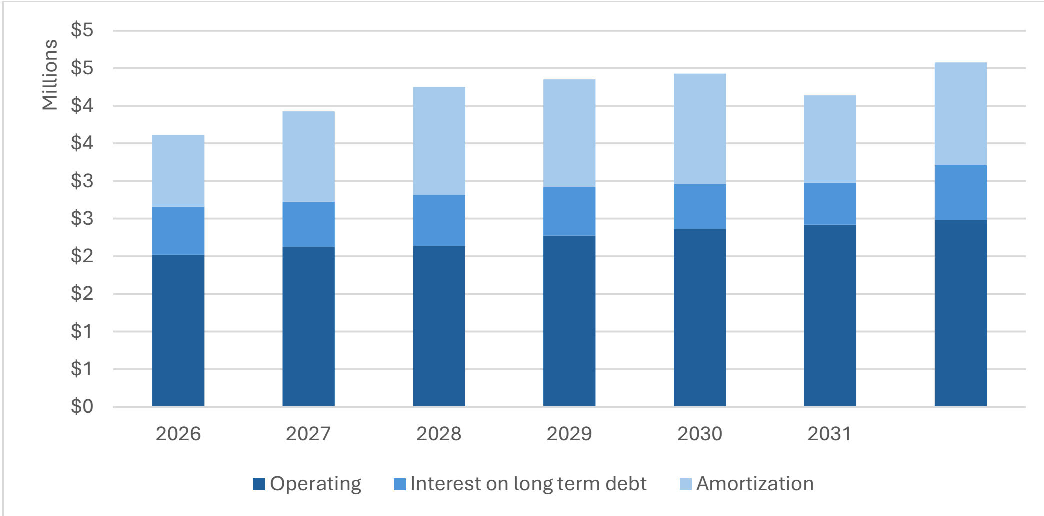

Figure 4.4.2 - Expense distribution

4.5. Forecasted Statement of Cash Flow

The Forecasted Statement of Cash Flow projects how cash will be generated and used. The transactions that provide/use cash are classified as operating, capital, investing and financing activities.

The Forecasted Statement of Cash Flow is provided in Appendix D.

4.6. Tangible Capital Assets

Capital planning is ongoing in the municipality, and the most recent iteration of the Asset Management Plan proposes strategies to close the funding gap in the water system. These strategies are applied as of 2026 and reflected in the capital plan. Projections also include future phases of the infrastructure for the LDWS with the City of Clarence-Rockland for the provision of additional water units.

Limoges Drinking Water System

The total replacement value for the LDWS, the cost to reconstruct/replace assets in inventory to excellent condition, for the 20-year capital planning period of 2025-2044 is $25,798,333. While the annual requirement fluctuates from year to year (as shown in the Table 4.2 below), the average annual required contribution for the 20-year period is $1,227,665.

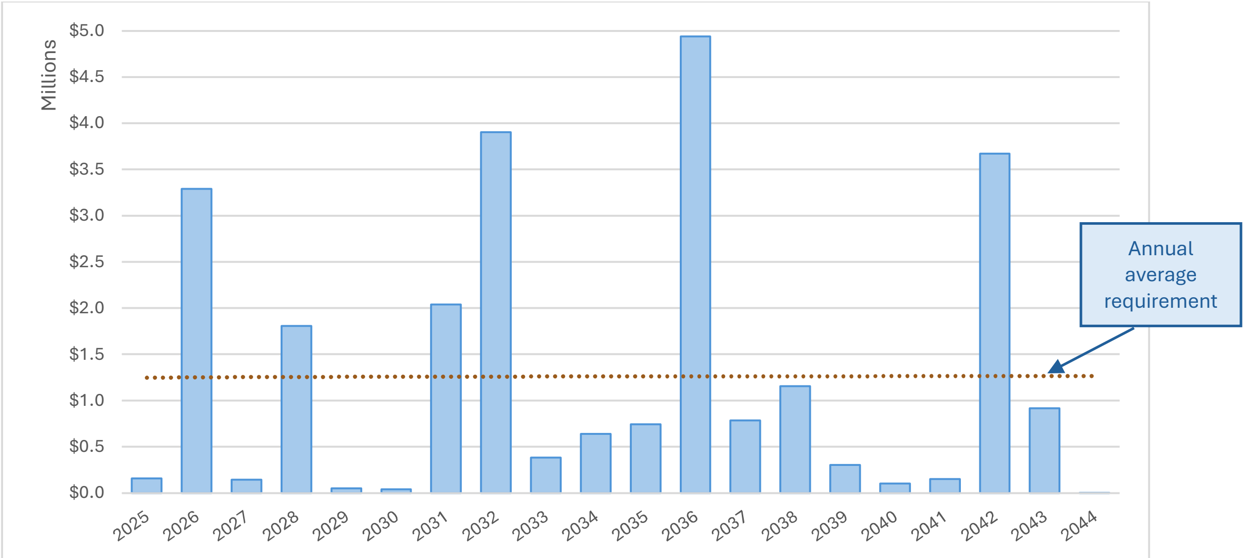

Figure 4.6a – Annual capital replacement requirement LWDS

The LWDS is part of a joint water system agreement with the City of Clarence-Rockland (CCR). In 2022, Phase I of the project included the construction of a 10km watermain built between Cheney and the Limoges Water Treatment Plant to increase water available to Limoges residents. Phases II and III of this project are scheduled for 2026/2027 and then 2030/2031. These phases include the upgrade to watermains, water treatment plants and booster stations to further increase the water provided to Limoges. These phases were included in the capital asset forecast presented.

St-Isidore Distribution System

The total replacement value for the SIDS, the cost to reconstruct/replace assets in inventory to excellent condition, for the 20-year capital planning period of 2025-2044 is $4,848,118. While the annual requirement fluctuates from year to year (as shown in the Table 3.3 below), the average annual contribution for the 20-year period is $229,772.

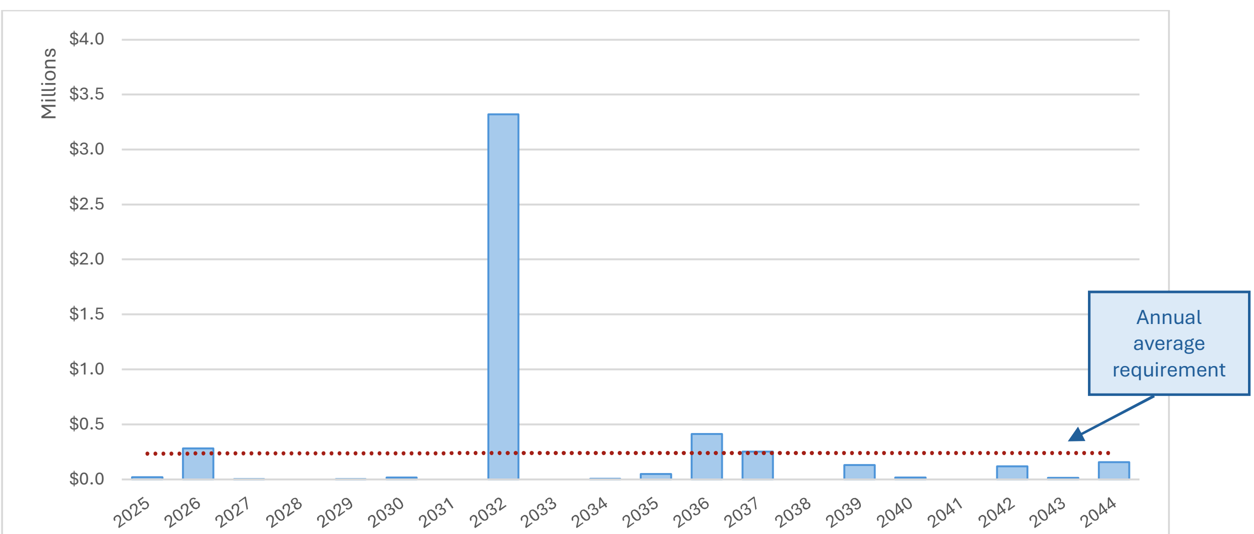

Figure 4.6b – Annual capital replacement requirement SIDS

4.7. Net Debt

The Nation Municipality has long-term debt for water infrastructure. The Calypso Road and Park loan was to bring water down Calypso Road to supply the water park built there in 2010. The Cheney Watermain loan was incurred when a watermain was built to link Cheney to the Limoges Water Treatment Plant so that the City of Clarence-Rockland could supply water to the Village of Limoges. This loan is financed with Desjardins and will be refinanced in 2028. The loan for the St. Isidore Distribution System, which was in place when the last plan was presented, is on its last term and will end in 2029. The table below details these loans:

Name	Principal outstanding – Dec 31, 2025	Annual principal & interest payment	Loan end year
Limoges Drinking System			
Calypso Road and Park loan	$1,182,976	$224,893	2030
Cheney Watermain loan	$11,691,648	$993,532	2043
St. Isidore Distribution System			
St. Isidore New water source- Landowner	$391,692	$111,207	2029

4.7.1. Current Debt Service Payments 2026-2031

Debt expense is comprised of two parts, interest payments and principal payments. The interest payment is part of current expenses while principal repayments are financial transactions that appear in the financial statements. The breakdown between the two are shown in the table that follows. It is important to note that the loan for the Cheney Watermain will be refinanced in 2028, likely resulting in a decrease in the interest rate, thus the breakdown beyond 2028 may change at that point in time. Since it cannot be predicted at the time of preparation of this report, charts are based on known data.

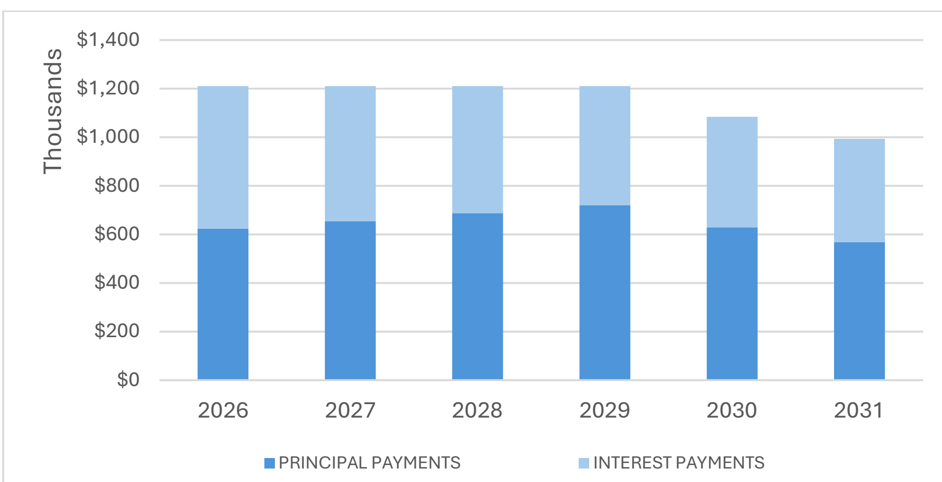

Figure 4.7.1 –Loan total and breakdown between interest and principal payments

4.7.2. New Debt Assumed 2026-2031

The Nation Municipality is in Phase II of the water distribution project with the City of Clarence-Rockland. While a grant was obtained to help offset a large part of the project costs, the remainder will be financed through debt. A projection of adjusted interest and principal repayments is shown below based on the cost estimates known to date. These are subject to change as construction is ongoing until 2026 and the rate of borrowing is estimated; the table is for information purposes only.

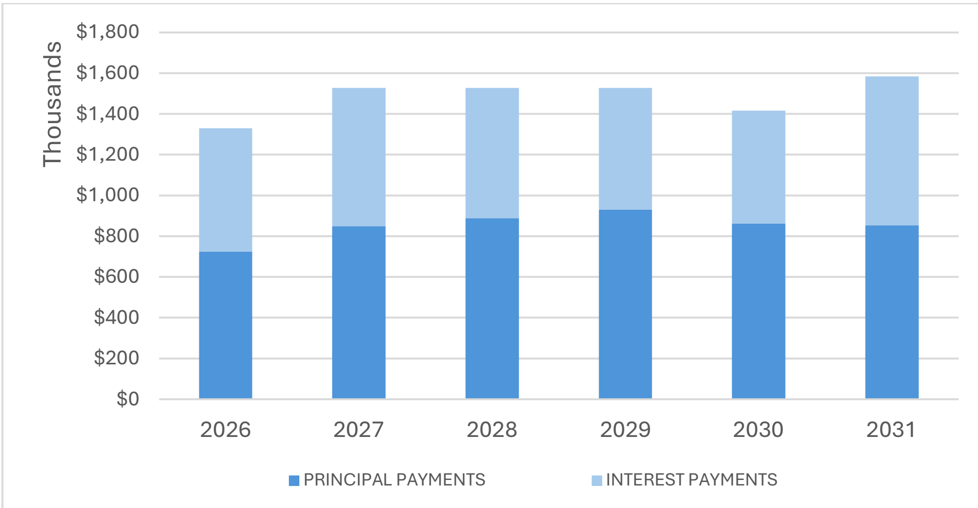

Figure 4.7.2 –Estimated loan total and breakdown between interest and principal payments with new estimated debt charges as of 2027, for information purposes only.

5. Conclusion

As demonstrated with this report, the rate assumptions generate an accumulataed surplus for every year of the forecast period. Thus, the system is financially sustainable under the assumption provided in the Financial Plan.

APPENDIX A – O.REG 453/07

Safe Drinking Water Act, 2002

ONTARIO REGULATION 453/07

FINANCIAL PLANS

Current Consolidation period: April 1, 2008 - e-Laws currency date (October 3, 2025)

Last amendment: 69/08.

Requirement to prepare financial plans

1. (1) A person who makes an application under clause 32 (1) (b) of the Act for a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 2. O. Reg. 453/07, s. 1 (1).

(2) A person who makes an application under subsection 32 (4) of the Act for the renewal of a municipal drinking water licence shall, before making the application, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (2).

(3) As a condition in a municipal drinking water licence that is issued in response to an application made under section 33 of the Act for a municipal drinking water licence, the Director shall include a requirement that the owner of the drinking water system, by the later of July 1, 2010 and the date that is six months after the date the first licence for the system is issued, prepare and approve financial plans for the system that satisfy the requirements prescribed under section 3. O. Reg. 453/07, s. 1 (3).

(4) The Director shall include, as a condition in a municipal drinking water licence, the requirement set out in subsection (3) in any amendments to a license made after the application, if the condition is not satisfied at the time when the amendment is made. O. Reg. 453/07, s. 1 (4).

Financial plan requirements; new systems

2. For the purposes of clause (b) of the definition of “financial plans” in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (1) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by,

    i. the council of the municipality, if the owner of the drinking water system is a municipality, or

    ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.

2. The financial plans,

    i. must include a statement that the financial impacts of the drinking water system have been considered, and

    ii. must apply for a period of at least six years.

3. The first year to which the financial plan must apply is the year in which the drinking water system is expected to first serve the public.

4. For each year in which the financial plans apply, the financial plans must include details of the proposed or projected financial operations of the drinking water system itemized by,

i. total revenues, further itemized by water rates, user charges and other revenues,

ii. total expenses, further itemized by amortization expenses, interest expenses and other expenses,

iii. annual surplus or deficit, and

iv. accumulated surplus or deficit.

5. The owner of the drinking water system must,

i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,

ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and

iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.

6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 2.

Financial plan requirements; licence renewal

3. (1) For the purposes of clause (b) of the definition of "financial plans" in subsection 30 (1) of the Act, the following requirements are prescribed for financial plans that are required by subsection 1 (2) or a condition that is included in a municipal drinking water licence under subsection 1 (3) to satisfy the requirements of this section:

1. The financial plans must be approved by a resolution that is passed by,

i. the council of the municipality, if the owner of the drinking water system is a municipality, or

ii. the governing body of the owner, if the owner of the drinking water system has a governing body and is not a municipality.

2. The financial plans must apply to a period of at least six years.

3. The first year to which the financial plans must apply must be the year determined in accordance with the following rules:

i. If the financial plans are required by subsection 1 (2), the first year to which the financial plans must apply must be the year in which the drinking water system's existing municipal drinking water licence would otherwise expire.

ii. If the financial plans are required by a condition that was included in a municipal drinking water licence under subsection 1 (3), the first year to which the financial plans must apply must be the later of 2010 and the year in which the first licence for the system was issued.

4. Subject to subsection (2), for each year to which the financial plans apply, the financial plans must include the following:

i. Details of the proposed or projected financial position of the drinking water system itemized by,

A. total financial assets,

B. total liabilities,

C. net debt,

D. non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies and prepaid expenses, and

E. changes in tangible capital assets that are additions, donations, write downs and disposals.

ii. Details of the proposed or projected financial operations of the drinking water system itemized by,

A. total revenues, further itemized by water rates, user charges and other revenues,

B. total expenses, further itemized by amortization expenses, interest expenses and other expenses,

C. annual surplus or deficit, and

D. accumulated surplus or deficit.

iii. Details of the drinking water system's proposed or projected gross cash receipts and gross cash payments itemized by,

A. operating transactions that are cash received from revenues, cash paid for operating expenses and finance charges,

B. capital transactions that are proceeds on the sale of tangible capital assets and cash used to acquire capital assets,

C. investing transactions that are acquisitions and disposal of investments,

D. financing transactions that are proceeds from the issuance of debt and debt repayment,

E. changes in cash and cash equivalents during the year, and

F. cash and cash equivalents at the beginning and end of the year.

iv. Details of the extent to which the information described in subparagraphs i, ii and iii relates directly to the replacement of lead service pipes as defined in section 15.1- 3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems), made under the Act.

5. The owner of the drinking water system must,

i. make the financial plans available, on request, to members of the public who are served by the drinking water system without charge,

ii. make the financial plans available to members of the public without charge through publication on the Internet, if the owner maintains a website on the Internet, and

iii. provide notice advising the public of the availability of the financial plans under subparagraphs i and ii, if applicable, in a manner that, in the opinion of the owner, will bring the notice to the attention of members of the public who are served by the drinking water system.

6. The owner of the drinking water system must give a copy of the financial plans to the Ministry of Municipal Affairs and Housing. O. Reg. 453/07, s. 3 (1).

(2) 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). O. Reg. 453/07, s. 3 (2).

Alternative requirements for two or more drinking water systems

4. If section 3 applies to the financial plans of two or more drinking water systems that are solely owned by the same owner, the requirements prescribed by the section may, as an alternative, be satisfied by financial plans that comply with the section but treat those systems as if they were one drinking water system. O. Reg. 453/07, s. 4.

Amendment of financial plans

5. Sections 2 and 3 do not prevent financial plans from being amended. O. Reg. 453/07, s. 5.

Additional information

6. The requirements of this Regulation do not prevent a person from providing additional information in financial plans prepared for the purpose of meeting the requirements of the Act. O. Reg. 453/07, s. 6.

7. Omitted (provides for coming into force of provisions of this Regulation). O. Reg. 453/07, s. 7.

APPENDIX B – STATEMENT OF FINANCIAL POSITION

THE CORPORATION OF THE NATION MUNICIPALITY
Forescasted Statement of Financial Position (Water) 2026-2027
UNAUDITED - FOR FINANCIAL PLANNING PURPOSES ONLY

	2025	2026	2027	2028	2029	2030	2031
Assets							
Long term receivable	13,088,923	15,050,205	13,991,336	13,111,707	12,190,936	17,231,160	17,420,763
Reserve Fund	(471,350)	(1,980,279)	(786,274)	313,146	2,728,210	(1,410,958)	(137,064)
Total Financial Assets	12,617,574	13,069,926	13,205,062	13,424,853	14,919,145	15,820,202	17,283,699
Liabilities							
Long-term Debt Principal - Growth projects	11,691,648	13,928,283	13,367,407	12,780,117	12,165,166	17,414,110	17,594,078
Long-term Debt Principal - Landowners	1,397,275	1,121,922	833,992	532,904	218,050	-	-
Total Liabilities	13,088,923	15,050,205	14,201,398	13,313,021	12,383,216	17,414,110	17,594,078
Net Debt	**(471,350)**	**(1,980,279)**	**(996,337)**	**111,832**	**2,535,929**	**(1,593,908)**	**(310,379)**
Non Financial Assets							
Tangible Capital Asset Cost	46,957,494	46,957,494	56,786,068	57,615,608	58,749,716	59,092,673	66,587,272
Additions to TCA - Cost	-	9,828,573	829,540	1,134,108	342,957	7,494,599	2,517,281
Accumulated Amortization	(13,097,490)	(14,296,181)	(15,730,106)	(17,164,806)	(18,633,739)	(19,795,386)	(21,158,777)
Tangible capital assets - Net	33,860,004	42,489,887	41,885,502	41,584,909	40,458,933	46,791,886	47,945,776
Accumulated Surplus	**33,388,655**	**40,509,608**	**40,889,165**	**41,696,741**	**42,994,862**	**45,197,978**	**47,635,396**

APPENDIX C – STATEMENT OF OPERATIONS

THE CORPORATION OF THE NATION MUNICIPALITY
Forescasted Statement of Operations (Water) 2026-2031
UNAUDITED - FOR FINANCIAL PLANNING PURPOSES ONLY

	2025	2026	2027	2028	2029	2030	2031
Revenue							
User charges	2,431,090	2,736,688	3,096,648	3,534,098	3,997,122	4,509,912	5,065,504
Province of Ontario	-	-	-	-	-	-	-
Other Income	152,144	234,514	248,282	255,424	275,898	291,522	323,438
Total Revenue	**2,583,234**	**2,971,201**	**3,344,930**	**3,789,521**	**4,273,020**	**4,801,434**	**5,388,942**
Current Expenses							
Operating	2,022,260	2,122,001	2,137,533	2,277,899	2,363,049	2,422,129	2,482,678
Interest on long term debt	638,106	605,339	678,435	638,865	597,437	554,063	729,975
Amortization	952,976	1,198,691	1,433,926	1,434,700	1,468,933	1,161,646	1,363,392
Total Expenses	3,613,343	3,926,030	4,249,893	4,351,465	4,429,418	4,137,838	4,576,044
Excess (Deficit) of Revenues over Expenses	(1,030,109)	(954,829)	(904,963)	(561,944)	(156,399)	663,596	812,898
Other Revenue							
Capital Assets Grant - Province of Ontario	-	6,876,262	-	-	-	-	-
Common charges	1,072,020	1,199,520	1,284,520	1,369,520	1,454,520	1,539,520	1,624,520
Total Other Revenues	**1,072,020**	**8,075,782**	**1,284,520**	**1,369,520**	**1,454,520**	**1,539,520**	**1,624,520**
Annual surplus (deficit)	**41,911**	**7,120,953**	**379,557**	**807,576**	**1,298,121**	**2,203,116**	**2,437,418**
Accumulated surplus, beginning of the year	33,346,744	33,388,655	40,509,608	40,889,165	41,696,741	42,994,862	45,197,978
Accumulated surplus, end of year	**33,388,655**	**40,509,608**	**40,889,165**	**41,696,741**	**42,994,862**	**45,197,978**	**47,635,396**
CHANGES IN NET DEBT							
Annual surplus	41,911	7,120,953	379,557	807,576	1,298,121	2,203,116	2,437,418
Less: Acquisitions of TCA	-	(9,828,573)	(829,540)	(1,134,108)	(342,957)	(7,494,599)	(2,517,281)
Plus: Amortization of TCA	-	1,198,691	1,433,926	1,434,700	1,468,933	1,161,646	1,363,392
	-	(8,629,883)	604,385	300,592	1,125,976	(6,332,953)	(1,153,889)
(Increase) decrease in net debt	41,911	(1,508,929)	983,942	1,108,169	2,424,097	(4,129,837)	1,283,528
Net debt, beginning of year	(513,260)	(471,350)	(1,980,279)	(996,337)	111,832	2,535,929	(1,593,908)
Net debt, ending of year	(471,350)	(1,980,279)	(996,337)	111,832	2,535,929	(1,593,908)	(310,379)

APPENDIX D – STATEMENT OF CASH FLOWS

THE CORPORATION OF THE NATION MUNICIPALITY
Forescasted Statement of Cash Flows (Water) 2026-2031
UNAUDITED - FOR FINANCIAL PLANNING PURPOSES ONLY

	2025	2026	2027	2028	2029	2030	2031
Operating transactions							
Annual surplus (deficit)	41,911	7,120,953	379,557	807,576	1,298,121	2,203,116	2,437,418
Non-cash items							
Amortization	952,976	1,198,691	1,433,926	1,434,700	1,468,933	1,161,646	1,363,392
Decrease (Increase) in long term receivable	263,333	(1,961,281)	1,058,869	879,629	920,771	(5,040,224)	(189,603)
Cash provided by operating transactions	1,258,220	6,358,363	2,872,351	3,121,906	3,687,825	(1,675,462)	3,611,206
Capital transactions							
Acquisition of tangible capital assets	(1,507,000)	(9,828,573)	(829,540)	(1,134,108)	(342,957)	(7,494,599)	(2,517,281)
Proceeds on sale of tangible capital		-	-	-	-	-	-
Cash applied to capital transactions	(1,507,000)	(9,828,573)	(829,540)	(1,134,108)	(342,957)	(7,494,599)	(2,517,281)
Financing transactions							
Proceeds from long-term debt	-	2,685,574		-	-	5,892,866	1,033,940
Less: Debt repayment (principal)	(691,526)	(724,293)	(848,806)	(888,377)	(929,805)	(861,972)	(853,972)
Cash obtained from / (applied to) financing transactions	(691,526)	1,961,281	(848,806)	(888,377)	(929,805)	5,030,894	179,968
Increase (decrease) in cash and equivalents	**(940,306)**	**(1,508,929)**	**1,194,004**	**1,099,421**	**2,415,063**	**(4,139,168)**	**1,273,894**
Cash and equivalents, beginning of the year	468,956	(471,350)	(1,980,279)	(786,274)	313,146	2,728,210	(1,410,958)
Cash and equivalents, end of the year	**(471,350)**	**(1,980,279)**	**(786,274)**	**313,146**	**2,728,210**	**(1,410,958)**	**(137,064)**