



Financial Plan #260-301

Killarney Drinking Water System

32 Commissioner Street
Killarney, Ontario P0M 2A0

Prepared for:

The Municipality of Killarney

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July 24, 2025

Pinchin File: 246032.002



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1.0 INTRODUCTION

Pinchin Ltd. (Pinchin) was retained by the Municipality of Killarney (the Municipality) to prepare a financial plan for the Killarney Drinking Water System to fulfill one of the requirements for renewing a municipal drinking water license as per the *Safe Drinking Water Act*, 2002. Ontario Regulation (O.Reg.) 453/07 is a regulation under the *Safe Drinking Water Act*, 2002 (SDWA or the 'Act'), which requires owners of municipal drinking water systems to prepare a financial plan as one of the requirements for renewing a municipal drinking water license, applicable to each municipal drinking water system. The content of the Financial Plan must be prepared in accordance with the requirements outlined in the Financial Plans Regulation (O. Reg. 453/07). 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.

1.1 Background

The SDWA was passed in December 2002 in order to address some of the recommendations made by the Walkerton Inquiry Part II report. One of the main requirements of the Act is the mandatory licensing of municipal water providers by the Ministry of Environment, Conservation and Parks (MECP). 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):

- Receipt of a Drinking Water Works Permit (DWWP);
- A Permit to Take Water - required under the Ontario Water Resources Act for daily water taking in excess of 50,000 litres per day;
- An approved Operational Plan (OP) for the system in compliance with the Drinking Water Quality Management Standard (DWQMS);
- An approved financial plan, as required by O. Reg. 453/07; and
- Accreditation of the Drinking Water Operating Authority, based on the acceptance of an audited OP by the Canadian General Standards Board.



1.2 Study Area

The Municipality of Killarney encompasses a large area of the shoreline and a number of islands in the vicinity of the eastern shore of Georgian Bay from the Key River to the area adjacent to Manitoulin Island in the District of Sudbury. The Municipality is responsible for water supply, treatment and distribution within the Town of Killarney (Chart 1).

The Town is located immediately north of the Killarney Channel on the north shore of Georgian Bay, Lake Huron, approximately 8 kilometers west of Killarney Provincial Park. Municipal services, including water and wastewater, are supplied to approximately 336 homes and businesses. Killarney has a permanent population of 397, as reported by Statistics Canada in 2021. The population is largely seasonal and rises significantly during the summer months. Tourism in the area is, therefore, widespread and is the primary economic sector in the Municipality.

1.3 Scope of Work

The Water Treatment Plant was commissioned in 2005. This membrane treatment facility supplemented the pre-existing raw water pumping station which delivered drinking water directly to the distribution system following chlorination. The raw water is drawn from the Killarney Channel through an intake structure consisting of a wooden crib structure and 250 millimeter diameter gravity intake line. This is followed by a combination suction well (capacity approximately 40,000 litres) located immediately below the raw water pump house which incorporates a turbine flow meter, diesel generator for standby power and four high lift pumps. The water is pumped to the water treatment plant. Following filtration, disinfection is provided by a duplex hypochlorite (chlorine) disinfection system.

1.4 Operational Plan

The Operational Plan was prepared by the Ontario Clean Water Agency (OCWA).

Option 2; limited Scope - Entire DWQMS was selected and required the following:

- All elements of the DWQMS will be documented in the operational plan but are not required to be implemented;
- The operating authority will be accredited upon successful completion of an audit of the operational plan document; and
- The full Quality Management System (QMS) must then be implemented within 12 months of receiving a certificate of accreditation (limited scope). Upon successful completion of an audit, a certificate of accreditation (full scope) will be issued, and the plan will be based on the DWQMS.

The OP which documents the operating authority's QMS was filed with the Canadian General Standards Board, (CGSB). The OP was accepted and a "desktop" audit was conducted by CGSB. The approved OP was submitted to MECP together with the other documents required for the issuance of the Drinking Water license.

2.0 FINANCIAL PLAN GUIDELINES AND REQUIREMENTS

2.1 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 details 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;
- Financial plan is to be submitted to the Ministry of Municipal Affairs and Housing (MMAH);

- Given that the requirement for a financial plan is legislated under the SDWA, 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 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); and
- A copy of the financial plan must be submitted to the MMAH and it is not a requirement to submit to the 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.

The Financial Plan should be updated and approved prior to applying for a license renewal (i.e. every five years). However, the Regulation does not prevent the Plan from being amended more regularly.

2.2 Financial Plan Guidelines

The guidelines released in the previously mentioned “*Toward Financially Sustainable Drinking-Water and Wastewater Systems*” document prepared by the MECP (August 2007) apply to wastewater systems as well. However, a Financial Plan for a wastewater system is not mandatory.

The guidelines set out the following nine principles that have informed the development this Financial Plan:

1. Ongoing public engagement and transparency can build support for and confidence in the Financial Plans and their corresponding system(s).
2. An integrated approach to planning among water, wastewater, and storm water systems is encouraged considering the inherent relationship among these systems.
3. Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
4. Life-cycle planning with mid-course corrections is preferable to short-term planning or no 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 ensuring 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 documents that require continuous updates and improvement. Improved planning for the future can be achieved by comparing the accuracy of financial projections with actual results.
9. Financial Plans can benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

2.3 Public Sector Accounting Board (PSAB) requirements

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) approved new municipal financial accounting and reporting standards in June 2006. 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 CICA Public Sector Accounting Handbook:

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

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 the Municipality's 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.

In summary, the Financial Plan must also include details of the projected financial operations, itemized by:

- Total revenues (water rates, user charges, and other revenues);
- Total expenses (amortization expenses, interest expenses, and other expenses);



- Annual surplus or deficit; and
- Accumulated surplus or deficit.

The projected financial position must be 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.
- e. Changes in tangible capital assets that are additions, donations, write downs, and disposals.

The above items a, b and c apply only if the information is known to the owner at the time when the Financial Plan is prepared.

The projected gross cash receipts and payments details are itemized by:

- a. Operating transactions that are cash received from revenues and 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.
- f. Cash and cash equivalents at the beginning and end of the year.

The above items a, c, e, and f apply only if the information is known to the owner at the time when the Financial Plan is prepared.

3.0 FINANCIAL PLAN GUIDELINES AND REQUIREMENTS

3.1 Sustainable Financial Planning

The MECP prepared and released a document in August 2007 entitled, "*Toward Financially Sustainable Drinking-Water and Wastewater Systems*", in order to assist with the preparation of the required Financial Plans for the Municipal Drinking Water license.



Nine principles were established and are listed as follows:

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

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

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

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

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

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

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

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

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

3.2 Definition of Financial Plans

According to Section 30(1) of the SOWA, Financial Plans are defined as:

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

3.3 Importance of Long Range Financial Planning

A Long Range Financial Plan is important for a number of reasons in order to assist a municipality to:

- Sustain long term cash flows;
- Protect and maintain its assets through a well-developed plan;
- Distribute resources fairly between current and future ratepayers;
- Ensure financial stability during periods of economic uncertainty;
- Provide safe drinking water in the long and short terms;
- Ensure maximization of financial flexibility;
- Preserve the desired integrity of programs and services; and
- Provide rate consistency and predictability.

3.4 Financial Plans Regulations

The key points of the Financial Plan Regulation (O. Reg. 453/07) are described in the subsections below. These requirements have been limited to those required for existing systems which is the situation in the Municipality of Killarney:

- Declaration: The Financial Plan must include a statement that the financial impacts of the drinking water system have been considered;
- Projection Length: The Financial Plan shall be for a period of at least six years;
- Public Transparency: The Financial Plan must be made available on request and without charge to the members of the public that are served by the water system. If the system owner maintains a website, then the Financial Plan must be made available on the website without charge. The owner must provide a notice informing the public of the availability of the Financial Plan, in a manner that the Owner deems fit to bring the notice to the attention of the members of the public that are served by the water system;
- Approval: The Financial Plan must be approved by a council resolution that indicates that the drinking water system is financially viable;
- Submission: A copy of the Financial Plan, along with the resolution must be submitted to the Ministry of Municipal Affairs and Housing; and
- Update: The Financial Plan should be updated and approved prior to applying for a license renewal (i.e. every five years). However, the Regulation does not prevent the Plan from being amended more regularly.



In addition to the general requirements, the Financial Plan must include details of the projected financial operations, itemized by:

- Total revenues (water rates, user charges, and other revenues);
- Total expenses (amortization expenses, interest expenses, and other expenses);
- Annual surplus or deficit; and
- Accumulated surplus or deficit.

The projected financial position must be itemized by:

1. Total financial assets.
2. Total liabilities.
3. Net debt.
4. Non-financial assets that are tangible capital assets, tangible capital assets under construction, inventories of supplies, and prepaid expenses.
5. Changes in tangible capital assets that are additions, donations, write downs, and disposals.

Items 1, 2 and 3 apply only if the information is known to the owner at the time when the Financial Plan is prepared.

The projected gross cash receipts and payments details are itemized by:

- a. Operating transactions that are cash received from revenues and 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.
- f. Cash and cash equivalents at the beginning and end of the year.

Items a, c, e, and f apply only if the information is known to the owner at the time when the Financial Plan is prepared.

The first year to which the Financial Plan must apply is the latest of 2020 and the year in which the first licence was issued.

3.5 Financial Plan Guidelines

The guidelines released in the previously mentioned “*Toward Financially Sustainable Drinking-Water and Wastewater Systems*” document prepared by the MECP (August 2007) apply to wastewater systems as well. However, a Financial Plan for a wastewater system is not mandatory.

The guidelines set out the following nine principles that have informed the development this Financial Plan:

1. Ongoing public engagement and transparency can build support for, and confidence in the Financial Plans and their corresponding system(s).
2. An integrated approach to planning among water, wastewater, and storm water systems is encouraged considering the inherent relationship among these systems.
3. Revenues collected for the provision of water and wastewater services should ultimately be used to meet the needs of those services.
4. Life-cycle planning with mid-course corrections is preferable to short-term planning or no 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 ensuring 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 documents that require continuous updates and improvement. Improved planning for the future can be achieved by comparing the accuracy of financial projections with actual results.
9. Financial Plans can benefit from the close collaboration of various groups, including engineers, accountants, auditors, utility staff, and municipal council.

4.0 FINANCIAL PLAN STUDY APPROACH

The Financial Plan guidelines were used to select the approach for preparing the Municipality of Killarney Drinking Water System Financial Plan. These steps include:

1. Determination of the current period expenses and forecast future period expenses.
2. Determination and forecasting capital expenditure needs.



3. Identification of all current revenues sources and forecast revenues with minimal increases (as outlined in the Notes to the Projected Financial Statements) of to show some growth.
4. Assess the suitability of the existing revenues.
5. Identify funding requirements and determine the required revenue increases.
6. Prepare the following statements based on the required revenue increases:
 - a. Statement of Operations;
 - b. Statement of Cash Flow;
 - c. Statement of Financial Position; and
 - d. Statement of Changes in Net Financial Assets.

5.0 EXPENSES

5.1 Data Sources and Assumptions

There are three categories of expenses included for the purposes of this Financial Plan: operating costs, interest, and amortization. The current period operating expenses were determined from the Municipality's 2024 budget, which also included expense details for the years 2020 to 2018, as well as information provided by the Ontario Clean Water Agency (OCWA). A complete listing of operating expenses is provided in the Schedule of Operating Expenses included with the projected financial statements.

The future period Operation and Maintenance (O/M) expenses were assumed to increase by applying an average inflation rate of 2.35% based on a ten-year average (from 2015 to 2024) of the Core Consumer Price Index (CPI) change over 12-month periods. The Core CPI is a Consumer Price Index of all-products considered in the calculation of the Total CPI excluding the eight most volatile components (fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, inter-city transportation and tobacco products), as well as the effect of changes in indirect taxes on the remaining components. The Consumer Price Index change from one year to the other is commonly used to determine the inflation rate; however, the ten-year average was assumed more appropriate than the one-year change.

This is in keeping with the Service Agreement with the Municipality's Operating Authority (OCWA). A copy of the Services Agreement is available at the Municipal Office. Further Information relating to the assumed rates of increase for additional future operating expenses can be found in the Notes to the Projected Financial Statements. In addition, all information pertaining to current debts, interest rates, and repayment schedules were provided by the Municipality. No new debts were projected for future periods, however, in the event that the Municipality should determine that there is a need to incur new debt then the forecasted interest expense will require revision to reflect this. The annual amortization expenses



were calculated using the straight-line method and were based on PSAB information provided by the Municipality as to the historic cost of assets and their estimated useful lives.

5.2 Operating Expenses

Operating expenses include all charges associated with the operation and maintenance of the water works components which include; the intake works, the raw water pumping and wet well, the water treatment plant and the water distribution system. The distribution system includes only those components up to the "curbstop". Additionally, there are five connections running across the bottom of Killarney Channel, a sheltered body of water between the mainland and George Island, to service several seasonal residents on the island. A complete description of the water system is included in the January 2009 operating Service Agreement. In addition to the services included in this agreement, the Municipality pays directly for the cost of Hydro. A complete list of operating expenses is provided in the Schedule of Operating Expenses.

The "initial period" for the Service Agreement commenced on January 1, 2009, for a five year period ending December 2013. It can be renewed for successive terms as agreed to by both parties. The annual agreement cost is adjusted each year after the first year by a cost of living adjustment calculated on the annual CPI provided by Statistic Canada.

As mentioned previously, for the purposes of this Financial Plan it was assumed that in future years, the CPI would be 2.35%, based on a ten-year average (from 2015 to 2024) of the CPI. In the case of Hydro, due to the uncertainty of Hydro costs an inflated factor above CPI was used. In this case the annual increase used is 5%. Complete information on the assumed rate of increase for all operating expenses is provided in the Notes to the Projected Financial Statements.

The projected operating expenses are shown in Chart 5-1.

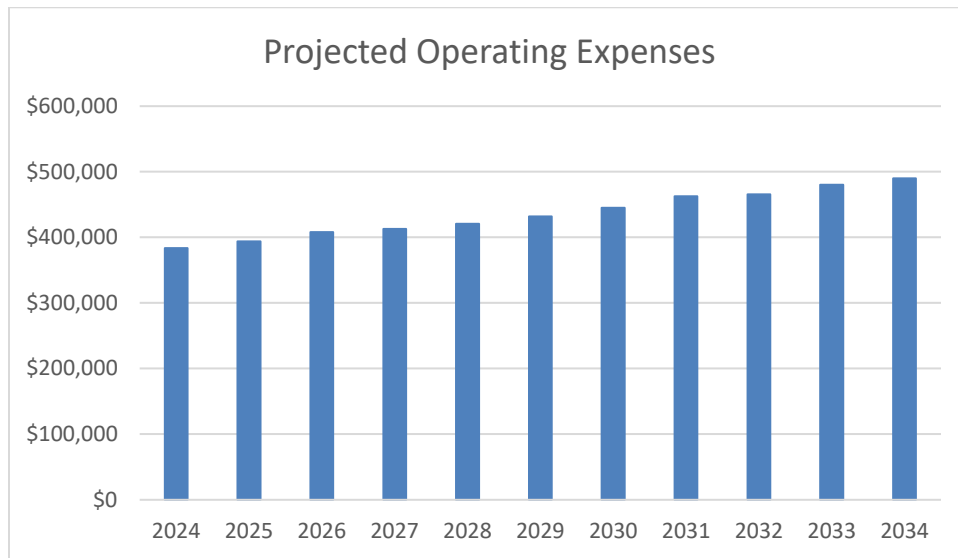


Chart 5-1: Projected Operating Expenses

Chart 5-1 shows that operating expenses are projected to gradually increase from \$383,481 in 2024 to \$489,284 in 2034 based on the assumed rates of increase (2024 CPI and Hydro uncertainty factor). The decrease in operating expenses in 2026 can be attributed to the completion of debenture payments in 2025.

5.3 Amortization Expenses

Amortization is a non-cash expense that indicates the consumption of tangible capital assets (TCAs) over the course of their useful lives using the straight-line depreciation method. As previously mentioned, details on the historical cost of TCAs were as well as their estimated useful lives were provided by the Municipality. Calculations were based on 2024 capital expenditures.

The projected amortization is shown in Chart 5-2.

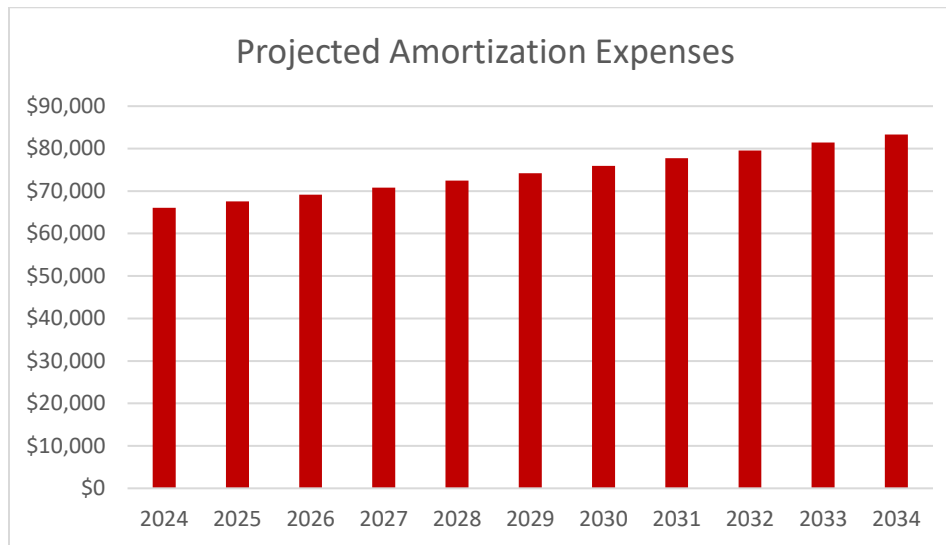


Chart 5-2: Projected Amortization Expenses

It is important to note that for the purposes of amortization calculations, all acquisitions and dispositions are assumed to occur as of July 1st in the first year. Amortization is therefore calculated at 50% of the normal rate for the asset for their last year of service.

5.4 Interest Expenses

Details on current debt relating to water infrastructure were provided by the Municipality. Chart 5-3 below shows the interest expenses for the forecast period. As mentioned previously, no new debt has been forecast. Should the Municipality identify a need to incur new debt in the future based on an evaluation of existing data the forecast interest expenses will require revision.

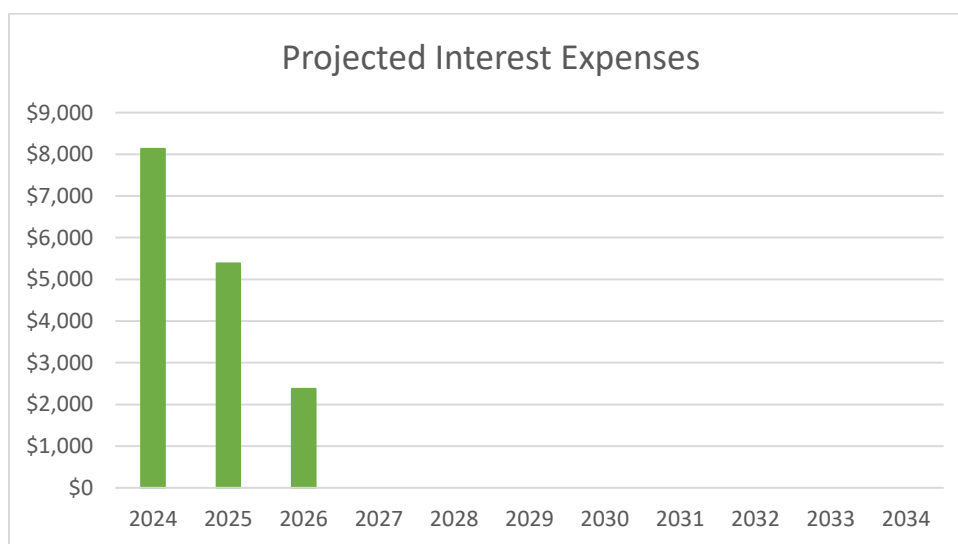


Chart 5-3: Projected Interest Expenses

Chart 5-3 shows that the interest expenses decrease from \$8,128 in 2024 to \$2,377 in 2026; the final interest payment on the debt based on information provided by the Municipality.

5.5 Total Expenses

The total expenses are the sum of the operating, amortization, and interest expenses. The projected total expenses are shown in Chart 5-4.

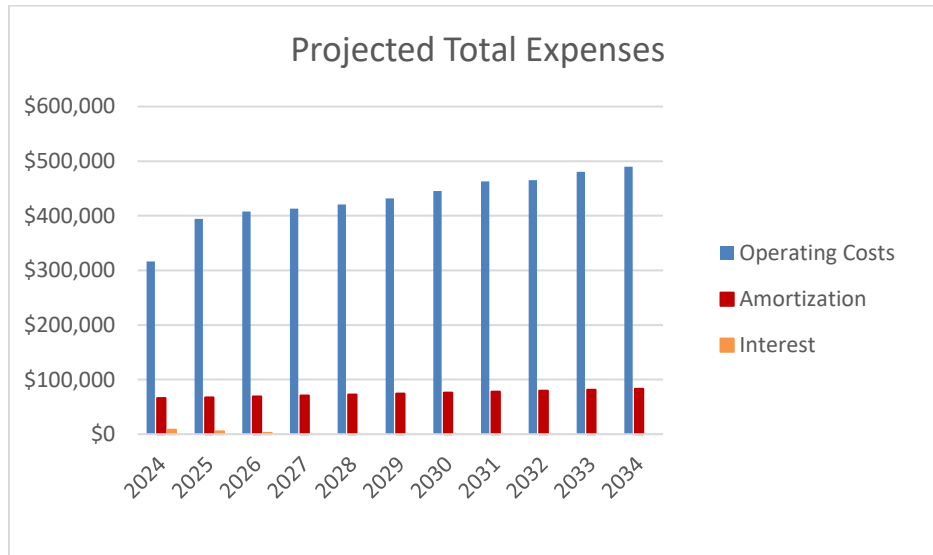


Chart 5-4: Projected Total Expenses

Chart 5-4 shows that the total annual expenses increase gradually over the forecast period from about \$316,386 in 2024 to \$489,284 in 2034. Although Chart 5-4 shows an increase, it is important to note that total annual expenses remain relatively consistent throughout the forecast period and only increase due to the CPI.

6.0 CAPITAL EXPENDITURES

6.1 Data Sources and Assumptions

Capital expenditures were based on previous capital projections by OCWA. Estimates for the useful lives of all assets included in the projections were based on PSAB information provided by the Municipality.

6.2 Projected Future Capital Expenditures

No significant capital expenditures have been identified by the Municipality for the planning period.



7.0 REVENUES

7.1 Data Sources and Assumptions

Revenue information was provided by the Municipality in its 2024 budget. This also included details on actual revenues for the years 2020 to 2024.

7.2 Existing Revenues

Total revenues for the years 2020 to 2024, as provided by the Municipality are shown in Table 7-1.

Table 7-1: 2020 to 2024 Revenues

Item	Amount
Actual 2020	\$479,038.73
Actual 2021	\$466,199.71
Actual 2022	\$497,925.13
Actual 2023	\$542,307.16
Actual 2024	\$535,337.47

7.3 Project Revenues

In consultation with the Municipality, it was determined that the highest possible assumed increase in user rate revenues is 10% each year. It should be noted that although this increase is possible, it is unlikely.

The projected revenues for the Municipality's water system are shown in Chart 7-1.

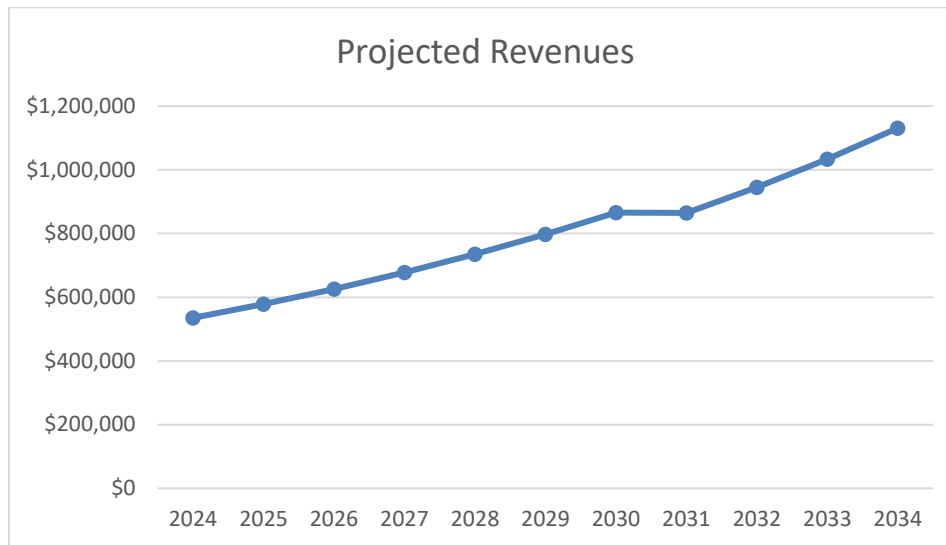


Chart 7-1: Projected Revenues

With an assumed rate of increase of 10% a year for user rates, revenues grow from approximately \$535,337.47 in 2024 to approximately \$1,131,096 in 2034. This chart should be compared to an estimated \$574,400 in total expenses in 2034.

8.0 REVENUE ANALYSIS

8.1 Operating Cash Flow

Operating cash flow is calculated using the following equation:

$$\text{Operating Cash Flow} = \text{Revenues} - \text{Operating Costs (excluding amortization)} - \text{Interest on Existing Debt}$$

This equation shows that current period operations can generate either a surplus or deficit from a cash perspective, depending on the balance between revenues and cash expenses.

As an example, the operating cash flow for 2024 can be calculated as follows:

Revenues	= \$535,337	(also shown in Chart 7-1)
Operating Expenses	= \$390,563	
Interest Expenses	= \$8,129	(also shown in Chart 5-3)
Operating Cash Flow	= \$535,337 - \$390,563 - \$8,129	
	= \$136,645	

The operating cash flow for subsequent years can be similarly calculated. The projected operating cash flow is shown in Chart 8-1.

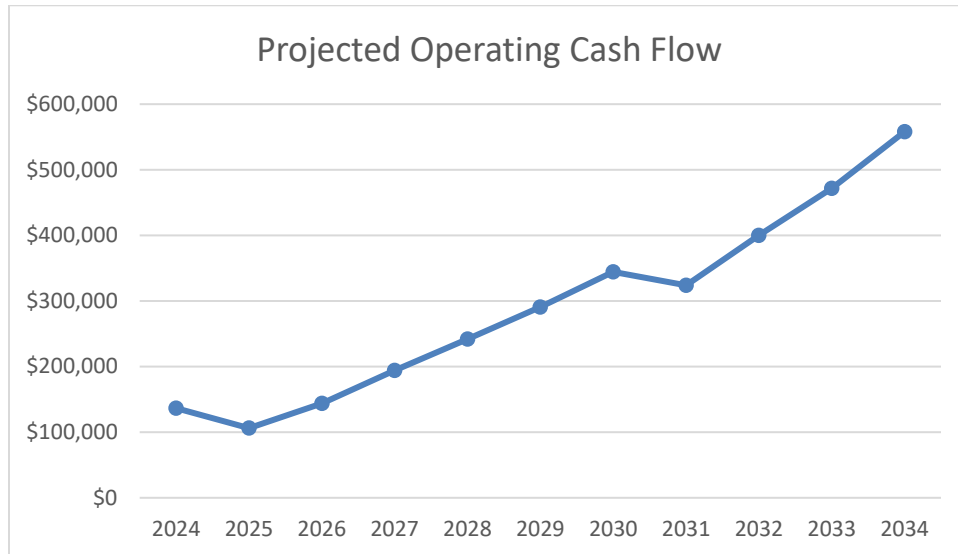


Chart 8-1: Projected Operating Cash Flow

Operating cash flow is seen to be increasing over the forecast period to approximately \$636,727 in 2034.

9.0 CAPITAL EXPENDITURE BALANCE

The capital expenditure balance calculates the cash that is available for capital expenditures. It is expressed as the following equation:

$$\text{Cash Available for Capital Expenditures} = \text{Operating Cash Flow} + \text{New Debt} + \text{Previous Debt Payment} + \text{Capital Water Charges} + \text{Fuel Tax} + \text{Disposals} + \text{Transfers from Reserves} + \text{Reserve Fund Balance}$$

This equation shows that cash available for capital expenditures is the sum of operating cash flow, new debt issuance, previous debt payment and the balance of the reserve fund.

For example, in 2024 the capital expenditure balance was calculated as follows:

Operating Cash Flow	= \$136,645 (also shown in Chart 8-1)
New Debt	= \$0
Previous Debt Payment	= (\$66,441)
Capital Water Charges	= \$23,380
Gas Tax	= \$0
Disposals	= \$0

Transfers from Reserves	= \$0
Reserve Fund Balance	= \$633,357
Capital Expenditure Balance	\$136,645+ \$0 + (\$66,441) + \$23,380 + \$0 + \$0 + \$0 + \$633,357
	= \$726,941

The capital expenditure balance for subsequent years can be determined in a similar manner.

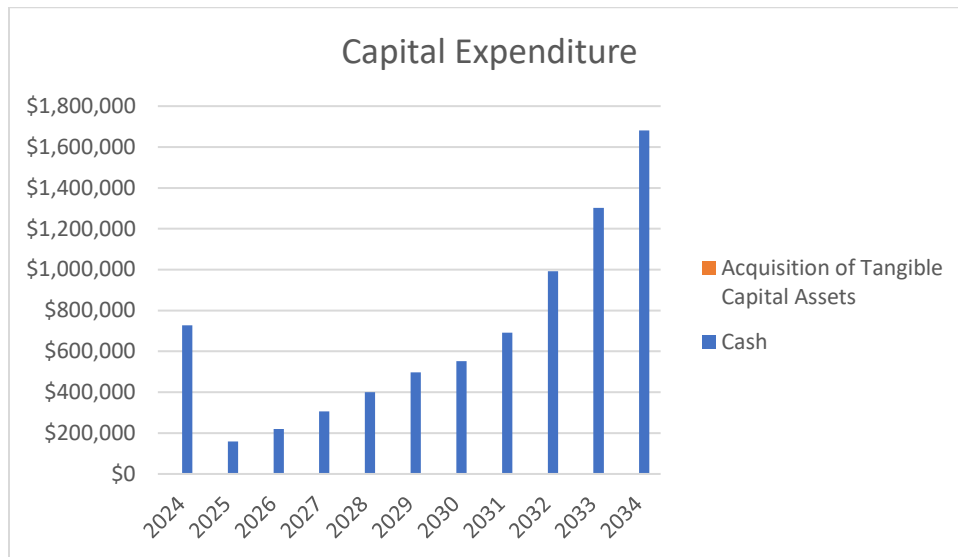


Chart 9-1: Capital Expenditure

Chart 9-1 shows that the Municipality will have sufficient cash available for some unprojected capital expenditures during the forecast period from 2024 to 2034. The reserve fund is projected to grow substantially over the forecast period ensuring that the Municipality will continue to have sufficient cash available for potential future capital expenditures.

9.1 Annual Surplus/Deficit

The accumulated surplus/deficit is the primary indicator of the financial resources the Municipality has available to provide for future services. It consists of revenues less total expenses.

It is important to note that the calculation of the annual surplus/deficit includes cash and non-cash components, the latter of which takes into account amortization expenses. This is distinct from the calculation of operating cash flow which did not include amortization expenses.

For example, the annual surplus/deficit for 2024 is calculated as follows:

Revenues = \$535,337 (also shown in Chart 7-1)

Total Expenses = \$390,563 (also shown in Chart 5-4).

Annual Surplus/Deficit = \$535,337 - \$390,563 = \$144,774

The annual surplus is lower than the operating cash flow because, as explained above, the former takes into account amortization expenses. Thus for 2024, the annual surplus/deficit is \$144,774 and the operating cash flow is \$136,645. Annual surplus/deficit for subsequent years can be similarly calculated and Chart 9-2 shows the annual surplus/deficit for the forecast period.

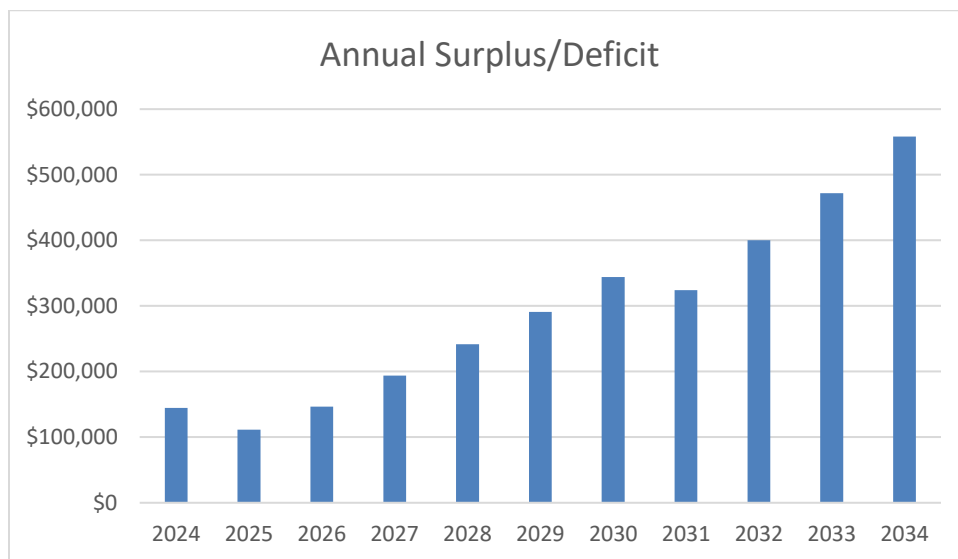


Chart 9-2: Annual Surplus/Deficit

Chart 9-2 shows that the annual surplus increases gradually from approximately \$144,774 in 2024 to approximately \$556,695 in 2034. A comparison of the annual surplus/deficit to the operating cash flow is provided in Chart 9-3.

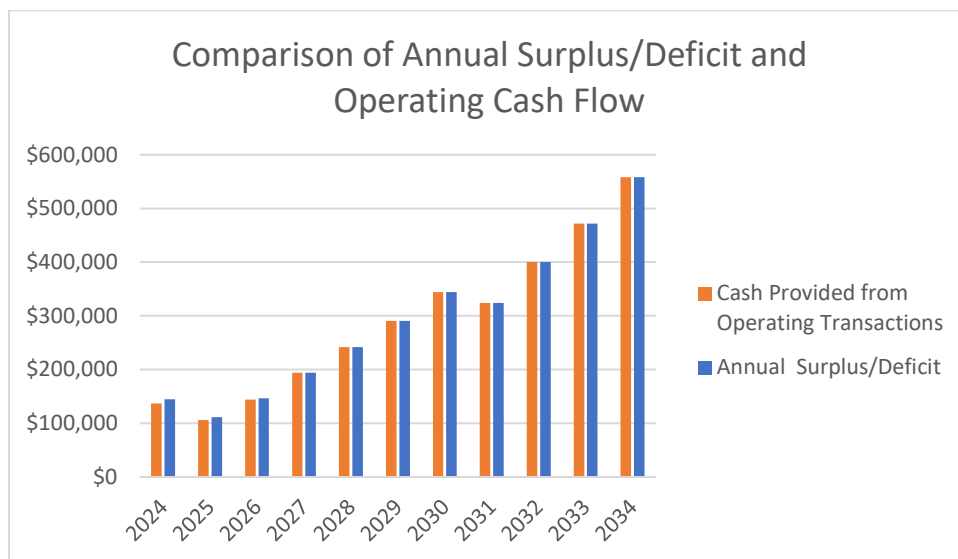


Chart 9-3: Comparison of Annual Surplus/Deficit and Operating Cash Flow

As shown in Chart 9-3 the operating cash flow, which does not include amortization expenses is comparatively higher than the annual surplus/deficit throughout the forecast period.

10.0 FINANCIAL PLAN

10.1 Introduction

The Financial Plan is a living document that will require ongoing updating and revision. In keeping with the Financial Plans Regulation (O. Reg. 453/07) it consists of the following statements:

- Statement of Operations;
- Statement of Cash Flow;
- Statement of Financial Position; and
- Statement of Changes in Net Financial Assets.

10.2 Statement of Operations

The Statement of Operations reports on:

- Revenues;
- Expenses; and
- Results for the forecast period.

The Statement of Operations for the forecast period is provided in Table I-1 within Appendix II, as well as the Schedule of Operating Expenses presented in Table I-2.



10.3 Statement of Cash Flow

The Statement of Cash Flow identifies:

- The source of the cash;
- How cash was used; and
- Provides details on changes in cash and cash equivalents since the previous period.

The Statement of Cash Flow for the forecast period is provided in Table I-3 within Appendix II.

10.4 Statement of Financial Position

The Statement of Financial Position shows the Municipality's:

- Assets;
- Liabilities; and
- Accumulated surplus/deficit.

The Statement of Financial Position for the forecast period is provided in Table I-4 within Appendix II.

10.5 Statement of Changes in Net Financial Assets

The Statement of Changes in Net Financial Assets shows:

- The difference between the annual surplus/deficit and the change in net financial assets;
- How TCAs were acquired and disposed of; and
- Details relating to the changes in net financial assets since the previous period.

The Statement of Changes in Net Financial Assets for the forecast period is provided in Table I-5.

11.0 COUNCIL RESOLUTION

A Council Resolution accepting the Financial Plan was passed at a special meeting of Municipal Council held on July 23, 2025. The Council Resolution is provided in Appendix III.

12.0 NEXT STEPS

The following next steps are required in accordance with the requirements of the Financial Plan Regulation:

1. Notice of the availability of the Financial Plan must be advertised.
2. The Financial Plan be made available on request and without charge to the members of the public that are served by the water system.



3. The Financial Plan be made available on the Municipality of Killarney's website without charge.
4. A copy of the Financial Plan, along with the council resolution be submitted to the Ministry of Municipal Affairs and Housing (MMAH).
5. The Financial Plan must be updated and approved prior to applying for a licence renewal (i.e. every five years); a copy of the Council resolution will have to be submitted to the Ministry of the Environment with the licence renewal application.

13.0 TERMS AND LIMITATIONS

Information provided by Pinchin is intended for Client use only. Pinchin will not provide results or information to any party unless disclosure by Pinchin is required by law. Any use by a third party of reports or documents authored by Pinchin or any reliance by a third party on or decisions made by a third party based on the findings described in said documents, is the sole responsibility of such third parties. Pinchin accepts no responsibility for damages suffered by any third party as a result of decisions made or actions conducted. No other warranties are implied or expressed.

Notes to the Projected Financial Statements:

1. User rate revenues increase by ten (10) percent per year over the forecast period.
2. Other revenues include seasonal on and off reconnects, interest earned on water arrears and cash balances.
3. Operating costs are outlined in the Schedule of operating costs - Water.
4. For the purposes of amortization calculations - all acquisitions and dispositions based on the straight-line approach and the figure is calculated at 50% of the normal rate for the asset for their last year of service.
5. Accumulated surplus, beginning of period is calculated as the sum of the fixed assets for the previous period and the reserve fund balance for the previous period.
6. O/M contractor costs are based on the current contract with Ontario Clean Water Agency (OCWA) and are assumed to increase by a rate consistent with the current CPI (2.35% per year).
7. Hydro expenses are assumed to increase five (5) percent per year.
8. Municipal salaries and benefits are based on 2024 water revenue and expenses budget provided by the Municipality and are assumed to increase two and a half (2 ½) percent per year.
9. Administration - DWQMS is calculated based on capital projections provided by OCWA.



10. Maintenance is calculated based on capital projections provided by OCWA.
11. Intake inspection/cleaning expenses are calculated based on capital projections provided by OCW.
12. Consultant expenses are calculated based on the 2024 water revenue and expenses budget provided by the Municipality and are assumed to increase one and a half (1 ½) percent per year.
13. Municipal payment in lieu (P-1-L) of municipal taxes on the Water Treatment Plant is assumed to increase one (1) percent per year.
14. Interest expenses on the debenture.
15. Operating transactions is the operating cash flow.
16. The value of the assets disposed.
17. The value of the assets acquired.
18. No debt issues are projected.
19. Capital water charges are recoveries related to the debenture.
20. Zero (0) % of the gas tax is applied as proceeds.
21. Repayments of principal on debenture.
22. Cash and cash equivalents, beginning of period the opening balance of the reserve fund provided by the Municipality.
23. Cash is equal to the reserve fund balance at the end of the year.
24. The remaining debt is the total debenture less principal repayments.
25. Tangible capital assets are non-financial assets calculated as the net book value of the fixed assets plus any acquisitions made during the period.

APPENDIX I

Figure



- LEGEND
- DRINKING WATER TREATMENT PLANT
 - MUNICIPAL OFFICE

SCALE

0 250 500 750

Meters

1:15,000

NOTES, REFERENCES AND SOURCES

1) Proprietary information may not be reproduced or divulged without prior written consent of Pinchin Ltd.

2) Do not scale drawing

3) This drawing may have been reduced. All scale notations indicated are based on a 11"x17" format drawings.

4) Coordinate system: NAD 1983 CSRS UTM Zone 17N

Sources: Esri, TomTom, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors, and the GIS User Community, Esri, USGS, Maxar, Province of Ontario, Pinchin Ltd.



PROJECT LOCATION

KILLARNEY WATER TREATMENT PLANT

KILLARNEY, ONTARIO

CLIENT

MUNICIPALITY OF KILLARNEY

TITLE	FIGURE
SITE PLAN	1
PROJECT	246032
DATE	JULY 2025
PREPARED	CF
REVIEWED	GW

APPENDIX II
Financial Plan

Table I - 1: Projected Statement of Operations 2024-2034 (Unaudited)

Killarney Drinking Water System Financial Plan #260-301

	Notes	Forecast Period										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenue												
User Rate Revenues	1	\$406,794	\$447,473	\$492,221	\$541,443	\$595,587	\$655,146	\$720,660	\$792,726	\$871,999	\$959,199	\$1,055,119
Government Grant Revenues	2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Transfer from Reserve		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenues	3	\$128,544	\$131,114	\$133,737	\$136,411	\$139,140	\$141,922	\$144,761	\$71,595	\$73,027	\$74,487	\$75,977
		\$535,337	\$578,588	\$625,957	\$677,854	\$734,727	\$797,068	\$865,421	\$864,321	\$945,026	\$1,033,686	\$1,131,096
Expenses												
Operating Costs	4	\$316,386	\$394,070	\$407,932	\$413,075	\$420,510	\$432,044	\$445,289	\$462,654	\$465,351	\$480,390	\$489,784
Amortization	5	\$66,048	\$67,600	\$69,189	\$70,815	\$72,479	\$74,182	\$75,925	\$77,710	\$79,536	\$81,405	\$83,318
Interest	6	\$8,129	\$5,383	\$2,377	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		\$390,563	\$467,054	\$479,498	\$483,890	\$492,988	\$506,226	\$521,214	\$540,364	\$544,887	\$561,795	\$573,102
Annual Surplus/(Deficit)		\$144,774	\$111,534	\$146,460	\$193,964	\$241,738	\$290,842	\$344,207	\$323,957	\$400,139	\$471,891	\$557,994
Accumulated Surplus, Beginning of Period	7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Surplus, End of Period		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses to Revenue Ratio		\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1

Table I - 2: Schedule of Operating Expenses 2024-2034 (Unaudited)

Killarney Drinking Water System Financial Plan #260-301

	Notes	Forecast Period										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
O/M Contractor Costs	8	\$213,716	\$218,739	\$223,879	\$229,140	\$234,525	\$240,036	\$245,677	\$251,450	\$257,360	\$263,408	\$269,598
Hydro Expenses	9	\$38,173	\$40,082	\$42,086	\$44,190	\$46,400	\$48,720	\$51,156	\$53,714	\$56,399	\$59,219	\$62,180
Municipal Salaries/Benefits	10	\$5,155	\$5,284	\$5,416	\$5,551	\$5,690	\$5,832	\$5,978	\$6,128	\$6,281	\$6,438	\$6,599
Administration - DWQMS	11	\$4,500	\$1,500	\$1,500	\$4,500	\$1,500	\$1,500	\$4,500	\$1,500	\$1,500	\$4,500	\$1,500
Maintenance	12	\$95,928	\$98,182	\$100,489	\$102,851	\$105,268	\$107,742	\$110,273	\$112,865	\$115,517	\$118,232	\$121,010
Intake Inspection/Cleaning	13	\$0	\$4,000	\$8,000	\$0	\$0	\$800	\$0	\$9,000	\$0	\$0	\$0
Consultant Expenses	14	\$2,981	\$3,026	\$3,071	\$3,117	\$3,164	\$3,212	\$3,260	\$3,309	\$3,358	\$3,409	\$3,460
Municipal P-I-L	16	\$23,028	\$23,258	\$23,491	\$23,726	\$23,963	\$24,202	\$24,444	\$24,689	\$24,936	\$25,185	\$25,437
OSWAP 3	15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deficit Recovery		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses		\$383,481	\$394,070	\$407,932	\$413,075	\$420,510	\$432,044	\$445,289	\$462,654	\$465,351	\$480,390	\$489,784

Table I - 3: Statement of Cash Flow 2024-2034 (Unaudited)

Killarney Drinking Water System Financial Plan #260-301

		Notes	Forecast Period										
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Transactions													
Cash Received From:	Revenues		\$535,337	\$578,588	\$625,957	\$677,854	\$734,727	\$797,068	\$865,421	\$864,321	\$945,026	\$1,033,686	\$1,131,096
Cash Paid For:	Operating Costs		(\$390,563)	(\$467,054)	(\$479,498)	(\$483,890)	(\$492,988)	(\$506,226)	(\$521,214)	(\$540,364)	(\$544,887)	(\$561,795)	(\$573,102)
	Finance Charges	17	(\$8,129)	(\$5,383)	(\$2,377)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
			(\$398,692)	(\$472,437)	(\$481,874)	(\$483,890)	(\$492,988)	(\$506,226)	(\$521,214)	(\$540,364)	(\$544,887)	(\$561,795)	(\$573,102)
Cash Provided from Operating Transactions		18	\$136,645	\$106,151	\$144,083	\$193,964	\$241,738	\$290,842	\$344,207	\$323,957	\$400,139	\$471,891	\$557,994
Capital Transactions													
	Dispositions of Tangible Capital Assets	19	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Acquisition of Tangible Capital Assets	20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Cash Applied to Capital Transactions		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Finance Transactions													
Proceeds from Debt Issues		21	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Gas Tax		23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Capital Water Charges		22	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380
Transfer from Reserve			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Repayment		24	(\$66,441)	(\$69,763)	(\$73,251)	(\$76,914)	(\$80,759)	(\$84,797)	(\$89,037)	(\$93,489)	(\$98,163)	(\$103,072)	(\$108,225)
Cash Applied to Financing Transactions			(\$43,061)	(\$46,383)	(\$49,871)	(\$53,534)	(\$57,379)	(\$61,417)	(\$65,657)	(\$70,109)	(\$74,783)	(\$79,692)	(\$84,845)
Increase/(Decrease) in Cash and Cash Equivalents			\$93,584	\$59,768	\$94,212	\$140,430	\$184,359	\$229,425	\$278,550	\$253,848	\$325,356	\$392,199	\$473,149
Cash and Cash Equivalents, Beginning of Period		25	\$633,357	\$98,686	\$126,612	\$165,088	\$215,111	\$267,097	\$273,224	\$438,007	\$667,240	\$909,293	\$1,207,951
Cash and Cash Equivalents at Ending Balance			\$726,942	\$158,454	\$220,824	\$305,518	\$399,470	\$496,522	\$551,774	\$691,855	\$992,596	\$1,301,492	\$1,681,100
Cash as a Percentage of Net Fixed Assets			0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

See accompanying notes and assumptions to these projected financial statement



Table I - 4: Statement of Financial Position 2024-2034 (Unaudited)

		Notes	Forecast Period										
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Financial Assets		26											
	Cash		\$726,942	\$158,454	\$220,824	\$305,518	\$399,470	\$496,522	\$551,774	\$691,855	\$992,596	\$1,301,492	\$1,681,100
Liabilities		27											
	Debt		\$106,280	\$36,340	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Financial Assets (Debt)			\$620,661	\$122,114	\$220,824	\$305,518	\$399,470	\$496,522	\$551,774	\$691,855	\$992,596	\$1,301,492	\$1,681,100
Non Financial Assets		28											
	Tangible Capital Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Surplus/(Deficit)			\$620,661	\$122,114	\$220,824	\$305,518	\$399,470	\$496,522	\$551,774	\$691,855	\$992,596	\$1,301,492	\$1,681,100

See accompanying notes and assumptions to these projected financial statement



Table I - 5: Statement of Changes in Net Financial Assets 2024-2034 (Unaudited)

Killarney Drinking Water System Financial Plan #260-301

	Notes	Forecast Period										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual Surplus/Deficit		\$144,774	\$111,534	\$146,460	\$193,964	\$241,738	\$290,842	\$344,207	\$323,957	\$400,139	\$471,891	\$557,994
Ammortization of Tangible Capital Assets		\$66,048	\$67,600	\$69,189	\$70,815	\$72,479	\$74,182	\$75,925	\$77,710	\$79,536	\$81,405	\$83,318
Acquisition of Tangible Capital Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Adjustments		\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380	\$23,380
Change in Net Financial Assets (Debt)		\$136,645	\$129,531	\$167,463	\$217,344	\$265,118	\$314,222	\$367,587	\$347,337	\$423,519	\$495,271	\$581,374
Net Financial Assets (Debt) Position, Beginning of Period		\$484,016	(\$7,417)	\$53,361	\$88,174	\$134,352	\$182,300	\$184,187	\$344,518	\$569,077	\$806,221	\$1,099,726
Net Financial Assets (Debt) Position, End of Period	29	\$620,661	\$122,114	\$220,824	\$305,518	\$399,470	\$496,522	\$551,774	\$691,855	\$992,596	\$1,301,492	\$1,681,100

See accompanying notes and assumptions to these projected financial statement

APPENDIX III
Council Resolution



*The Corporation of the Municipality of Killarney
32 Commissioner Street
Killarney, Ontario
P0M 2A0*

MOVED BY: Robert Campbell

SECONDED BY: Nikola Grubic

RESOLUTION NO. 25-275

WHEREAS the Municipality of Killarney has a Municipal Drinking Water Licence (MDWL) #260-101 for the Killarney Drinking Water System issued by the Ministry of the Environment, Conservation and Parks;

AND WHEREAS the Drinking Water Licence requires under Schedule “B” Section 8.0 of the Municipal Drinking Water Licence issued January 28, 2021 that the Financial Plan be updated in order to renew the municipal drinking water licence which expires on January 27, 2026 as indicated in Schedule “A” of the MDWL;

AND WHEREAS the Financial Plan for the Drinking Water System must be approved by council resolution and must contain the information as required in accordance with Ontario Regulation 453/07;

AND WHEREAS the owner is required to make the Financial Plan available without charge, provide notice to the public of its availability and provide a copy to the Ministry of Municipal Affairs and Housing;

NOW THEREFORE the Council of the Municipality of Killarney hereby endorses the updated Financial Plan 260-301 for the Killarney Drinking Water System as prepared by Pinchin Ltd. dated July 18, 2025 which satisfies the requirements set out in Ontario Regulation 453/07. This updated plan comes into force and takes effect on the date of receiving our drinking water renewal licence.

Resolution Result	Recorded Vote		
	Council Members	YES	NO
<input checked="" type="checkbox"/> CARRIED	Mary Bradbury		
<input type="checkbox"/> DEFEATED	Robert Campbell		
<input type="checkbox"/> TABLED	Dave Froats		
<input type="checkbox"/> RECORDED VOTE (SEE RIGHT)	Nikola Grubic		
<input type="checkbox"/> PECUNIARY INTEREST DECLARED	Michael Reider		
<input type="checkbox"/> WITHDRAWN	Peggy Roque		

I, Candy Beauvais, Clerk-Treasurer of the Municipality of Killarney do certify the foregoing to be a true copy of Resolution #25-275 passed in a Special Council Meeting of The Corporation of the Municipality of Killarney on the 23rd day of July 2025.



Candy K. Beauvais
Clerk-Treasurer