TRI-COUNTY WATER BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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TRI-COUNTY WATER BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Board, Ratepayers and Inhabitants of the Tri-County Water Board

Opinion

We have audited the accompanying financial statements of Tri-County Water Board (the "Board"), which comprise the Statement of Financial Position as at December 31, 2019, and Statements of Operations and Accumulated Surplus, Cash Flows and Change in Net Financial Assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tri-County Water Board as at December 31, 2019 and its financial performance and its changes in cash flows and net financial assets for the year then ended, in accordance with Canadian public sector accounting standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

June 30, 2020
London, Canada **LICENSED PUBLIC ACCOUNTANT**

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TRI-COUNTY WATER BOARD
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
FINANCIAL ASSETS		
Due from Municipality of West Elgin - operating (note 2)	$ **734,834**	$ 584,252
	734,834	584,252
LIABILITIES		
Accounts payable and accrued liabilities	**24,912**	28,858
	24,912	28,858
NET FINANCIAL ASSETS	**709,922**	555,394
NON FINANCIAL ASSETS		
Tangible capital assets (note 1.c) (Schedule 1)	**12,162,237**	12,683,903
Capital work in progress	**47,712**	-
	12,209,949	12,683,903
ACCUMULATED SURPLUS (note 3)	**$ 12,919,871**	$ 13,239,297

The accompanying notes are an integral part of these financial statements.

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TRI-COUNTY WATER BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget 2019	Actual 2019	Actual 2018
REVENUE			
Current interest	**2,000**	**14,517**	6,840
Water billings	$ **1,135,960**	$ **1,234,368**	$ 1,199,150
	1,137,960	**1,248,885**	1,205,990
EXPENDITURES			
Amortization	**-**	**661,944**	656,312
Minor capital expenditures	**223,100**	**55,217**	69,867
OCWA contract and callouts	**421,418**	**428,443**	421,418
Operating and maintenance	**415,415**	**422,707**	387,629
	1,059,933	**1,568,311**	1,535,226
REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	**78,027**	**(319,426)**	(329,236)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**13,239,297**	**13,239,297**	13,568,533
ACCUMULATED SURPLUS, END OF YEAR	$ **13,317,324**	$ **12,919,871**	$ 13,239,297

The accompanying notes are an integral part of these financial statements.

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TRI-COUNTY WATER BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

		2019		2018
OPERATING ACTIVITIES				
Revenue over expenditures (expenditures over revenue) (page 4)	$	**(319,426)**	$	(329,236)
Non-cash expenditures - amortization		**661,944**		656,312
Net change in non-cash working capital balances related to operations (A)		**(154,528)**		(185,744)
		187,990		141,332
INVESTING ACTIVITIES				
(Increase) decrease in capital asset and work in progress		**(187,990)**		(141,332)
Change in cash during the year		**-**		-
CASH, BEGINNING OF YEAR		**-**		-
CASH, END OF YEAR	**$**	**-**	$	-

(A) Consists of changes in and due from the Municipality of West Elgin and accounts payable and accrued liabilities

The accompanying notes are an integral part of this financial statement.

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TRI-COUNTY WATER BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

		2019		2018
Excess of revenue over expenditures (expenditures over revenue) (page 4)	$	**(319,426)**	$	(329,236)
Amortization of tangible capital assets		**661,944**		656,312
Acquisition of tangible capital assets		**(187,990)**		(141,332)
Increase (decrease) in net financial assets		**154,528**		185,744
NET FINANCIAL ASSETS, BEGINNING OF YEAR		**555,394**		369,650
NET FINANCIAL ASSETS, END OF YEAR	$	**709,922**	$	555,394

The accompanying notes are an integral part of these financial statements.

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TRI-COUNTY WATER BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

The Tri-County Water Board (the Board) is a Joint Municipal Water Board in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation. On July 22, 2014, the participating municipalities entered a new agreement to control and govern the management of the Tri-County Water System (the System). The participating municipalities of the Board are the Municipalities of Dutton-Dunwich, Southwest Middlesex, Chatham Kent, Newbury and West Elgin. The Municipality of West Elgin (the Municipality) is the Administering Municipality. The System was previously operated under a Purchase Capacity Agreement and Management Agreement which were signed in 1991 between the same parties. The Municipalities of Chatham Kent and Newbury are billed by Southwest Middlesex based on their usage.

1. Significant accounting policies

The financial statements of the Board are prepared by management in accordance with Canadian public sector accounting standards.

a. Basis of accounting

Revenue and expenditures are reported on the accrual basis of accounting which recognizes revenue as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Government grants and transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

b. Uses of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

c. Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Infrastructure and equipment	25 years
Waterlines	75 years

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TRI-COUNTY WATER BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Significant accounting policies continued

d. Budget

The Board set a budget based on the accounting policies adopted previous to PSAB Handbook policy for tangible capital assets.

e. Deferred revenue

Revenue received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the Statement of Financial Position. The revenue is recognized in the Statement of Operations and Accumulated Surplus in the year in which it is used for the specified purpose.

2. Continuing operations

All banking activities are administered by the Municipality of West Elgin, on behalf of the Board's activities. The amount due from the Municipality of West Elgin represents the net working capital position between the Municipality and the Board after adding or deducting payments made to or received from the Municipality of West Elgin.

3. Accumulated surplus

The accumulated surplus is comprised of the following:

	2019	2018
Reserve for future operations	**$ 930,862**	$ 776,334
Invested in tangible capital assets	**11,989,009**	12,462,963
	$ 12,919,871	$ 13,239,297

4. Commitment

The Board, through the Municipality of West Elgin, has contracted with OCWA to operate and maintain the System. The annual cost for 2019 was $428,443 (2018 - $421,418).

5. Subsequent event

In March 2020, the Province of Ontario declared a state of emergency due to the COVID-19 virus. It is unclear what impact, if any, the COVID-19 virus will have on the operations of the Board. The Board and management continue to monitor the situation.

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Schedule 1

TRI-COUNTY WATER BOARD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Land	Buildings	Equipment	Waterlines	Total
COST					
Balance, beginning of year	$ 88,735	$ 4,601,573	$ 13,668,327	$ 1,471,992	$ 19,830,627
Add:					
Additions during the year	-	-	140,278	-	140,278
Less:					
Disposals during the year	-	-	(59,638)	-	(59,638)
Balance, end of year	88,735	4,601,573	13,748,967	1,471,992	19,911,267
ACCUMULATED AMORTIZATION					
Balance, beginning of year	-	1,324,239	5,076,671	745,814	7,146,724
Add:					
Amortization during the year	-	92,779	549,539	19,626	661,944
Less:					
Disposals during the year	-	-	(59,638)	-	(59,638)
Balance, end of year	-	1,417,018	5,566,572	765,440	7,749,030
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 88,735	$ 3,184,555	$ 8,182,395	$ 706,552	$ 12,162,237

This schedule is provided for information purposes only.

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