

**TRI-COUNTY WATER BOARD**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

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### **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, 2021, 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, 2021 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.

## **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.

**July 26, 2022**  
**London, Canada**

**LICENSED PUBLIC ACCOUNTANT**

**TRI-COUNTY WATER BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

	2021	2020
<b>FINANCIAL ASSETS</b>		
Due from Municipality of West Elgin - operating (note 3)	\$ 970,425	\$ 818,832
<b>NET FINANCIAL ASSETS</b>	<b>970,425</b>	<b>818,832</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - Schedule 1 (note 2.c)	11,040,044	11,633,903
Capital work in progress	40,876	-
	<b>11,080,920</b>	<b>11,633,903</b>
<b>ACCUMULATED SURPLUS (NOTE 4)</b>	<b>\$ 12,051,345</b>	<b>\$ 12,452,735</b>

The accompanying notes are an integral part of the financial statements

**TRI-COUNTY WATER BOARD**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Budget 2021</b>	<b>Actual 2021</b>	<b>Actual 2020</b>
<b>REVENUES</b>			
Current interest	\$ 17,000	\$ 3,017	\$ 10,656
Water billings	1,342,617	1,346,055	1,284,675
Other revenue	-	-	17,950
	<b>1,359,617</b>	<b>1,349,072</b>	<b>1,313,281</b>
<b>EXPENDITURES</b>			
Amortization	-	717,686	783,545
Minor capital expenditures	638,326	185,031	160,853
OCWA contract and callouts	440,667	440,667	434,155
Operating and maintenance	414,101	407,078	401,864
	<b>1,493,094</b>	<b>1,750,462</b>	<b>1,780,417</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)</b>	<b>(133,477)</b>	<b>(401,390)</b>	<b>(467,136)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>12,452,735</b>	<b>12,452,735</b>	<b>12,919,871</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 12,319,258</b>	<b>\$ 12,051,345</b>	<b>\$ 12,452,735</b>

The accompanying notes are an integral part of the financial statements

**TRI-COUNTY WATER BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures (expenditures over revenue) (page 4)	\$ (401,390)	\$ (467,136)
Non-cash charges to operations		
Amortization	717,686	783,545
Decrease (increase) in due from Municipality of West Elgin	(151,593)	(108,910)
	<b>164,703</b>	207,499
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in capital assets	(123,827)	(207,499)
Decrease (increase) in capital work in progress	(40,876)	-
	<b>(164,703)</b>	(207,499)
Cash provided by operating and investing transactions	-	-
Cash, beginning of year	-	-
<b>CASH, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements

**TRI-COUNTY WATER BOARD**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
Excess of revenue over expenditures (expenditures over revenue) (page 4)	\$ (401,390)	\$ (467,136)
Amortization of tangible capital assets	717,686	783,545
Acquisition of tangible capital assets	(123,827)	(207,499)
Net change in work in progress	(40,876)	-
Increase in net financial assets	151,593	108,910
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>818,832</b>	709,922
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 970,425</b>	\$ 818,832

The accompanying notes are an integral part of the financial statements



**TRI-COUNTY WATER BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**1. Description of the Board**

The Tri-County Water Board (the Board) is a Joint Municipal Service 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. Subsequent to December 31, 2021, on January 21, 2022, the member municipalities signed a Master Agreement to govern the management of the System. This agreement replaced the agreement of July 22, 2014. 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 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.

**2. Significant accounting policies**

The financial statements of the Tri-County Water Board have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

**a. Revenue recognition**

Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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. Use 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 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

**d. Budget**

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

**TRI-COUNTY WATER BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**2. Significant accounting policies continued**

**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.

**3. 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.

**4. Accumulated Surplus**

Accumulated surplus consists of the following surplus balance:

	2021	2020
Reserve for future operations	\$ 1,191,365	\$ 1,039,772
Invested in tangible capital assets	10,859,980	11,412,963
	<b>\$ 12,051,345</b>	<b>\$ 12,452,735</b>

**5. Commitment**

The Board, through the Municipality of West Elgin, has contracted with OCWA to operate and maintain the System. The annual cost for 2021 was \$440,667 (2020 - \$434,155).

**6. Significant 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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**TRI-COUNTY WATER BOARD**  
**SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

		<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Waterlines</b>	<b>Total</b>
<b>COST</b>						
Balance, beginning of year	\$	88,735	\$ 4,614,402	\$ 13,991,349	\$ 1,471,992	\$ 20,166,478
Add:						
Additions during the year		-	35,399	88,428	-	123,827
Less:						
Disposals during the year		-	-	-	-	-
<b>BALANCE, END OF YEAR</b>		<b>88,735</b>	<b>4,649,801</b>	<b>14,079,777</b>	<b>1,471,992</b>	<b>20,290,305</b>
<b>ACCUMULATED AMORTIZATION</b>						
Balance, beginning of year		-	1,527,307	6,210,391	794,877	8,532,575
Add:						
Amortization during the year		-	111,090	586,969	19,627	717,686
Less:						
Disposals during the year		-	-	-	-	-
<b>BALANCE, END OF YEAR</b>		<b>-</b>	<b>1,638,397</b>	<b>6,797,360</b>	<b>814,504</b>	<b>9,250,261</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>		<b>88,735</b>	<b>\$ 3,011,404</b>	<b>\$ 7,282,417</b>	<b>\$ 657,488</b>	<b>\$ 11,040,044</b>

This schedule is provided for information purposes only