

A G E N D A

THE SECOND MEETING OF THE ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM BOARD OF MANAGEMENT

MICROSOFT TEAMS

5:00 P.M.

SEPTEMBER 26, 2024

DISCLOSURES OF INTEREST

MINUTES

Confirmation of the minutes of the meeting held on March 19, 2024.

NEW BUSINESS

2023 St. Thomas & Area Secondary Water Supply System Draft Financial Statements – To be
Presented by Auditor Christene Scrimgeour _____ **Pages 2-13**

NEXT MEETING

ADJOURNMENT

**ST. THOMAS AREA SECONDARY WATER SUPPLY
SYSTEM**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

-1-	Independent Auditor's Report
-3-	Statement of Financial Position
-4-	Statement of Operations and Accumulated Surplus
-5-	Statement of Cash Flows
-6-	Statement of Change in Net Financial Assets
-7-	Notes to the Financial Statements
-10-	Schedule 1 - Schedule of Tangible Capital Assets

INDEPENDENT AUDITOR'S REPORT

To the Members of Board, Inhabitants and Ratepayers of the St. Thomas Area Secondary Water Supply System

Opinion

We have audited the accompanying financial statements of St. Thomas Area Secondary Water Supply System (the "Joint Board"), which comprise the Statement of Financial Position as at December 31, 2023, 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 St. Thomas Area Secondary Water Supply System as at December 31, 2023 and its financial performance and its cash flows and change in 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 Joint 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 Joint 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 Joint Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Joint 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 Joint 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 Joint 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 Joint 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.

September 13, 2024
London, Canada

LICENSED PUBLIC ACCOUNTANT

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	2023	2022
FINANCIAL ASSETS		
Due from the City of St. Thomas (note 3)	\$ 4,918,107	\$ 4,033,968
NET FINANCIAL ASSETS	4,918,107	4,033,968
NON-FINANCIAL ASSETS		
Capital assets - Schedule 1 (note 2.c)	1,129,203	1,201,912
	1,129,203	1,201,912
ACCUMULATED SURPLUS (page 4) (note 4)	\$ 6,047,310	\$ 5,235,880

Approved on behalf of the Board:

Approved on behalf of the Board:

The accompanying notes are an integral part of the financial statements

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget 2023	Actual 2023	Actual 2022
REVENUE			
Current interest	\$ -	\$ 272,537	\$ 50,897
Water billings	3,620,000	3,488,809	3,727,484
	3,620,000	3,761,346	3,778,381
EXPENDITURES			
Amortization	-	72,709	72,709
OCWA contract and callouts	294,750	354,514	269,331
Operating and maintenance	2,352,850	2,381,914	2,385,619
Wages	105,460	140,779	110,453
	2,753,060	2,949,916	2,838,112
EXCESS OF REVENUE OVER EXPENDITURES	866,940	811,430	940,269
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,235,880	5,235,880	4,295,611
ACCUMULATED SURPLUS, END OF YEAR	\$ 6,102,820	\$ 6,047,310	\$ 5,235,880

The accompanying notes are an integral part of the financial statements

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenue over expenditures (page 4)	\$ 811,430	\$ 940,269
Non-cash charges to operations		
Amortization	72,709	72,709
Net change in working capital other than cash (A)	(884,139)	(1,012,978)
Change in cash during the year	-	-
Cash, beginning of year	-	-
CASH, END OF YEAR	\$ -	\$ -

(A) Consists of changes in and due from the City of St. Thomas.

The accompanying notes are an integral part of the financial statements

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022
Excess of revenue over expenditures (page 4)	\$ 811,430	\$ 940,269
Amortization of tangible capital assets	72,709	72,709
Increase in net financial assets	884,139	1,012,978
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,033,968	3,020,990
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,918,107	\$ 4,033,968

The accompanying notes are an integral part of the financial statements

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. Description of the Joint Board

Effective November 13, 1998, the Ministry of Environment issued a Transfer Order to transfer ownership and associated properties of the St. Thomas Area Secondary Water Supply System (the Joint Board) from the Ontario Clean Water Agency ("OCWA") to area municipalities. As part of the Transfer Order, a Joint Board of Management ("the Joint Board") was established to govern the management of the System. The Joint Board consists of one representative of the Councils of the Municipality of Central Elgin, the Township of Southwold, and two representatives of the Council of the City of St. Thomas. The City of St. Thomas is the administering municipality on behalf of the Municipalities and the Joint Board. The Joint Board has authority to manage the system on behalf of the Municipalities for the purpose of constructing, operating, repairing and improving the System.

2. Significant accounting policies

The financial statements of the St. Thomas Area Secondary Water Supply System 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 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 management's best estimates, as additional information becomes available in the future.

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:

Equipment	15 to 80 years
Reservoir	100 years
Waterlines	75 years

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

2. Significant accounting policies continued

d. Budget

The Joint 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.

f. Asset retirement obligations

An asset retirement obligation is recognized when as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that the future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Buildings and underground pipes containing asbestos, are estimated and recognized as a liability and an increase in the cost of the asset at the time of acquisition. The liability is discounted annually over the same useful life as the asset's annual amortization expense, calculated in accordance with the Joint Board's depreciation policies. Management has evaluated its tangible capital assets and determined that there is only a short portion of the underground pipe that may contain asbestos and therefore, has not recorded any asset retirement obligation.

3. Continuing operations

All banking activities are administered by the City of St. Thomas, on behalf of the Joint Board's activities. The amount due from the City of St. Thomas represents assets of the reserve fund held by the City of St. Thomas.

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

4. Accumulated Surplus

Accumulated surplus consists of the following surplus balance:

	2023	2022
Reserve fund for future operations	\$ 4,918,107	\$ 4,033,968
Invested in tangible capital assets	1,129,203	1,201,912
	\$ 6,047,310	\$ 5,235,880

5. Commitment

The Joint Board has contracted with OCWA to operate and maintain their portion of the Elgin Middlesex Pumping Station for a five year term which ending December 31, 2027. The Joint Board is responsible for 28.5% of the overall contracted amount with annual costs for 2023 of \$65,704 (2022 - \$61,578).

**ST. THOMAS AREA SECONDARY WATER SUPPLY SYSTEM
SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Equipment	Reservoir	Waterlines	Total
COST				
Balance, beginning of year	\$ 1,216,989	\$ 76,621	\$ 1,433,922	\$ 2,727,532
Add:				
Additions during the year	-	-	-	-
Less:				
Disposals during the year	-	-	-	-
BALANCE, END OF YEAR	1,216,989	76,621	1,433,922	2,727,532
ACCUMULATED AMORTIZATION				
Balance, beginning of year	625,801	42,141	857,678	1,525,620
Add:				
Amortization during the year	41,641	766	30,302	72,709
Less:				
Disposals during the year	-	-	-	-
BALANCE, END OF YEAR	667,442	42,907	887,980	1,598,329
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 549,547	\$ 33,714	\$ 545,942	\$ 1,129,203

This schedule is provided for information purposes only