



# **Union Water Supply System Inc.**

## **Finance & Audit Committee Meeting**

Wednesday, June 18, 2025

9:00 am

1615 Union Ave, Ruthven, Ontario

## **AGENDA**

- A. Call to Order by Committee Chair:
- B. Welcoming Remarks
- C. Approval of the Minutes of April 30, 2025 Finance & Audit Committee
- D. Treasurers Update
  - UWSS Revised Internal Financials
  - UWSS Financial Statement Changes
- E. Municipal Billings and Reconciliation
- F. Comments, Announcements, and Other Business:
- G. Adjournment:
- H. Date of Next Meeting: To be discussed.



## MINUTES

Directors                      Dennis Rogers - Chair  
                                     Mike St. Amant - absent  
                                     Tom Kissner  
                                     Wayne Wharram  
                                     Lori Atkinson - Virtually

Also in Attendance: Rodney Bouchard, UWSS Inc. Chief Executive Officer  
For UWSS                      Khristine Johnson, UWSS Inc. Office Administrator (Recording Secretary)

Guest                              The CFO Nazzani, CPA, CA Capital Assist Valuation

**Call to Order:        9:02 am**

### **Welcoming Remarks:**

Chair Rogers calls the meeting and welcomes everyone.

### **Approval of Minutes**

**No. FAC-04-25**

Moved by:                      Director Wharram

Seconded by:                  Director Kissner

The minutes of the UWSS Inc. Finance & Audit Committee, from the meeting of January 15, 2025 are received; and

That the minutes are brought forward to be on the next UWSS Board of Directors meeting agenda.

Carried

## Business to Discuss

The CFO takes over the meeting and begins to review the final billings and adjusted water loss. The CFO then reviews the Financial Statements and shows comparison to 2023 and goes over the cash and reserves.

The CFO explains that going forward UWSS Inc will be moving more funds into segregated reserve accounts.

The CFO also notes that in 2024 municipalities were billed to budget, however, she feels going forward that municipalities should be billed on actual water usage. This will allow for less effort when reconciling the flows at the end of the year. She also notes that Leamington and Kingsville were over budget and Essex and Lakeshore were under budget in 2024.

The CFO then moves on to discuss water losses. She notes that in 2024 a water loss of 8% was used, however, when reconciling it was determined that perhaps a 4% water loss should be applied to UWSS and a 4% water loss should be applied to each municipality.

She then reviews the prepaids, assets and progress on capital work, and accrued expenses. She notes that there will be \$117,000 coming as part of the administrative fee the municipalities need to charge back to UWSS Inc.

She then reviews the investment income, expenses, professional fees and other line by line items that the Directors ask questions about. There is some concern regarding the Carbon Dioxide payables. The CEO explains that there was a rather large payout in 2024, however, that price was captured during the sale of property back in 2021.

Director Wharram asks why board expenses are so high. The CEO notes that the Directors' compensation is captured under this line item, therefore, since director compensation started in 2025 this item is showing higher.

The Chair asks the CEO to speak about the ongoing contract negotiations with OCWA. The CEO notes that he met with OCWA senior management the day prior, and it seems likely that the current contract will be extended to the end of 2025. He notes that our legal counsel will be brought in shortly to review the documentation. There is some discussion on why there could be an increase in costs coming from the new contract.

The CFO directs the committee members back to the Financial Statements and explains that most of the concerns are addressed and clarification can be found within the notes.

## No. FAC-05-25

Moved by: Director Kissner

Seconded by: Director Atkinson

The

That the UWSS Inc. 2024 Financial Statements are received; and

That the UWSS 2024 Financial Statements are presented to the UWSS Inc. full Board of Directors.

Carried

The CFO begins her discussion on the Internal Statements, with the CEO sharing water flow spreadsheet information. He explains a bit more about water flows and the interactions between the municipalities. He notes that there is a water loss in 2024 of 1.6 million m<sup>3</sup>. There is then a discussion surrounding water loss and how to handle it. The CEO explains that during the 2024 year the water loss percentage represented had been around 8%, however, he is suggesting that UWSS should not take on the totality of the water loss, but rather it should be split equally between the municipalities. Therefore, he suggests that each municipality will have a 4% water loss and UWSS will have a 4% water loss.

There is a brief discussion concerning water leak detection, how municipalities can improve water loss, UWSS's involvement in repairs to damaged pipes and how to proceed forward, regarding water loss, and non-revenue water loss. The Chair suggests that a policy is developed to cover such issues.

The Directors provide direction to the CEO to develop and draft a policy and procedure for the methodology for the flows and water loss. The CEO explains that this item will be mentioned at the upcoming UWSS Inc. Governance Committee.

The CFO notes that she plans on having a reserve policy and water loss calculation prepared for the next FAC, which she anticipates being in June. The Directors decide on June 18<sup>th</sup>, 9 am and the recording secretary is instructed to send out calendar invites.

## Adjournment

No. FAC-06-25

Moved by: Director Wharram

Seconded by: Director Kissner

Time adjourned: 9:58 am

**Date of Next Meeting:** June 18, 2025 at 9 am the Ruthven Water Treatment Plant

/kmj

## Union Water Supply System Inc.

## Balance Sheet

As at December 31, 2024 (with comparative figures for 2023)

	2024	2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short-term investments (note 3)	\$ 21,214,425	\$ -
Accounts receivable (note 4)	1,886,837	-
Due from related party	-	100
Prepaid expenses	84,729	-
	23,185,991	100
<b>Long-term assets</b>		
Asset in progress (note 5)	2,757,291	-
Tangible capital assets, net (notes 2 and 5)	53,646,746	-
Asset retirement obligation assets (notes 2 and 10)	636,969	-
Website development, net	32,320	-
	57,073,326	-
<b>TOTAL ASSETS</b>	<b>\$ 80,259,317</b>	<b>\$ 100</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 4)	1,030,395	-
Payroll liabilities (note 9)	305,528	-
Asset retirement obligation (notes 2 and 10)	1,232,615	-
	2,568,539	-
<b>SHAREHOLDERS' EQUITY</b>		
Class A Shares	100	100
Retained earnings	77,690,678	-
	77,690,778	100
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 80,259,317</b>	<b>\$ 100</b>

## Union Water Supply System Inc.

### Income Statement

For the year ended December 31, 2024 (with comparative figures for 2023)

	Budget	Actual	Actual
	2024	2024	2023
<b>Revenues</b>			
Wholesale billings (notes 4 and 6)	\$ 14,538,366	\$ 15,185,316	\$ -
Investment income (note 7)	807,000	1,225,233	-
Rental income	53,186	57,798	-
	15,398,552	16,468,347	-
<b>Expenses</b>			
OCWA operating contract	3,949,661	4,024,517	-
Amortization (Schedule 1)	-	2,046,582	-
Electricity and gas	1,700,000	1,374,979	-
Long-term interest expense	662,514	758,539	-
Other services	544,130	442,591	-
Professional services	262,500	358,006	-
Repairs and maintenance	400,000	357,874	-
Wages and benefits (note 9)	535,000	319,999	-
Operational programs and studies	515,000	306,991	-
Property taxes	175,000	177,311	-
Carbon dioxide	110,000	150,098	-
Administration fee (note 4)	-	192,048	-
Accretion/amortization of AROs	-	47,362	-
Office expenses	54,000	18,178	-
Bank charges	-	941	-
	8,907,805	10,576,015	-
<b>Net Income before taxes</b>	6,490,747	5,892,332	-
<b>Retained Earnings, Beginning of Year</b>	-	-	-
Contributed capital		71,798,346	-
<b>Retained Earnings, End of Year</b>	\$ 6,490,747	\$ 77,690,678	\$ -

# Union Water Supply System Inc.

## Statement of Cash Flow

For the year ended December 31, 2024 (with comparative figures for 2023)

	2024	2023
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Cash flow from operating activities</b>		
Annual surplus	\$ 5,892,332	\$ -
Items not involving cash:		
Amortization of tangible capital assets	2,046,582	-
Accretion and amortization of asset retirement obligations	47,362	-
Decrease in accounts receivable	(77,602)	-
Increase in prepaid expenses	(68,771)	-
Decrease in accounts payable	(1,267,277)	-
Increase in payroll liabilities	305,528	-
Cash provided by operations	6,878,154	-
<b>Cash flow from investing activities</b>		
Cash used to acquire tangible capital assets	(3,701,061)	-
Cash used to acquire website	(40,400)	-
Cash used in investing activities	(3,741,461)	-
<b>Cash flow from financing activities</b>		
Debt repayment (principal only)	(6,259,451)	-
(Increase) in due from related party	-	(100)
Preferred shares issued	100	100
Cash used in financing activities	(6,259,351)	-
<b>Net Change in Cash for Year</b>	<b>(3,122,658)</b>	<b>-</b>
<b>Cash, Beginning of Year</b>	<b>24,337,083</b>	<b>-</b>
<b>Cash, End of Year</b>	<b>\$ 21,214,425</b>	<b>\$ -</b>

# Union Water Supply System Inc.

## Statement of Change in Net Assets

For the year ended December 31, 2024 (with comparative figures for 2023)

	Actual 2024	Actual 2023
<b>Annual Surplus</b>	\$ 5,892,332	\$ -
Amortization of tangible capital assets	2,046,582	-
Amortization of ARO Assets	18,472	-
Acquisition of tangible capital assets	(3,741,464)	-
Preferred shares issued	100	100
<b>Change in Net Assets</b>	4,216,022	100
<b>Net Assets, Beginning of Year</b>	16,401,428	-
<b>Net Assets, End of Year</b>	\$ 20,617,450	\$ 100



## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 1. Description of Reporting Entity

The Union Water Supply System ("UWSS") was created, effective January 8, 2001, by Order of the Minister of the Environment pursuant to the Municipal Water and Sewage Transfer Act, 1997. The Order transferred all assets, liabilities, rights and obligations of the Ontario Clean Water Agency in the municipal drinking water treatment and distribution system located in Ruthven to the municipalities of Leamington, Kingsville, Essex and Lakeshore ("Member Municipalities"). The Order provided for the establishment of a Joint Board of Management ("Board") to govern the operation and management of the "System". Each owner's representation on the Board is based on its share of the total flows of the system with no municipality receiving more than fifty percent of the total number of members.

Union Water Supply System Inc. ("UWSS Inc." or the "Corporation") was incorporated on February 24, 2023, as a Municipal Services Corporation under Ontario Regulation 599/06 of the Municipal Act, 2001. On April 22, 2024, UWSS completed the transfer of all assets to UWSS Inc. who has taken over the operations previously carried out by UWSS (note 9). The transfer was part of a legal restructuring, with assets and liabilities transferred at their carrying amounts.

UWSS Inc. has four (4) shareholders which include the Corporation of the Municipality of Leamington ("Leamington"), the Corporation of the Town of Kingsville ("Kingsville"), the Corporation of the Town of Essex ("Essex"), and the Municipality of Lakeshore ("Lakeshore"). On January 1, 2024, Leamington, Kingsville, Essex and Lakeshore entered into a Water Service Agreement with UWSS Inc.

#### 2. Summary of Accounting Policies

The financial statements of the Union Water Inc. are prepared in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board of CPA Canada.

##### *Basis of Accounting*

Sources of financing and expenditures are reported on the accrual basis of accounting, with the exception of interest charges on long-term liabilities, which are charged against operations in the periods in which they are paid. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized, as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to

Liabilities on the statement of financial position represent the outstanding principal portion of long-term liabilities, liabilities not yet due and other future expenses not yet raised by rates on the users.

##### *Use of Estimates*

The preparation of financial statements requires management to make estimates that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, carrying value of tangible capital assets, accounts payable and accrued liabilities, including the valuation of post-employment benefits. Actual results could differ from those estimates.

## Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2024

### 2. Summary of Accounting Policies (continued)

#### *Tangible Capital Assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed 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 life as follows:

Land	Infinite
Land Improvements	15 years to infinite
Buildings	20 to 50 years
Machinery and Equipment	3 to 50 years
Linear Assets	10 to 90 years
Website development	5 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### *Contributions of Tangible Capital Assets*

Tangible capital assets received as contributions are recorded at their fair value using the half year rule as though they have been received July 1.

#### *Leases*

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### *Assets in progress*

Assets in progress are measured at cost.

#### *Long-Term Investment*

Investment is recorded at fair market value.

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

## 2. Summary of Accounting Policies (continued)

### *Asset Retirement Obligations*

A liability is recognized when, as at the financial reporting date:

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

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The liability includes costs for the removal of asbestos in buildings owned by the Union Water Supply System, the decommissioning of a water tower on leased lands at the end of the agreement, and removal of underground fuel and septic tanks. The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities. The resulting costs have been capitalized and are being amortized on the same basis as the related tangible capital asset. The carrying value of the liability is reviewed annually with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the liability and related tangible capital

## 3. Cash

This balance represents a consolidation from the operating fund and the reserve fund as follows:

	2024	2023
<b>Cash</b>		
Operating Fund	\$ 17,144,437	\$ -
Reserve Fund	4,069,988	-
	<b>\$ 21,214,425</b>	<b>\$ -</b>

## 4. Related Party Transactions

The related party balances on account of trade in the Statement of Financial Position are listed below:

	2024	2023
Accounts receivable	\$ 1,494,467	\$ -
Accounts payable and accrued liabilities	416,058	-

The accounts receivable amount of \$1,494,467 represents the receivables from the four shareholder municipalities for 2024 water flows that have been invoiced or accrued but not paid by year end. The accounts payable and accrued liabilities amount of \$86,467 represents 2024 purchases from the four shareholder municipalities and overpayment of treatment and transmission revenue based on final water flows.

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 4. Related Party Transactions (continued)

The related party transactions on the Statement of Financial Activities are listed below:

		2024		2023
Wholesale billings revenue (note 6)	\$	15,185,316	\$	-
Administration fee and other		295,948		-

Wholesale billings revenue balance is 2024 treatment and transmission revenues of water flows to the four shareholder municipalities and is detailed in note 6. Administration fee expense is the fee paid to the four shareholder municipalities for management of the water accounts.

#### 5. Tangible Capital Assets/Asset in Progress

		Net Book Value	
		2024	2023
Land	\$	487,382	\$ -
Building		19,397,501	-
Machinery and Equipment		17,436,791	-
Linear assets		16,140,228	-
Land improvements		184,844	-
Total tangible capital assets		53,646,746	-
Asset in progress		2,757,291	-
	\$	56,404,037	\$ -

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

#### 6. Wholesale Billings Revenue

The shareholder municipalities are invoiced on a monthly basis for projected water flows, with a reconciliation to actual water flows in December 2024.

	Revenues		Flows	
	2024	2023	2024	2023
	\$	\$	m <sup>3</sup>	m <sup>3</sup>
Municipality of Leamington	\$ 8,730,088	\$ -	12,465,951	-
Town of Kingsville	5,397,386	-	7,647,422	-
Town of Essex	646,028	-	922,831	-
Town of Lakeshore	411,815	-	589,077	-
	\$ 15,185,316	\$ -	21,625,281	-

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 7. Investment Income

Investment income includes bank and GIC interest income as follows:

	2024	2023
Bank interest	\$ 887,053	\$ 807,000
Interest on long-term investment -	338,181	-
	<u>\$ 1,225,233</u>	<u>\$ 807,000</u>

#### 8. Asset Retirement Obligation

Liabilities exist for the removal and disposal of asbestos within buildings owned by the Corporation, the decommissioning of a water tower on leased lands at the end of the agreement, and removal of underground fuel and septic tanks. The timing of future settlement is unknown.

	2024	2023
<b>Asset Retirement Obligation, beginning of year</b>	\$ 1,203,726	\$ -
Settlements during the year	-	-
Accretion expense	28,889	-
<b>Asset Retirement Obligation, end of year</b>	<u>\$ 1,232,615</u>	<u>\$ -</u>

#### 9. Operating Line and Commitments

The Corporation maintains an operating line of credit with Windsor Family Credit Union ("WFCU") to supporting operating and capital activities with a limit of up to \$60 million. The operating line bears interest at the WFCU's prime interest rate minus 1.00% per annum. The facility has interest only repayments and is repayable from cash flow surplus or long-term loan.

The Corporation has a commitment with WFCU to provide a long-term loan to facilitate the repayment of its operating line. The facility will bear interest at fixed rate with scheduled blended payment of principal and interest.

The Corporation is subject to certain financial and reporting covenants under the operating line, and long-term loan beginning January 1, 2026.

The Corporation also has a letter of credit of \$30,000, bearing an interest rate of 1.5% per annum its employee pension plan and is repayable on demand. As at December 31, 2024, there was no draws on the letter of credit.

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 10. Asset Transfer

Effective April 22, 2024, the Member Municipalities completed the transfer of their interest in the joint venture UWSS to a newly formed municipally controlled corporation, UWSS Inc., in accordance with municipal restructuring efforts and applicable provisions of the Municipal Act and PS 3060 – Government Partnerships.

The transaction represents a non-cash transfer of net assets and was accounted for at carrying amounts in accordance with PSAS standards, specifically PS 2500 – Basic Principles of Consolidation and PS 3060 – Government Partnerships.

#### *Assets and Liabilities Transferred*

Description	Carrying Amount (Book Value)
<b>Assets</b>	
Cash and short-term investments	\$ 24,337,083
Accounts receivable	1,809,235
Prepaid expenses	15,958
Asset in progress	554,509
Tangible capital assets, net	54,186,968
Asset retirement obligation assets	655,442
<b>Total Assets</b>	<b>\$ 81,559,195</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,297,671
Long-term debt	6,259,451
Asset retirement obligation	1,203,726
<b>Total Liabilities</b>	<b>\$ 9,760,848</b>
<b>Net Assets Transferred</b>	<b>\$ 71,798,347</b>

#### *Accounting Treatment*

The transaction was recorded by the Member Municipalities as a reclassification of its investment in the joint venture to a direct investment in a government business enterprise ("GBE"), in accordance with PS 3070 – Investments in Government Business Enterprises.

The new municipally controlled corporation will operate under a separate set of financial statements using the modified equity method, and will no longer be proportionately consolidated in the Member Municipalities' financial

## Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2024

### 10. Asset Transfer (continued)

#### *Consideration Provided*

No monetary or share-based consideration was provided for the asset transfer. The transfer reflects an internal restructuring within the reporting entity and does not affect the consolidated financial position of the Member Municipalities.

#### *Impact on Consolidated Financial Statements*

As a result of the transaction:

- The Member Municipalities' equity in the new GBE is recorded at the net book value of the transferred assets
- Ongoing results of the GBE will be recognized in the Member Municipalities' consolidated financial statements using the modified equity method.

# Union Water Supply System Inc.

## Schedule of Tangible Capital Assets - Schedule 1

As at December 31, 2024

	Infrastructure						Totals
	Land	Land Improvements	Buildings	Machinery & Equipment	Linear Assets	Asset in progress	2024
<b>Cost</b>							
<b>Balance, beginning of year</b>	\$ 487,382	\$ 239,114	\$ 33,592,592	\$ 24,019,397	\$ 27,455,713	\$ 554,509	\$ 86,348,707
Add: New acquisitions during the year	-	-	-	1,092,808	109,383	1,406,351	2,608,542
Add: Additions during the year	-	-	102,961	193,127	-	796,431	1,092,519
Less: Disposals during the year	-	-	-	-	-	-	-
<b>Balance, end of year</b>	487,382	239,114	33,695,553	25,305,332	27,565,096	2,757,291	90,049,768
<b>Accumulated Amortization</b>							
<b>Balance, beginning of year</b>	-	46,668	13,579,527	6,998,418	10,982,616	-	31,607,229
Add: Amortization	-	7,602	718,525	870,123	442,252	-	2,038,502
Less: Accumulated amortization on disposals	-	-	-	-	-	-	-
<b>Balance, end of year</b>	-	54,270	14,298,052	7,868,541	11,424,868	-	33,645,731
<b>Net Book Value of Tangibles Capital</b>							
<b>Assets Including Inventories</b>	\$ 487,382	\$ 184,844	\$ 19,397,501	\$ 17,436,791	\$ 16,140,228	\$ 2,757,291	\$ 56,404,037



## Union Water Supply System Inc.

## Balance Sheet

As at December 31, 2024 (with comparative figures for 2023)

	2024	Previously Reported 2024	Difference	Commentary
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and short-term investments (note 3)	\$ 21,214,425	\$ 21,213,973	\$ 452	Reversal of stale-dated cheque
Accounts receivable (note 4)	1,567,504	1,575,232	(7,729)	Reclass of opening balance sheet amounts from HST to accrued liabilities
Government sales tax rebate	851,688	-	851,688	New line to disclosure HST rebate (to review with Baker Tilly)
Due from related party	-	-	-	
Prepaid expenses	84,729	84,727	2	
	23,718,346	22,873,932	844,414	
<b>Long-term assets</b>				
Asset in progress (note 5)	2,757,291	2,757,291	-	
Tangible capital assets, net (notes 2 and 5)	53,646,746	53,646,746	-	
Asset retirement obligation assets (notes 2 and 10)	636,969	636,969	-	
Website development, net	32,320	32,320	-	
	57,073,326	57,073,326	-	
<b>TOTAL ASSETS</b>	<b>\$ 80,791,672</b>	<b>\$ 79,947,258</b>	<b>\$ 844,414</b>	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities (note 4)	1,562,750	941,313	621,437	Primarily increase admin fee accrual of \$75,139 due to increased cost from \$4.78 per account to \$8.00 per account based on higher estimated labour costs agreed to by Treasurers; reclass of opening balance sheet amount of \$13,942
Payroll liabilities (note 9)	305,528	11,058	294,470	Reclass of opening balance sheet liabilities as follows: Non-pension retirement liability - \$282,400 Vacation carryforward accrual - \$12,070
Asset retirement obligation (notes 2 and 10)	1,232,615	1,232,615	-	
	3,100,894	2,184,986	915,907	
<b>SHAREHOLDERS' EQUITY</b>				
Class A Shares	100	100	-	
Retained earnings	77,690,678	77,762,171	(71,493)	Primarily the admin fee accrual adjustment, offset by accrued expenses and vacation
	77,690,778	77,762,271	(71,493)	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 80,791,672</b>	<b>\$ 79,947,258</b>	<b>\$ 844,414</b>	

# Union Water Supply System Inc.

## Income Statement

For the year ended December 31, 2024 (with comparative figures for 2023)

	Actual	Previously Reported	Difference	Commentary
	2024	2024	2024	
<b>Revenues</b>				
Wholesale billings (notes 4 and 6)	\$ 15,185,316	\$ 15,185,316	\$ -	
Investment income (note 7)	1,225,233	1,225,233	-	
Rental income	57,798	57,798	-	
	16,468,347	16,468,347	-	
<b>Expenses</b>				
OCWA operating contract	4,024,517	4,024,517	-	
Amortization (Schedule 1)	2,046,582	2,046,582	-	
Electricity and gas	1,374,979	1,374,979	-	
Long-term interest expense	758,539	758,539	-	
Other services	442,591	442,591	-	
Professional services	358,006	364,702	(6,696)	
Repairs and maintenance	357,874	357,874	-	
Wages and benefits (note 9)	319,999	324,781	(4,782)	
Operational programs and studies	306,991	299,158	7,833	
Property taxes	177,311	177,311	-	
Carbon dioxide	150,098	150,098	-	
Administration fee (note 4)	192,048	116,909	75,139	Admin fee adjustment
Accretion/amortization of AROs	47,362	47,362	-	
Office expenses	18,178	18,178	-	
Bank charges	941	941	-	
	10,576,015	10,504,522	71,493	
<b>Net Income before taxes</b>	5,892,332	5,963,825	(71,493)	
<b>Retained Earnings, Beginning of Year</b>	-	-	-	
Contributed capital	71,798,346	71,798,346	-	
<b>Retained Earnings, End of Year</b>	\$ 77,690,678	\$ 77,762,171	\$ (71,493)	

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 1. Description of Reporting Entity

The Union Water Supply System ("UWSS") was created, effective January 8, 2001, by Order of the Minister of the Environment pursuant to the Municipal Water and Sewage Transfer Act, 1997. The Order transferred all assets, liabilities, rights and obligations of the Ontario Clean Water Agency in the municipal drinking water treatment and distribution system located in Ruthven to the municipalities of Leamington, Kingsville, Essex and Lakeshore ("Member Municipalities"). The Order provided for the establishment of a Joint Board of Management ("Board") to govern the operation and management of the "System". Each owner's representation on the Board is based on its share of the total flows of the system with no municipality receiving more than fifty percent of the total number of members.

Union Water Supply System Inc. ("UWSS Inc." or the "Corporation") was incorporated on February 24, 2023, as a Municipal Services Corporation under Ontario Regulation 599/06 of the Municipal Act, 2001. On April 22, 2024, UWSS completed the transfer of all assets to UWSS Inc. who has taken over the operations previously carried out by UWSS (note 9). The transfer was part of a legal restructuring, with assets and liabilities transferred at their carrying amounts.

UWSS Inc. has four (4) shareholders which include the Corporation of the Municipality of Leamington ("Leamington"), the Corporation of the Town of Kingsville ("Kingsville"), the Corporation of the Town of Essex ("Essex"), and the Municipality of Lakeshore ("Lakeshore"). On January 1, 2024, Leamington, Kingsville, Essex and Lakeshore entered into a Water Service Agreement with UWSS Inc.

#### 2. Summary of Accounting Policies

The financial statements of the Union Water Inc. are prepared in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board of CPA Canada.

##### ***Basis of Accounting***

Sources of financing and expenditures are reported on the accrual basis of accounting, with the exception of interest charges on long-term liabilities, which are charged against operations in the periods in which they are paid. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized, as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to

Liabilities on the statement of financial position represent the outstanding principal portion of long-term liabilities, liabilities not yet due and other future expenses not yet raised by rates on the users.

##### ***Use of Estimates***

The preparation of financial statements requires management to make estimates that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, carrying value of tangible capital assets, accounts payable and accrued liabilities, including the valuation of post-employment benefits. Actual results could differ from those estimates.

## Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2024

### 2. Summary of Accounting Policies (continued)

#### *Tangible Capital Assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed 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 life as follows:

Land	Infinite
Land Improvements	15 years to infinite
Buildings	20 to 50 years
Machinery and Equipment	3 to 50 years
Linear Assets	10 to 90 years
Website development	5 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### *Contributions of Tangible Capital Assets*

Tangible capital assets received as contributions are recorded at their fair value using the half year rule as though they have been received July 1.

#### *Leases*

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### *Assets in progress*

Assets in progress are measured at cost.

#### *Long-Term Investment*

Investment is recorded at fair market value.

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

## 2. Summary of Accounting Policies (continued)

### *Asset Retirement Obligations*

A liability is recognized when, as at the financial reporting date:

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

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The liability includes costs for the removal of asbestos in buildings owned by the Union Water Supply System, the decommissioning of a water tower on leased lands at the end of the agreement, and removal of underground fuel and septic tanks. The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities. The resulting costs have been capitalized and are being amortized on the same basis as the related tangible capital asset. The carrying value of the liability is reviewed annually with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the liability and related tangible capital

## 3. Cash

This balance represents a consolidation from the operating fund and the reserve fund as follows:

	2024	2023
<b>Cash</b>		
Operating Fund	\$ 17,144,437	\$ -
Reserve Fund	4,069,988	-
	<b>\$ 21,214,425</b>	<b>\$ -</b>

## 4. Related Party Transactions

The related party balances on account of trade in the Statement of Financial Position are listed below:

	2024	2023
Accounts receivable	\$ 1,494,467	\$ -
Accounts payable and accrued liabilities	416,058	-

The accounts receivable amount of \$1,494,467 represents the receivables from the four shareholder municipalities for 2024 water flows that have been invoiced or accrued but not paid by year end. The accounts payable and accrued liabilities amount of \$416,058 represents 2024 purchases from the four shareholder municipalities and overpayment of treatment and transmission revenue based on final water flows.

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 4. Related Party Transactions (continued)

The related party transactions on the Statement of Financial Activities are listed below:

	2024	2023
Wholesale billings revenue (note 6)	\$ 15,185,316	\$ -
Administration fee and other	295,948	-

Wholesale billings revenue balance is 2024 treatment and transmission revenues of water flows to the four shareholder municipalities and is detailed in note 6. Administration fee expense is the fee paid to the four shareholder municipalities for management of the water accounts, as well as operating costs paid to the municipalities.

#### 5. Tangible Capital Assets/Asset in Progress

	Net Book Value	
	2024	2023
Land	\$ 487,382	\$ -
Building	19,397,501	-
Machinery and Equipment	17,436,791	-
Linear assets	16,140,228	-
Land improvements	184,844	-
Total tangible capital assets	53,646,746	-
Asset in progress	2,757,291	-
	\$ 56,404,037	\$ -

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

#### 6. Wholesale Billings Revenue

The shareholder municipalities are invoiced on a monthly basis for projected water flows, with a reconciliation to actual water flows in December 2024.

	Revenues		Flows	
	2024	2023	2024	2023
	\$	\$	m <sup>3</sup>	m <sup>3</sup>
Municipality of Leamington	\$ 8,730,088	\$ -	12,465,951	-
Town of Kingsville	5,397,386	-	7,647,422	-
Town of Essex	646,028	-	922,831	-
Town of Lakeshore	411,815	-	589,077	-
	\$ 15,185,316	\$ -	21,625,281	-

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 7. Investment Income

Investment income includes bank and GIC interest income as follows:

	2024	2023
Bank interest	\$ 887,053	\$ 807,000
Interest on long-term investment -	338,181	-
	<u>\$ 1,225,233</u>	<u>\$ 807,000</u>

#### 8. Asset Retirement Obligation

Liabilities exist for the removal and disposal of asbestos within buildings owned by the Corporation, the decommissioning of a water tower on leased lands at the end of the agreement, and removal of underground fuel and septic tanks. The timing of future settlement is unknown.

	2024	2023
<b>Asset Retirement Obligation, beginning of year</b>	\$ 1,203,726	\$ -
Settlements during the year	-	-
Accretion expense	28,889	-
<b>Asset Retirement Obligation, end of year</b>	<u>\$ 1,232,615</u>	<u>\$ -</u>

#### 9. Operating Line and Commitments

The Corporation maintains an operating line of credit with Windsor Family Credit Union ("WFCU") to supporting operating and capital activities with a limit of up to \$60 million. The operating line bears interest at the WFCU's prime interest rate minus 1.00% per annum. The facility has interest only repayments and is repayable from cash flow surplus or long-term loan.

The Corporation has a commitment with WFCU to provide a long-term loan to facilitate the repayment of its operating line. The facility will bear interest at fixed rate with scheduled blended payment of principal and interest.

The Corporation is subject to certain financial and reporting covenants under the operating line, and long-term loan beginning January 1, 2026.

The Corporation also has a letter of credit of \$30,000, bearing an interest rate of 1.5% per annum its employee pension plan and is repayable on demand. As at December 31, 2024, there was no draws on the letter of credit.

## Union Water Supply System Inc.

### Notes to the Financial Statements

For The Year Ended December 31, 2024

#### 10. Asset Transfer

Effective April 22, 2024, the Member Municipalities completed the transfer of their interest in the joint venture UWSS to a newly formed municipally controlled corporation, UWSS Inc., in accordance with municipal restructuring efforts and applicable provisions of the Municipal Act and PS 3060 – Government Partnerships.

The transaction represents a non-cash transfer of net assets and was accounted for at carrying amounts in accordance with PSAS standards, specifically PS 2500 – Basic Principles of Consolidation and PS 3060 – Government Partnerships.

#### *Assets and Liabilities Transferred*

Description	Carrying Amount (Book Value)
<b>Assets</b>	
Cash and short-term investments	\$ 24,337,083
Accounts receivable	1,809,235
Prepaid expenses	15,958
Asset in progress	554,509
Tangible capital assets, net	54,186,968
Asset retirement obligation assets	655,442
<b>Total Assets</b>	<b>\$ 81,559,195</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,297,671
Long-term debt	6,259,451
Asset retirement obligation	1,203,726
<b>Total Liabilities</b>	<b>\$ 9,760,848</b>
<b>Net Assets Transferred</b>	<b>\$ 71,798,347</b>

#### *Accounting Treatment*

The transaction was recorded by the Member Municipalities as a reclassification of its investment in the joint venture to a direct investment in a government business enterprise ("GBE"), in accordance with PS 3070 – Investments in Government Business Enterprises.

The new municipally controlled corporation will operate under a separate set of financial statements using the modified equity method, and will no longer be proportionately consolidated in the Member Municipalities' financial



## Union Water Supply System Inc.

Notes to the Financial Statements

For The Year Ended December 31, 2024

### 10. Asset Transfer (continued)

#### *Consideration Provided*

No monetary or share-based consideration was provided for the asset transfer. The transfer reflects an internal restructuring within the reporting entity and does not affect the consolidated financial position of the Member Municipalities.

#### *Impact on Consolidated Financial Statements*

As a result of the transaction:

- The Member Municipalities' equity in the new GBE is recorded at the net book value of the transferred assets
- Ongoing results of the GBE will be recognized in the Member Municipalities' consolidated financial statements using the modified equity method.