



## **JOINT BOARD OF MANAGEMENT**

Wednesday, April 21, 2021

9:00 AM

Via Zoom

## **ADDENDUM**

### **Item for Consideration**

UW/19/21 dated April 16, 202 re: UWSS 2020 Financial Report  
Pages 2 - 4

2020 UWSS Draft Financial Statements  
Pages 5 - 20

/kmj

UW/19/21

**To:** Chair and Members of the Union Water Supply System Joint Board of Management

**From:** Laura Rauch, Director of Finance and Business Services, Municipality of Leamington

**Date:** April 16, 2021

**Re:** UWSS 2020 Financial Report

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**Aim:**

To present the draft audited 2020 Financial Report for the Union Water Supply System (UWSS) to the Joint Board of Management for review and approval.

**Background:**

A UWSS Financial Report is prepared annually to comply with accounting and reporting requirements for government entities. The Financial Report enables the four municipal owners to report their share of UWSS on their municipal financial statements and returns.

The financial statements in the report have been prepared in accordance with Public Sector Accounting Board standards (PSAB), including PSAB section 3150 for tangible capital assets (TCAs).

**Discussion:**

The Draft 2020 Financial Report has been prepared by the Municipality of Leamington on behalf of the Joint Board of Management (Board) and audited by the external audit firm of Hicks, MacPherson, Latona and Driedger LLP. The Draft 2020 Financial Report is attached to this report and will become final upon approval by the Board, at which point the 2020 Statement of Financial Position will be submitted as final for signature by the Board Chair and Vice-Chair.

Highlights of the 2020 Financial Report in relation to prior year results and the 2020 Budget are as follows:

**Statement of Financial Position**

1. Financial Assets have increased by \$2.8M primarily due to an increase in cash. Investment income has also increased as well as accounts receivable. This increase is a result of timing of payments received, interest earned on the bank account and investment held, capital spending as well as increased operating revenues and decreased expenditures.

2. Financial Liabilities have decreased by \$2.0M as a result of the 2020 long-term debt annual repayments and decreased amounts owing for related party transactions due to timing of transfers. Consistent with prior years, there was no new debt issuance.
3. Non-Financial Assets have decreased by \$1.2M and includes 2020 capital additions of \$0.6M less disposals and depreciation. The change in Inventories (work in progress) relates to the completion and the capitalization of multi-year projects including the CO2 Water PH Adjustment System and the Scada System.
4. Capital asset purchases in 2021 include the following:
  - Watermains - \$178k
  - Dissolved Air Flotation (DAF) System - \$138k
  - Plant Security System - \$91k
  - Low Lift Stations - \$90k
  - Kingsville Water Tower - \$84k
  - Clarifiers - \$26k
5. The 2020 ending balance of the accumulated surplus, under PSAB has increased by \$3.5M.

#### **Statement of Financial Activities**

1. Wholesale billings were higher than budget expectations by approximately \$1.3M (12%). Consumption increases explain this additional revenue.
2. Investment income is favourable to budget by \$16k (3%) due to conservative estimates and a consistently strong cash position throughout the year. This investment income includes interest earned on the \$10M GIC at 2.55% due April 2022.
3. Other income is favourable to budget by \$17.8k (83%) due to the temporary supply of water to Harrow and Colchester during 2020.
4. Rents and services includes the current year's software purchases for the Scada Project. Only portions of this project, under PSAB are considered to be capital in nature (e.g. hardware). These costs were budgeted for within the approved capital budget, however are presented on the financials within this category as they are considered operating.
5. Electricity was greater than budget due to increased flows by \$95k (7.7%). This overspending was offset by conservative budgeting for gas which was favourable by \$14k (34%)
6. As the CO2 Water PH Adjustment System project had its first year of operation in 2020, the ongoing operational costs budgeted for purchase of carbon dioxide was conservative which creates a favourable variance of \$163k.
7. Repairs and maintenance expense is \$151k (52%) unfavourable to budget. In 2020 there were very few watermain breaks, however similar to Scada, the non-capital components of the CO2 Water PH Adjustment System are captured as part of the repairs and maintenance expense. This project was budgeted for within the approved capital budget and the offsetting variance is noted within the capital budget.
8. Operational Programs and Studies were less than budget by \$521k (87%). This underspending is due to certain studies that were not initiated or delayed in 2020,

given the COVID-19 global pandemic. These projects include the UWSS Infrastructure Review and Master Servicing Plan, Emergency Water Servicing Study in coordination with the Windsor Utilities Commission, the joint project for the Lake Erie Hab Monitoring Project with the partners from the Great Lakes Institute for Environmental Research and the Universities, the backup power generation/energy study, the new Ruthven reservoir #3 study.

9. The loss on sale of work in progress is related to operating costs related to the SCADA project and to a lesser degree the CO2 Water PH Adjustment System project recorded here for accounting purposes.

The UWSS's auditors have provided their opinion that the Draft 2020 Financial Report is a fair representation of the UWSS's financial position as at December 31, 2020.

**Recommendation:**

That the 2020 Financial Report for the Union Water Supply System Joint Board of Management be approved.

Respectfully submitted,



Laura Rauch, CPA, CMA  
Director of Finance and Business Services and Treasurer  
Municipality of Leamington

Encls.

## INDEPENDENT AUDITOR'S REPORT

**To the Owners of  
Union Water Supply System**

### *Report on the Audit of the Financial Statements*

#### *Opinion*

We have audited the financial statements of Union Water Supply System, which comprise:

- the statement of financial position as at December 31, 2020
- the statement of financial activities for the year then ended
- the statement of cash flow for the year then ended
- the statement of change in net assets
- and notes to the financial statements including summary of accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Union Water Supply System as at December 31, 2020, and the results of its financial activities and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

#### *Basis for 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 Union Water Supply System in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*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 Union Water Supply System's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Union Water Supply System or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Union Water Supply System'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 Union Water Supply System'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 Union Water Supply System'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 Union Water Supply System 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Union Water Supply System to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of Union Water Supply System's audit. We remain solely responsible for our audit opinion.

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.

**HICKS, MacPHERSON, IATONNA  
& DRIEDGER LLP**

Leamington, Ontario  
April 21, 2021

Chartered Professional Accountants  
Licensed Public Accountants

**Union Water Supply System**  
**Statement of Financial Position**  
**as at December 31**

	2020	2019
<b>Assets</b>		
<b>Financial</b>		
Cash (note 3)	\$ 12,419,172	\$ 10,060,725
Long-term investment (note 4)	10,785,408	10,516,503
Accounts receivable (note 5)	1,310,800	1,181,861
	24,515,380	21,759,089
<b>Liabilities</b>		
Accounts payable and accrued liabilities (notes 5 and 11)	1,872,990	2,685,143
Long-term debt (note 6)	10,678,260	11,832,898
	12,551,250	14,518,041
<b>Net Assets</b>	11,964,130	7,241,048
<b>Non Financial Assets</b>		
Inventories (note 7)	255,153	4,038,375
Tangible capital assets (notes 2 and 7)	41,934,471	39,354,529
	42,189,624	43,392,904
<b>Accumulated Surplus (note 10)</b>	<b>\$ 54,153,754</b>	<b>\$ 50,633,952</b>

*See accompanying notes to financial statements*

Approved by the Board:

Chair \_\_\_\_\_

Vice Chair \_\_\_\_\_



**Union Water Supply System**  
**Statement of Financial Activities**  
**for the years ended December 31**

	2020 Budget (note 12)	2020 Actual	2019 Actual
<b>Revenues</b>			
Wholesale billings (notes 5 and 8)	\$ 10,946,310	\$ 12,276,778	\$ 10,397,971
Investment income (note 9)	459,000	474,695	563,193
Other income	21,420	39,188	19,976
	11,426,730	12,790,661	10,981,140
<b>Expenses</b>			
Wages and benefits (note 11)	248,115	252,712	243,225
Rents and services	146,000	687,679	151,406
Administration fee (note 5)	30,000	30,000	30,000
Property taxes	147,500	150,160	148,569
Electricity and gas	1,275,000	1,355,992	1,215,129
Carbon dioxide	178,500	15,509	-
Repairs and maintenance	290,000	440,957	138,994
Operational programs and studies	600,000	79,023	143,600
Amortization (Schedule 1)	1,415,085	1,415,085	1,269,951
OCWA operating contract	3,330,300	3,213,776	3,072,099
Long-term interest expense	1,196,641	1,196,641	1,310,662
Loss on sale of work in progress		430,487	-
Loss on sale of tangible capital assets		2,838	30,658
	8,857,141	9,270,859	7,754,293
<b>Annual Surplus</b>	2,569,589	3,519,802	3,226,847
<b>Accumulated Surplus, Beginning of Year</b>	50,633,952	50,633,952	47,407,105
<b>Accumulated Surplus, End of Year</b>	\$ 53,203,541	\$ 54,153,754	\$ 50,633,952

*See accompanying notes to financial statements*

## Union Water Supply System

Statement of Cash Flow  
for the years ended December 31

	2020	2019
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Cash flow from operating activities</b>		
Annual surplus	\$ 3,519,802	\$ 3,226,847
Items not involving cash:		
Amortization of tangible capital assets	1,415,085	1,269,951
Loss on sale of work in progress	430,487	-
Loss on sale of tangible capital assets	2,838	30,658
(Increase) Decrease in accounts receivable	(128,939)	87,393
Increase (Decrease) in accounts payable	(812,153)	2,239,494
	2,578,710	5,553,734
<b>Cash flow from investing activities</b>		
Cash used to acquire tangible capital assets	(645,130)	(4,048,090)
Increase in long-term investment	(268,905)	(261,503)
	934,375	(3,008,984)
<b>Cash flow from financing activities</b>		
Debt repayment (principal only)	(1,154,638)	(1,021,638)
<b>Net Change in Cash for Year</b>	2,358,447	1,523,112
<b>Cash, Beginning of Year</b>	10,060,725	8,537,613
<b>Cash, End of Year</b>	\$ 12,419,172	\$ 10,060,725

*See accompanying notes to financial statements*

**Union Water Supply System**  
**Statement of Change in Net Assets**  
**for the years ended December 31**

	2020 Budget (note 12)	2020 Actual	2019 Actual
<b>Annual Surplus</b>	\$ 2,569,589	\$ 3,519,802	\$ 3,226,847
Amortization of tangible capital assets	1,415,085	1,415,085	1,269,951
Acquisition of tangible capital assets	(5,050,000)	(645,130)	(4,048,090)
Loss on sale of work in progress	-	430,487	-
Loss on sale of tangible capital assets	-	2,838	30,658
<b>Change in Net Assets</b>	(1,065,326)	4,723,082	479,366
<b>Net Assets, Beginning of Year</b>	7,241,048	7,241,048	6,761,682
<b>Net Assets, End of Year</b>	\$ 6,175,722	\$ 11,964,130	\$ 7,241,048

*See accompanying notes to financial statements*

Draft

**Union Water Supply System**  
**Notes to the Financial Statements**  
**for the years ended December 31**

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**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 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.

The interests of the Municipalities in the System shall be as tenants-in-common, each as to the undivided interest according to their proportional consumption of the total flows of the system. The ownership interests were reset on January 1, 2017 as Leamington - 50.55% (2013 - 56.11%), Kingsville - 40.33% (2013 - 34.83%), Essex - 5.97% (2013 - 6.04%) and Lakeshore - 3.15% (2013 - 3.02%). The ownership interest is to be updated every four years.

**2. Summary of Accounting Policies**

The financial statements of the Union Water Supply System are the representation of the Joint Board of Management 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 pay.

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**  
**Notes to the Financial Statements**  
**for the years ended December 31**

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**2. Summary of Accounting Policies (Cont'd)**

***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

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.

***Inventories***

Inventories consist of work-in-progress measured at cost.

***Long-Term Investment***

Investment is recorded at fair market value.

**Union Water Supply System**  
**Notes to the Financial Statements**  
**for the years ended December 31**

**2. Summary of Accounting Policies (Cont'd)**

*Future Accounting Changes*

Effective for fiscal periods beginning on or after April 1, 2022, all governments will be required to adopt PSAB Section 3450 Financial Instruments, Section 2601 Foreign Currency Translation, Section 3041 Portfolio Investments, Section 1201 Financial Statement Presentation, and Section 3280 Asset Retirement Obligations. These standards provide guidance on how to account for and present financial instruments, asset retirement obligations and foreign currency translation.

Effective for fiscal periods beginning on or after April 1, 2023, all governments will be required to adopt PSAB Section 3400 Revenue. This standard provides guidance on how to account for and present new categories of revenue.

Management is currently in the process of evaluating the potential impact of adopting these standards.

**3. Cash**

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

	2020	2019
<b>Cash</b>		
Operating Fund	\$ 11,259,143	\$ 8,923,511
Reserve Fund	1,160,029	1,137,214
	<u>\$ 12,419,172</u>	<u>\$ 10,060,725</u>

**4. Long-Term Investment**

Funds are invested in a guaranteed investment certificate (GIC) with an annual interest rate of 2.55%. The GIC has a five year term and matures in April 2022.

**5. Related Party Transactions**

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

	2020	2019
Accounts receivable	\$ 994,508	\$ 864,964
Accounts payable and accrued liabilities	1,560,085	2,102,171

The accounts receivable amount is the receivables from the four member municipalities for 2020 water flows that have not been received by year end. The accounts payable and accrued liabilities amount is the Due to Leamington balance that arises from Union Water Supply System 2020 purchases that have not been paid by year end.



**Union Water Supply System**  
**Notes to the Financial Statements**  
**for the years ended December 31**

**5. Related Party Transactions (Cont'd)**

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

	2020	2019
Wholesale billings revenue (note 8)	\$ 12,276,778	\$ 10,397,971
Administration fee expense	30,000	30,000

Wholesale billings revenue balance is 2020 sales of water flows to the four member municipalities and is detailed in Note 8. Administration fee expense is the fee paid to the Municipality of Leamington for annual bookkeeping services. These transactions are measured at exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

**6. Long-Term Debt**

As beneficial owners, Leamington, Kingsville, Essex and Lakeshore (collectively "the Municipalities") had become indebted to OCWA for work performed by OCWA in developing the System. The Municipal Water and Sewage Transfer Act provided that the Municipalities to whom the System was transferred were liable for such indebtedness.

In anticipation of the pending transfer order, the Municipalities jointly refinanced the indebtedness to OCWA. A financing agreement for \$18,492,167, dated March 8, 1999, with Sun Life Assurance ("Sun Life"), requires a monthly repayment based on projected flows of the facility for a term ending on December 31, 2026. The effective interest rate is 10.55% per annum.

The Union Water Supply System Joint Board of Management has assumed the responsibility for all payments pertaining to the obligation detailed above.

The balance of long-term debt reported on the Statement of Financial Position is:

	2020	2019
<b><i>Outstanding principal at the end of the year for:</i></b>		
Net long-term debt, end of year	\$ 10,678,260	\$ 11,832,898

The estimated future principal payments required in the next five years and thereafter are as follows:

2021	\$ 1,302,487
2022	1,466,829
2023	1,649,492
2024	1,852,503
2025	2,078,116
Thereafter	2,328,833
	<u>\$ 10,678,260</u>

**Union Water Supply System**  
**Notes to the Financial Statements**  
**for the years ended December 31**

**7. Tangible Capital Assets/Inventories**

	<b>Net Book Value</b>	
	2020	2019
Land	\$ 133,634	\$ 133,634
Buildings	17,066,263	16,529,422
Machinery and equipment	8,216,073	6,080,533
Linear assets	16,306,900	16,509,551
Land improvements	211,601	101,389
Total tangible capital assets	41,934,471	39,354,529
Inventories	255,153	4,038,375
	<u>\$ 42,189,624</u>	<u>\$ 43,392,904</u>

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

**8. Wholesale Billings Revenue**

The member municipalities are invoiced on a monthly basis for their recorded flows.

	<b>Revenues</b>		<b>Flows</b>	
	2020 \$	2019 \$	2020 m <sup>3</sup>	2019 m <sup>3</sup>
Municipality of Leamington	\$ 6,683,690	\$ 5,710,749	10,349,473	9,238,004
Town of Kingsville	4,554,985	3,840,309	7,053,244	6,207,842
Town of Essex	572,202	503,487	886,036	814,877
Town of Lakeshore	465,901	343,426	721,433	555,714
	<u>\$ 12,276,778</u>	<u>\$ 10,397,971</u>	<u>19,010,186</u>	<u>16,816,437</u>

**9. Investment Income**

Investment income includes bank and GIC interest income as follows:

	2020	2019
Bank interest	\$ 201,261	\$ 297,560
Interest on long-term investment - GIC	273,434	265,633
	<u>\$ 474,695</u>	<u>\$ 563,193</u>

**Union Water Supply System**  
**Notes to the Financial Statements**  
**for the years ended December 31**

**10. Accumulated Surplus**

	2020	2019
<b>Opening Fund Balance</b>		
Funds:		
Operating fund	\$ 7,411,574	\$ 8,256,491
Capital financing reserve fund	11,662,372	11,359,727
<b>Total Fund Balance</b>	19,073,946	19,616,218
Long-term debt obligations	(11,832,898)	(12,854,536)
Tangible capital assets (including inventory)	43,392,904	40,645,423
<b>Accumulated Surplus, beginning of year</b>	50,633,952	47,407,105
Contributions to operating fund	3,272,195	(844,917)
Contributions to reserve fund	296,249	302,645
Tangible capital assets purchased	645,130	4,048,090
Loss on sale of work in progress	(430,487)	-
Loss on sale of tangible capital assets	(2,838)	(30,658)
Amortization of tangible capital assets	(1,415,085)	(1,269,951)
Debt repayment	1,154,638	1,021,638
<b>Accumulated Surplus, end of year</b>	<b>\$ 54,153,754</b>	<b>\$ 50,633,952</b>

**11. Post Employment Benefits**

Post employment benefits are future obligations of UWSS to its employees and retirees for benefits earned but not yet taken. Retiring full time employees hired prior to August 1, 2011 continue to receive paid health and dental benefits and life insurance coverage. All coverage continues for the lifetime of the retiree and spouse. In accordance with public sector accounting standards, the projected unit credit actuarial cost method has been used to determine the future cost of these benefits at the end of the year. The most recent actuarial valuation is dated February 4, 2021 and is effective December 31, 2020. Assumptions used are as follows:

- (a) a discount factor of 2.40% was used;
- (b) an increase of 6.54% for health in 2020 (2019 - 5.91%), linearly decreased to an ultimate rate of 4% in 2041, and an annual increase of 4% for dental benefits was used;
- (c) an employee will retire when they meet the criteria for an unreduced pension from OMERS, but not later than 65; and
- (d) all employees will remain employed by UWSS until retirement.

The liability, based on the above assumptions, at year-end is \$172,300 (2019 - \$149,800) and is included in accounts payable and accrued liabilities. An additional expense of \$22,500 (2019 - \$22,300) is reported in the Statement of Financial Activities and is reflected in wages and benefits.

**Union Water Supply System**  
**Notes to the Financial Statements**  
**for the years ended December 31**

**12. Budget Figures**

The 2020 Budget approved by the UWSS Board on December 18, 2019 was prepared on a modified cash basis. This budget was revised on October 21, 2020. The budget has been restated and is reported on a full accrual basis, in accordance with PSAB reporting requirements, in relation to the actual results in these financial statements.

The following summary outlines adjustments made to the approved budget (modified cash basis) to derive the restated based budget (full accrual basis) as presented in the financial statements:

	2020
Financial Plan (Budget) deficit for the year	\$ (2,219,964)
Add:	
Accumulated surplus, beginning of the year	50,633,952
Principal payments on long term debt	1,154,638
Capital expenditures reallocated to tangible capital assets	5,050,000
Less:	
Amortization expense on tangible capital assets	(1,415,085)
Budget Surplus per Statement of Financial Operations	\$ 53,203,541

**13. Contingency - Liability Valuation**

The Sun Life long-term debt obligation requires a monthly repayment based on projected flows of the facility over the term of the agreement ending on December 31, 2026. The annual valuation of the remaining obligation has been based on the present value of the remaining payment stream according to the cancellation provisions of the financing agreement.

In order to reflect the obligation in a manner similar to a traditional serial debt instrument, an amortization schedule allocating the required monthly payment stream between principal and interest has been created utilizing an effective monthly interest rate, as adopted in fiscal 2005 for the reporting of the remaining obligation.

**14. Subsequent Events**

As a result of the COVID-19 pandemic that began on March 17, 2020, certain elements of the operations of UWSS have changed to protect the employees and management. It is not known when the pandemic will be lifted or when operations will return to normal. The economic impact of the continuing pandemic on UWSS's operations cannot be reliably estimated at this time.



**Union Water Supply System**  
**Notes to the Financial Statements**  
**for the years ended December 31**

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**15. Commitment**

Subsequent to year end UWSS has entered into an agreement with the University of Windsor and other partners to participate in a research project over the next 4 years. Costs associated with this project will be included in the annual approved budgets for 2021 - 2024. Total costs of the project are expected to be \$326,400.

Draft

**Union Water Supply System**  
**Schedule of Tangible Capital Assets - Schedule 1**  
**as at December 31**

	Infrastructure						Totals	
	Land	Land Improvements	Buildings	Machinery & Equipment	Linear Assets	Inventories	2020	2019
<b>Cost</b>								
<b>Balance, beginning of year</b>	\$ 133,634	\$ 120,022	\$ 27,445,650	\$ 10,906,238	\$ 25,891,954	\$ 4,038,375	\$ 68,535,873	\$ 64,688,971
Add: New acquisitions during the year	-	115,477	1,080,055	2,514,517	178,469	229,199	4,117,717	360,942
Add: Additions during the year	-	-	109,346	-	-	-	109,346	3,750,806
Less: Disposals during the year	-	-	-	(58,952)	-	(4,012,421)	(4,071,373)	(264,846)
<b>Balance, end of year</b>	133,634	235,499	28,635,051	13,361,803	26,070,423	255,153	68,691,563	68,535,873
<b>Accumulated Amortization</b>								
<b>Balance, beginning of year</b>	-	18,633	10,916,228	4,825,705	9,382,403	-	25,142,969	24,043,548
Add: Amortization	-	5,265	652,560	376,139	381,120	-	1,415,084	1,269,951
Less: Accumulated amortization on disposals	-	-	-	(56,114)	-	-	(56,114)	(170,530)
<b>Balance, end of year</b>	-	23,898	11,568,788	5,145,730	9,763,523	-	26,501,939	25,142,969
<b>Net Book Value of Tangible Capital Assets Including Inventories</b>	\$ 133,634	\$ 211,601	\$ 17,066,263	\$ 8,216,073	\$ 16,306,900	\$ 255,153	\$ 42,189,624	\$ 43,392,904

*See accompanying notes to financial statements*