



JOINT BOARD OF MANAGEMENT

Wednesday, April 20, 2022

9:00 AM

Virtually in Zoom

AGENDA

A. Call to Order:

B. Disclosures of Pecuniary Interest:

C. Approval of Minutes:

Minutes of the meeting of the Union Water Supply System Joint Board of Management Meeting held Wednesday, March 16, 2022
Pages 2 - 8

D. Business Arising Out of the Minutes

E. Items for Consideration:

1. UW/09/22 dated April 14, 2022 re: Status Update of UWSS Operations & Maintenance Activities and Capital Works to April 14, 2022
Pages 9 - 11
2. UW/10/22 dated April 12, 2022 re: UWSS 2021 Financial Report
Pages 12 - 31
3. Presentation by the UWSS General Manager on the results of the UWSS-WUC Emergency Water Supply Study
Manager to Present during session

F. New Business:

G. Adjournment:

H. Date of Next Meeting: May 18, 2022 - TBD

/kmj



JOINT BOARD OF MANAGEMENT

Wednesday, March 16, 2022

9:00 AM

Virtually in Zoom

MINUTES

Members Present Mayor MacDonald (Vice-chair); Deputy Mayor Verbeke, Councillors
Dunn, Hammond, Tiessen - Leamington
Mayor Santos (Chair), Deputy Mayor Queen, Councillor DeYong,
Patterson - Kingsville
Councillor VanderDoelen - Essex
Councillor Walstedt - Lakeshore

Members Absent Councillor Jones - Leamington

Also in Attendance: Rodney Bouchard, Union Water Supply System Manager
Christine Johnson, Recording Secretary

Municipal Staff Present: Kevin Girard, Andy Graf - Town of Essex
Andrew Plancke - Town of Kingsville
Albert Dionne - Municipality of Lakeshore
Laura Rauch, Shannon Belleau - Municipality of Leamington

OCWA Staff Present: Robin Trepanier

Ontario Greenhouse Vegetable Growers Rob Petro
Joseph Sbrocchi

Call to Order: 9:00 am

Disclosure of Pecuniary Interest:

Councillor Jones (Leamington) sited conflict of interest pertaining to the discussion on greenhouses and therefore would not be attending today's meeting.

Adoption of Board Minutes:

No. UW-11-22

Moved by: Councillor Dunn

Seconded by: Deputy Mayor

That the Minutes of the UWSS Joint Board of Management meeting of Wednesday, February 16, 2022 is received.

Carried

Business Arising out of Minutes:

There was none

The Chair notes that there is an amendment to the agenda and that a delegation from the Ontario Greenhouse Vegetable Growers (OGVG) will be in attendance to make a short presentation as well as answer a few questions pertaining the current moratorium in place regarding large service applications. In attendance is Rob Petro and Joseph Sbrocchi.

Mr. Sbrocchi speaks to members of the board indicating that OGVG realizes that greenhouse growers are a significant part of the UWSS. They have all demonstrated that they have been able to marshal their members in the past to help reduce peak stress during the Spring of 2021.

Mr. Petro then goes through his presentation. He notes that over the years the greenhouse industry has had sustained growth and the UWSS has not realized the same growth. He then presented some water usage numbers for the period of May 2021, during which time the UWSS was still only operating at 75% capacity due to maintenance activities, and the temperatures had risen quite dramatically. He further notes that following as a result of a conversation with UWSS General Manager, OGVG reached out to their members to shift some of their water draws in order to assist the UWSS.

Mr. Petro discusses the possibility of greenhouses shifting to more “shoulder” (fall and winter) growing seasons, which would allow water usage during low season at the UWSS. He notes that at this time the UWSS has one clarifier down and may again run into a similar situation as 2021. He further notes that the greenhouse industry benefits the entire community. He also indicates there is opportunity for everyone to benefit from using water in a better way through conservation programs, such as time shifting, etc., in order to lower the peaks at the water treatment plant.

Mayor MacDonald asks if OGVG is aware of what kind of acreage of new greenhouses is expected in the coming year. Mr. Petro notes that planning is at the municipal level, but many greenhouse members have been forced to find their own water (at their expense) either through wells, or even the LADIA line.

Mayor MacDonald asks the Manager if all of the greenhouse applications have been built. The Manager feels there is potentially another 50-75 acres that are in the process of being built that are still to come online. These are the greenhouses that were approved prior to the moratorium. The UWSS does not have any more applications in the queue.

Shannon Belleau, Leamington, notes that there should also be consideration given to the distribution infrastructure. She reminds members that any additional greenhouses have to be added to the model to determine impact on the distribution side.

Mr. Sbrocchi indicates that a lot of greenhouses that are “lit” are pulling water in the winter months and not pulling as much water in the summer months. He is hoping there are better ways of thinking about using water more efficiently.

Councillor Tiessen asks OGVG if there are actually some greenhouses that are sitting empty in the summer. Mr. Petro notes that he is not specifically aware, what he is saying is that a blanket moratorium ignores when there is capacity available. He further explains that summer water use seems to be the restriction. Further OGVG does not tell greenhouse operations house to conduct their business.

Councillor DeYong asks OGVG their need of treated water vs non-treated water. Musing that perhaps greenhouses could find an alternative source of non-treated water. OGVG notes that some greenhouses don’t use treated, but they don’t speak to floral or cannabis. Mr. Petro notes that greenhouses would require some treated water for sure and further notes that they are hoping to use the UWSS even in off peak months, which he feels will allow more flexibility within the greenhouse industry.

Deputy Mayor Queen, but he recalls Kingsville allowing a greenhouse to be built during the moratorium. Andrew Plancke (Kingsville) notes that Leamington has installed smart meters for their water usage and also that Kingsville is not as far along as Leamington in terms of smart meters. Kingsville can look at meter records but does not yet have real-time capabilities such as the Leamington system. He also notes that municipalities work directly with the UWSS General Manager regarding greenhouse approvals

The Chair notes that only applications were approved for offline use, within Kingsville, or online were approved prior to moratorium.

Councillor Patterson asks OGVG what their formal request from the Board is and what kind of timeline they are looking at.

Mr. Petro asks the board to consider removing the blanket moratorium and consider large service applications on a case by case basis, and to collaborate with the UWSS in terms of demand. OGVG is looking for a response on the moratorium as soon as possible and then potentially further information once the Clarifier is back online, so 3-4 months.

The UWSS General Manager notes that this discussion touched on a lot of his points within the forthcoming report. He notes that there has been some shipping delays for the DAF Clarification retrofit project and looking closer to late July for being up and running. He also notes that there are certainly opportunities to potentially assist each other. However, he also notes that while there may be more capacity available during the winter, this is the time in which UWSS operations staff is completing yearly maintenance and large portions of the system are offline. Also, time shifting to night time may work in some cases, but night time filter backwashing is also occurring. UWSS has to be careful not to shift too much flow to the nights.

The Manager also notes some other potential projects that could assist the UWSS is pushing more water into the system.

Councillor Hammond asks the Manager what happens if UWSS can’t keep up with the demand on high peak days. Who suffers?

Mr. Petro notes that everyone would suffer. His final note is that OGVG wants to work with everyone not against.

The Manager then notes that the UWSS does not have daily capacity issue. The treatment system is able to accommodate daily water demands even during peak summer use. The issue is the daily peak hour demands in hot summer afternoons.

No. UW-12-22

Moved by: Deputy Mayor Queen

Seconded by: Councillor DeYong

That that presentation provided by the Ontario Greenhouse Vegetable Growers (OGVG) is received.

Carried

Report UW/06/22 dated March 11, 2022 re: Status Update of the UWSS Operations and Maintenance Activities and Capital Works to March 11, 2022

The Manager reviews his report with the Board. He notes that the Ministry of Environment, Conservation and Parks (MECP) inspected the UWSS on February 24th, 2022 with no issues identified.

The new hydrant pressure/temperature monitoring devices have been ordered. He further notes that these devices will be installed in Kingsville (3) and Essex (1) and will work in conjunction with the real time pressure monitoring network that has been developed by UWSS, with support from local municipalities.

The annual filter maintenance has been completed on filters #1 through #4. Disinfection has taken place and they were returned to service during the first week of March 2022.

The Leamington Water Tower (LWT) is scheduled for inspection in early April 2022. Repairs will be made to the corrosion protection system inside the tower. The water will be drained in order to conduct inspection and make necessary repairs. The Manager notes that OCWA operations staff will work with Leamington water staff members to ensure the impact is minimal.

The Manager provides an update on the DAF project. He notes that things are moving along well. The masonry work on the auxiliary building is going well, and he anticipates the work over the next few weeks will include the walls going up, roof, dome and tanks installed. He notes that not all of the necessary supplies are arriving in a timely manner, but is hoping to receive all of the materials by mid-April. He anticipates another six (6) weeks to put everything together and then testing can begin. There was a miscommunication between the designer and contractor and it was necessary to raise the wall by 0.5m, but does not expect this to delay the project.

The Manager does explain to the Board that there may be a shortage on capacity as UWSS will be running with three (3) clarifiers instead of four (4) during part of the summer. He feels that the UWSS can meet 90-92% treatment capacity for most of the day. He will be in communication with the OGVG when necessary.

The Low Lift Pump #7 rehabilitation is behind schedule due to shipping delays. He does anticipate that the work should be completed by the end of April 2022.

The Manager notes that the flows are down slightly over 2021, but it is still early in the year.

Deputy Mayor Queen asks the Manager about the AWT capacity, as he recalls this tower was to assist the UWSS with its capacity issues, when it was constructed. The Manager notes that there is still a hydraulic issue with the AWT. The AWT designed to meet the minimum requirements by the Ministry, but this does not provide for the peak demands of the UWSS in the summer.

Councillor Dunn asks if the DAF project is expecting further delays. The Manager notes that he has provided the worst case scenario to the Board and notes that this is why the UWSS conducted the clarifier testing last year, to ensure that water can be pushed.

Councillor Patterson is worried about continued shipping delays and asks the Manager if there is a plan in place for stocking parts for certain critical parts. The Manager explains that yes, some parts are stored as back up, but not all is possible.

No. UW-13-22

Moved by: Councillor Dunn

Seconded by: Councillor Hammond

That Report UW/06/22 dated March 11, 2022 re: Status Update of the UWSS Operations and Maintenance Activities and Capital Works to March 11, 2022 is received.

Carried (UW/06/22)

Report UW/07/22 dated March 9, 2022 re: Extension of Moratorium on Applications for UWSS Treated Water Allocations

The Manager reviews his report with the Board members and notes that earlier in the meeting there was discussion as to the reasons behind the moratorium of March 2021. He notes that the moratorium is set to expire and further that the DAF project experienced delays that were not anticipated. He therefore, feels it is prudent to extend the moratorium for up to 12 months and that the Board request he come back in the 4-5 month range to update the Board on the treatment capacity status.

The Manager explains that he is also working with an outside firm to assist with the allocations and wants time to communicate with municipal colleagues to make sure the process works for all participants.

Councillor Walstedt notes that he will move the recommendation, however, does want a report to be brought back to the Board in either late August or September of this year. He feels that this is the right thing to do to protect the residents of the area.

Councillor DeYong asks the Manager if there is an appeal process wherein a greenhouse could potentially bring legal action during the moratorium. The Manager notes that he is

working with the legal firm to evaluate some of the older allocations that would have expired. Further to that she asks if time of use and evening water use is better for the system.

The Manager notes that the UWSS has always planned for approximately 3-6% greenhouse growth, not the much higher growth numbers experienced over the last 3-4 years.

Shannon Belleau of Leamington notes that in 2019 Leamington passed a bylaw regarding the greenhouse volume of water per day down to 6,000 igpdp, some sites could potentially still be using more, because not every single greenhouse had their rate of flow control valve adjusted. She suggests that all greenhouses have their flow control valves updated.

Mayor MacDonald then speaks noting that the UWSS needs to have a hard line regarding the moratorium, so we need to ensure that we have all the data and all of the legal reviews completed this ensures balance for everyone. Several other members concurred with this opinion.

Councillor Hammond notes that there have been a large number of property purchases, with the potential for very large greenhouse facilities. He notes that one (1) acre of greenhouses is equivalent to 22 homes. How will UWSS determine who receives water.

Councillor Tiessen agrees with the Motion. He also indicates that water is not proprietary.

Councillor Walstedt agrees with Councillor Hammond's earlier statement regarding property purchases and confirms that many acres of property have been purchases in Staples and along Rochester Townline.

Shannon Belleau notes that Leamington has approximately 25 applications in the queue with over 700 acres of potential greenhouses waiting for approval, on a case by case basis. She believes that the moratorium is necessary to remain in place, if not any additional treatment released would be used up immediately.

Mayor Santos notes that this Board wants to ensure that we are protecting the water, not pushing anything beyond what our capacity can handle.

No. UW-14-22

Moved by: Councillor Walstedt

Seconded by: Deputy Mayor Verbeke

That the Union Water Supply Joint Board of Management (UWSS Board) extends by up to 12 months the existing moratorium on new requests for treated water allocations from new or existing entities that use more than 50,000 litres per day;

And further, that the Manager brings a report back to the UWSS Joint Board of Management in September 2022 to update members on this matter;

And further, that the moratorium would not apply to any type of residential development

Carried (UW/07/22)

Report UW/08/22 dated March 10, 2022 re: MECP Drinking Water Inspection Report for the UWSS - February 2022 Inspection

The Manager explains that the MECP inspection took place on February 24, 2022 and was issued March 2, 2022. The inspector did not identify any areas of concern. On page 12 of the inspection report there was a note regarding the chlorine residual regarding our pond. The Manager notes that UWSS had a difficult time finding an instrument capable of analyzing to the level required. However, in October 2021 UWSS was able to source one that measured down to the required levels. The Manager notes that a temporary dechlorination system has been put in place and that the chlorine levels are well below where they need to be.

He further explains that there is no longer an immediate rating provided but rather a follow up report is provided in a few months.

No. UW-15-22

Moved by: Councillor VanderDoelen

Seconded by: Councillor DeYong

That report UW/08/252 dated March 10, 2022 re: MECP Drinking Water Inspection Report for the UWSS - February 2022 Inspection is received.

Carried

New Business: nothing reported

Adjournment:

No. UW-16-22

Moved by: Councillor VanderDoelen

Seconded by: Deputy Mayor Verbeke

Date of Next Meeting: April 20, 2022

/kmj

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

From: Rodney Bouchard, UWSS General Manager

Date: April 14, 2022

Re: Status Update of UWSS Operations & Maintenance Activities and Capital Works to April 14, 2022



Aim:

To inform the UWSS Board about operational and maintenance activities and capital works projects for the Union Water Supply System since the last Board meeting on March 16, 2022.

Discussion:

The UWSS General Manager conducts regular meeting with OCWA Operations staff in regards to on-going operations and maintenance programs for the UWSS facilities. The following provides an update on UWSS operations, regular maintenance and major maintenance and Capital Works at UWSS facilities:

1. On April 5th a leak was found on the 24" raw water transmission main at the south driveway entrance of the Ruthven Water Treatment Plant. DiMenna Excavating was retained for excavation and hydrovac services to expose the leak. OCWA staff completed the repairs which included tightening all couplings and joints, installing new restraints and covering the couplings with a corrosion protection system (Denso). The repairs were completed on April 11th, the main was never out of service during the repairs.
2. Four new hydrant pressure/temperature monitoring devices have been ordered to complement the existing real-time pressure monitoring network that is being developed by the UWSS with support from local municipalities. The new hydrant monitoring devices will be installed on April 21st, 2022 with three (3) devices in Kingsville and one (1) in Essex.
3. Low Lift Pump #7 rehabilitation work is on-going. All the pump parts have been received and the majority of the pump has been put back together. The base of the pump is currently being painted. It is anticipated that the install and return to service will occur the week of April 18th to 22nd.
4. High Lift pump #9 motor has been rehabilitated and is ready for installation. OCWA maintenance staff are working to schedule a crane so that the motor can be lifted into place. Air relief valve parts for this pump are still on back order, as such so this pump won't likely be in service until the first week of May 2022.
5. A significant vibration was noted by staff in high lift pump #6. Upon inspection, it was noted that the bearings needed to be replaced and balancing was needed. Repairs were completed by OCWA maintenance staff and DTM

- consulting was retained to balance the pump assembly. The pump was disinfected and returned to service the week of March 28th, 2022.
6. High lift pump #4 motor was removed and sent to Phasor Electric for refurbishment. It's anticipated that the motor will be received and reinstalled during the week of April 18th, 2022.
 7. On March 31st, 2022, UWSS was informed by its coagulant supplier, ControlChem, that they would no longer be able to supply UWSS with the DelPAC coagulant as of the end of April 2022. ControlChem invoked a force majeure in regards to inability to source and supply adequate coagulant to Canadian customers. As such, UWSS/OCWA secured a similar coagulant from Kemira Water Solutions from Brantford, ON. The operations team started the transition to the new coagulant, SternPAC70 on April 13th, 2022. The north coagulant tank was washed out to prepare and new tank covers and fill pipe have been built by OCWA staff as an upgrade to the system.
 8. The Ministry of Environment, Conservation and Parks (MECP) has issued the Inspection Risk Rating (IRR) for the February 24, 2022 inspection of the UWSS facilities. An IRR of 100% was received for this inspection.
 9. DAF Phase 1 Update: Auxiliary building block walls, cement roof slabs and parapet walls are complete. As of the date of this report, the roofing system for the auxiliary building was being installed.

New aluminum stairs and a new access hatch for the blowdown chamber have been installed.

Saturation water line and recirculation piping between the DAF tank and auxiliary building has been installed and backfilled.

Additional components of the DAF system (Packing List #5) were received on April 4, 2022. This consisted mainly of the effluent troughs and associated components. UWSS was informed by the Maple Reinders that the last shipping containers with DAF components had arrived at the Vancouver docks on April 6th, 2022 and were anticipated to be received at the UWSS site sometime during the week of April 18, 2022.

The work for next 4 weeks will focus on the following: 1) Auxiliary building: installation of concrete slabs for generator, the condenser unit and the approach to auxiliary; auxiliary building rough-in; installation of saturation skid; installation of MCC; installation of brick veneer; 2) Blowdown chamber piping modifications; 3) DAF Tank: concrete wall extension; installation of DAF tank equipment including bridge structure; 4) necessary electrical work.

Completion of the DAF project is 3-4 weeks behind schedule due to equipment shipping delays. A copy of the weekly progress report for the week ending April 8th, 2022, prepared by UWSS' consultant (Associated Engineering) site inspector, is attached to this report.

Re: UW/09/22 - Status Update of UWSS Operations & Maintenance Activities and Capital Works to April 14, 2022

The first chart shows comparative flows for 2018 through 2022 in Mega Litres (ML) and the second chart shows Millions of Imperial Gallons (MIG) for the period January 1st to April 13, 2022.

	2018	2019	2020	2021	2022
Flow to Date (ML)	3,439.50	3,627.62	3,886.65	4,644.79	4,401.39
Max Day (ML)	45.61	52.22	55.87	63.27	62.97
Min Day (ML)	23.56	20.13	25.44	26.74	27.58
Average Day (ML)	33.39	35.22	37.37	45.10	42.73
No of Days	103	103	104	103	103

	2018	2019	2020	2021	2022
Flow to Date (MG)	756.60	797.98	854.96	1021.73	968.97
Max Day (MGD)	10.03	11.49	12.29	13.92	13.85
Min Day (MGD)	5.18	4.43	5.60	5.88	6.07
Average Day (MGD)	7.35	7.75	8.22	9.92	9.41
No of Days	103	103	104	103	103

Flows to date are down 243.4 ML (52.76 MIG) or 5.5% from last year. The 2022 flows to date are up 12.9% over the previous 4 year average.

Recommendation:

That this report be received by the UWSS Board for information purposes.

Respectfully submitted,



Rodney Bouchard, General Manager
Union Water Supply System Joint Board of Management

/kmj

UW/10/22

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 12, 2022

Re: UWSS 2021 Financial Report



Aim:

To present the draft audited 2021 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 2021 Financial Report has been prepared by the Municipality of Leamington on behalf of the Joint Board of Management (Board) and audited by the external firm of Hicks, MacPherson, Iatonna and Driedger LLP. The Draft 2021 Financial Report is attached to this report and will become final upon approval by the Board, at which point the 2021 Statement of Financial Position will be submitted as final for signature by the Board Chair and Vice-Chair.

Highlights of the 2021 Financial Report in relation to prior year results and the 2021 Budget are as follows:

Statement of Financial Position

1. Financial Assets have decreased by \$719k primarily due to a decrease in cash. This is offset by a slight increase in both investment income as well as accounts receivable. This overall decrease in financial assets 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 increased by \$721k as a result of increased amounts owing for related party transactions due to timing of transfers offset by the UWSS's 2021 long-term debt annual repayments. Throughout the year there was no new debt issuance.
3. Non-Financial Assets have increased by \$7.0M and includes 2021 capital additions of less disposals and depreciation. The change in Inventories (work in progress) relates to ongoing works for the Dissolved Air Flotation (DAF) System.
4. Capital asset purchases in 2021 include the following:
 - Land and Buildings Purchase - \$2.87M
 - Dissolved Air Flotation (DAF) System - \$2.26M
 - Kingsville Water Tower - \$1.92M
 - Filter replacements/rehabilitations - \$794k
 - Low Lift Stations - \$185k
5. The 2021 ending balance of the accumulated surplus, under PSAB has increased by \$5.5M.

Statement of Financial Activities

1. Wholesale billings were lower than budget expectations by approximately \$534k (4%). Although consumption increases were greater than 2020 actuals, the budget was higher than the 2021 actuals realized.
2. Investment income is favourable to budget by \$30k (7%) due to conservative estimates and a consistently strong cash position throughout the year. Timing of expenditures directly impacts the interest earned throughout the year. This investment income includes interest earned on the \$10M GIC at 2.55% due April 2022.
3. Other income is unfavourable to budget by \$84k (98%) due to the timing of the recovery of costs related to the Emergency Water Servicing Study planned with the Windsor Utilities Commission (WUC). Costs will be recovered from the WUC once the study is completed.
4. Rents and services is favourable to budget by \$54k and primarily a result of reduced professional services incurred within the year.
5. Electricity and gas were favourable to budget by \$38k (2.8%) due to conservative budgeting as well as utility efficiencies being realized with investments at the plant.
6. Repairs and maintenance expense is \$41k (16%) favourable to budget. This is related to costs associated with the timing of the transfer of the residual from the pond maintenance to the landfill as the inclement weather delayed the transfer until the new year.
7. Operational Programs and Studies were less than budget by \$142k (32%). This underspending is due to certain studies that were delayed in 2021. These projects include the UWSS Infrastructure Review and Master Servicing Plan and the Emergency Water Servicing Study.

The UWSS's auditors have provided their opinion that the Draft 2021 Financial Report is a fair representation of the UWSS's financial position as at December 31, 2021.

Recommendation:

That the 2021 Financial Report for the Union Water Supply System Joint Board of Management be approved.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Laura Rauch', written in a cursive style.

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

Encls.

Union Water Supply System

**Financial Statements
December 31, 2021**

Draft

Union Water Supply System

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Draft

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, 2021
- 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, 2021, 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 20, 2022

Chartered Professional Accountants
Licensed Public Accountants

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

	2021	2020
Assets		
Financial		
Cash (note 3)	\$ 10,960,659	\$ 12,419,172
Long-term investment (note 4)	11,060,436	10,785,408
Accounts receivable (note 5)	1,775,437	1,310,800
	23,796,532	24,515,380
Liabilities		
Accounts payable and accrued liabilities (notes 5 and 11)	3,896,899	1,872,990
Long-term debt (note 6)	9,375,773	10,678,260
	13,272,672	12,551,250
Net Assets	10,523,860	11,964,130
Non Financial Assets		
Inventories (note 7)	2,412,427	255,153
Tangible capital assets (notes 2 and 7)	46,676,913	41,934,471
	49,089,340	42,189,624
Accumulated Surplus (note 10)	\$ 59,613,200	\$ 54,153,754

Draft

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

	2021 Budget (note 12)	2021 Actual	2020 Actual
Revenues			
Wholesale billings (notes 5 and 8)	\$ 13,850,225	\$ 13,316,113	\$ 12,276,778
Investment income (note 9)	455,000	484,994	474,695
Rental income	19,088	23,483	21,147
Other income	85,619	1,571	18,041
	<u>14,409,932</u>	<u>13,826,161</u>	<u>12,790,661</u>
Expenses			
Wages and benefits (note 11)	253,067	269,829	252,712
Rents and services	235,993	182,031	687,679
Administration fee (note 5)	30,000	30,000	30,000
Property taxes	147,500	151,727	150,160
Electricity and gas	1,350,000	1,312,262	1,355,992
Carbon dioxide	25,000	23,077	15,509
Repairs and maintenance	260,000	218,787	440,957
Operational programs and studies	439,740	298,146	79,023
Amortization (Schedule 1)	1,497,126	1,497,126	1,415,085
OCWA operating contract	3,314,739	3,303,843	3,213,776
Long-term interest expense	1,067,891	1,067,891	1,196,641
Loss on sale of work in progress	-	-	430,487
Loss on sale of tangible capital assets	-	11,996	2,838
	<u>8,621,056</u>	<u>8,366,715</u>	<u>9,270,859</u>
Annual Surplus	5,788,876	5,459,446	3,519,802
Accumulated Surplus, Beginning of Year	54,153,754	54,153,754	50,633,952
Accumulated Surplus, End of Year	<u>\$ 59,942,630</u>	<u>\$ 59,613,200</u>	<u>\$ 54,153,754</u>

See accompanying notes to financial statements

Union Water Supply System

Statement of Cash Flow for the years ended December 31

	2021	2020
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Cash flow from operating activities		
Annual surplus	\$ 5,459,446	\$ 3,519,802
Items not involving cash:		
Amortization of tangible capital assets	1,497,126	1,415,085
Loss on sale of work in progress	-	430,487
Loss on sale of tangible capital assets	11,996	2,838
Increase in accounts receivable	(464,637)	(128,939)
Increase (Decrease) in accounts payable	2,023,909	(812,153)
	<u>8,527,840</u>	<u>4,427,120</u>
Cash flow from investing activities		
Proceeds on sales of tangible capital assets	10,000	-
Cash used to acquire tangible capital assets	(8,418,838)	(645,130)
Increase in long-term investment	(275,028)	(268,905)
	<u>(8,683,866)</u>	<u>(914,035)</u>
Cash flow from financing activities		
Debt repayment (principal only)	(1,302,487)	(1,154,638)
	<u>(1,302,487)</u>	<u>(1,154,638)</u>
Net Change in Cash for Year	(1,458,513)	2,358,447
Cash, Beginning of Year	12,419,172	10,060,725
Cash, End of Year	\$ 10,960,659	\$ 12,419,172

See accompanying notes to financial statements

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

	2021 Budget (note 12)	2021 Actual	2020 Actual
Annual Surplus	\$ 5,788,876	\$ 5,459,446	\$ 3,519,802
Amortization of tangible capital assets	1,497,126	1,497,126	1,415,085
Acquisition of tangible capital assets	(13,117,170)	(8,418,838)	(645,130)
Loss on sale of work in progress	-	-	430,487
Loss on sale of tangible capital assets	-	11,996	2,838
Proceeds on disposal of tangible capital assets	-	10,000	-
Change in Net Assets	(5,831,168)	(1,440,270)	4,723,082
Net Assets, Beginning of Year	11,964,130	11,964,130	7,241,048
Net Assets, End of Year	\$ 6,132,962	\$ 10,523,860	\$ 11,964,130

See accompanying notes to financial statements

Draft

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

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, 2021 as Leamington - 53.00% (2017 - 50.55%), Kingsville - 38.72% (2017 - 40.33%), Essex - 4.92% (2017 - 5.97%) and Lakeshore - 3.36% (2017 - 3.15%). 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

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:

	2021	2020
Cash		
Operating Fund	\$ 9,780,756	\$ 11,259,143
Reserve Fund	1,179,903	1,160,029
	\$ 10,960,659	\$ 12,419,172

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:

	2021	2020
Accounts receivable	\$ 1,515,450	\$ 994,508
Accounts payable and accrued liabilities	3,470,687	1,560,085

The accounts receivable amount is the receivables from the four member municipalities for 2021 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 2021 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:

	2021	2020
Wholesale billings revenue (note 8)	\$ 13,316,113	\$ 12,276,778
Administration fee expense	30,000	30,000

Wholesale billings revenue balance is 2021 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:

	2021	2020
<i>Outstanding principal at the end of the year for:</i>		
Net long-term debt, end of year	\$ 9,375,773	\$ 10,678,260
The estimated future principal payments required in the next five years and thereafter are as follows:		
2022		\$ 1,466,829
2023		1,649,492
2024		1,852,503
2025		2,078,116
2026		2,328,833
		\$ 9,375,773

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

7. Tangible Capital Assets/Inventories

	Net Book Value	
	2021	2020
Land	\$ 487,382	\$ 133,634
Buildings	20,666,053	17,066,263
Machinery and equipment	9,227,499	8,216,073
Linear assets	16,088,329	16,306,900
Land improvements	207,650	211,601
Total tangible capital assets	46,676,913	41,934,471
Inventories	2,412,427	255,153
	\$ 49,089,340	\$ 42,189,624

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.

	Revenues		Flows	
	2021	2020	2021	2020
	\$	\$	m ³	m ³
Municipality of Leamington	\$ 7,550,388	\$ 6,683,690	11,242,389	10,349,473
Town of Kingsville	4,725,824	4,554,985	7,036,664	7,053,244
Town of Essex	591,433	572,202	880,633	886,036
Town of Lakeshore	448,468	465,901	667,761	721,433
	\$ 13,316,113	\$ 12,276,778	19,827,447	19,010,186

9. Investment Income

Investment income includes bank and GIC interest income as follows:

	2021	2020
Bank interest	\$ 205,105	\$ 201,261
Interest on long-term investment - GIC	279,889	273,434
	\$ 484,994	\$ 474,695

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

10. Accumulated Surplus

	2021	2020
Opening Fund Balance		
Funds:		
Operating fund	\$ 10,683,768	\$ 7,411,574
Capital financing reserve fund	11,958,621	11,662,372
Total Fund Balance	22,642,389	19,073,946
Long-term debt obligations	(10,678,260)	(11,832,898)
Tangible capital assets (including inventory)	42,189,624	43,392,904
Accumulated Surplus, beginning of year	54,153,753	50,633,952
Contributions to operating fund	(3,042,519)	3,272,195
Contributions to reserve fund	299,763	296,249
Tangible capital assets purchased	8,418,838	645,130
Loss on sale of work in progress		(430,487)
Loss on sale of tangible capital assets	(11,996)	(2,838)
Proceeds on sale of tangible capital assets	(10,000)	
Amortization of tangible capital assets	(1,497,126)	(1,415,085)
Debt repayment	1,302,487	1,154,638
Accumulated Surplus, end of year	\$ 59,613,200	\$ 54,153,754

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 6.42% for health in 2021 (2020 - 6.54%), linearly decreased to an ultimate rate of 4.0% 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 \$205,400 (2020 - \$172,300) and is included in accounts payable and accrued liabilities. An additional expense of \$33,100 (2020 - \$22,500) 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 2021 Budget approved by the UWSS Board on December 16, 2020 was prepared on a modified cash basis. This budget was revised on September 22, 2021. 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:

	2021
Financial Plan (Budget) deficit for the year	\$ (7,133,654)
Add:	
Accumulated surplus, beginning of the year	54,153,754
Principal payments on long term debt	1,302,486
Capital expenditures reallocated to tangible capital assets	13,117,170
Less:	
Amortization expense on tangible capital assets	(1,497,126)
Budget Surplus per Statement of Financial Operations	\$ 59,942,630

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.

15. Comparative Figures

Comparative information on the Statement of Cash Flow has been updated to correct errors in the subtotals presented.

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	2021	2020
Cost								
Balance, beginning of year	\$ 133,634	\$ 235,499	\$ 28,635,051	\$ 13,361,803	\$ 26,070,423	\$ 255,153	\$ 68,691,563	\$ 68,535,873
Add: New acquisitions during the year	353,748	3,615	2,635,177	1,314,063	172,770	-	4,479,373	4,117,717
Add: Additions during the year	-	-	1,605,562	176,630	-	4,147,104	5,929,296	109,346
Less: Disposals during the year	-	-	(52,809)	(127,528)	-	(1,989,830)	(2,170,167)	(4,071,373)
Balance, end of year	487,382	239,114	32,822,981	14,724,968	26,243,193	2,412,427	76,930,065	68,691,563
Accumulated Amortization								
Balance, beginning of year	-	23,898	11,568,788	5,145,730	9,763,523	-	26,501,939	25,142,969
Add: Amortization	-	7,566	623,241	474,979	391,341	-	1,497,127	1,415,084
Less: Accumulated amortization on disposals	-	-	(35,101)	(123,240)	-	-	(158,341)	(56,114)
Balance, end of year	-	31,464	12,156,928	5,497,469	10,154,864	-	27,840,725	26,501,939
Net Book Value of Tangible Capital Assets Including Inventories	\$ 487,382	\$ 207,650	\$ 20,666,053	\$ 9,227,499	\$ 16,088,329	\$ 2,412,427	\$ 49,089,340	\$ 42,189,624

See accompanying notes to financial statements