

JOINT AGENDA

AYLMER AREA SECONDARY WATER SUPPLY SYSTEM PORT BURWELL AREA SECONDARY WATER SUPPLY SYSTEM JOINT BOARD OF MANAGEMENT

June 12, 2024 – 1:00 PM
Malahide Council Chambers
51221 Ron McNeil Line, Springfield, ON

Board Members:

Municipality of Central Elgin – Norman Watson
Town of Aylmer – Pete Barbour
Township of Malahide – Chester Glinski
Municipality of Bayham – Tim Emerson

Staff:

Municipality of Central Elgin – Alex Piggott, Geoff Brooks
Town of Aylmer – Rob Johnson, and Connor Bailey
Township of Malahide – Nathan Diaz, Jason Godby, Sam Gustavson, Adam Boylan, and Tanya Hoover
Municipality of Bayham – Ed Roloson, and Thomas Thayer

(1) Call to Order

(_____) is appointed Chair and the meeting is called to order at (_____).

(2) Disclosure of Pecuniary Interest

Disclosures of pecuniary interest may be declared at this time: (_____).

(3) Adoption of Prior Minutes

Moved by:

Seconded by:

THAT the minutes of the Port Burwell Area Secondary Water Supply System Joint Board of Management meeting held on March 6, 2024 and April 24, 2024 be approved as circulated.

Moved by:

Seconded by:

THAT the minutes of the Aylmer Area Secondary Water Supply System Joint Board of Management meeting held on March 6, 2024, be approved as circulated.

(4) Reports

- Water Loss Billing

Moved by:

Seconded by:

THAT Report AASWSS-24-08 titled “Water Loss Billing” be received.

- 2023 Audited Financial Statements and Year-End Report

Moved by:

Seconded by:

THAT the 2023 Audited Financial Statements and Year-End Report be received; AND THAT the Chair be authorized to sign the Engagement Letter, Audit Planning Letter, and Audit Findings Letter from Graham, Scott, Enns LLP, dated June 12, 2024, on behalf of the AASWSS Board.

AND THAT the Aylmer Area Secondary Water Supply System 2023 surplus of \$239,383 be transferred to reserves.

- 2023 Audited Financial Statements and Year-End Report

Moved by:

Seconded by:

THAT the 2023 Audited Financial Statements and Year-End Report be received; AND THAT the Chair be authorized to sign the Engagement Letter, Audit Planning Letter, and Audit Findings Letter from Graham, Scott, Enns LLP, dated June 12, 2024, on behalf of the PBASWSS Board.

AND THAT the Port Burwell Area Secondary Water Supply System 2023 surplus of \$116,067 be transferred to reserves.

- Mid-Year Financial Update

Moved by:

Seconded by:

THAT Report AASWSS-24-10 entitled “Mid-Year Financial Update” be received.

- Mid-Year Financial Update

Moved by:

Seconded by:

THAT report PBASWSS-24-11 entitled “Mid-Year Financial Update” be received.

- APAM SCADA Wide Area Network Agreement

Moved by:

Seconded by:

THAT Report No. AASWSS-24-05 entitled “APAM SCADA Wide Area Network Agreement” be received;

AND THAT the Aylmer Area Secondary Water Supply System Joint Board of Management authorizes the Administering Municipality to renew the APAM SCADA Wide Area Network Agreement for a term of three years and to execute the necessary documents with Execulink; SUBJECT TO the acceptance by the Township of Malahide and the Joint Board of Management for the Port Burwell Area Secondary Water Supply System of their portion.

- APAM SCADA Wide Area Network Agreement

Moved by:

Seconded by:

THAT Report No. PBASWSS-24-07 entitled “APAM SCADA Wide Area Network Agreement” be received;

AND THAT the Port Burwell Area Secondary Water Supply System Joint Board of Management authorizes the Administering Municipality to renew the existing APAM SCADA Wide Area Network Agreement for a term of three years and to execute the necessary documents with Execulink; SUBJECT TO the acceptance by the Township of Malahide and the Joint Board of Management for the Aylmer Area Secondary Water Supply System of their portion.

- 2024 First Quarter Operations Report

Moved by:

Seconded by

THAT Report No. AASWSS-24-06 entitled “2024 First Quarter Operations Report” be received.

- First Quarter 2024 Operations Report

Moved by:

Seconded by

THAT Report No. PBASWSS-24-08 entitled “First Quarter 2024 Operations Report” be

received.

- DWQMS Operational Plan: Revision to Element 3 – Commitment and Endorsement

Moved by:

Seconded by

THAT Report No. AASWSS-24-07 entitled “DWQMS Operational Plan: Revision to Element 3 – Commitment and Endorsement” be received;

AND THAT the Joint Board of Management for the Aylmer Area Secondary Water Supply System does hereby endorse the Operational Plan and authorizes the Mayor and Clerk of the Administering Municipality, being the Township of Malahide, to sign the Element 3 Commitment and Endorsement on their behalf.

- DWQMS Operational Plan: Revision to Element 3 – Commitment and Endorsement

Moved by:

Seconded by

THAT Report No. PBASWSS-24-09 entitled “DWQMS Operational Plan: Revision to Element 3 – Commitment and Endorsement” be received;

AND THAT the Joint Board of Management for the Port Burwell Area Secondary Water Supply System does hereby endorse the Operational Plan and authorizes the Mayor and Clerk of the Administering Municipality being the Township of Malahide to sign the Element 3 Commitment and Endorsement on their behalf.

(5) Correspondence

(6) New Business

(7) Adjournment

Moved by:

Seconded by:

THAT the Aylmer Area Secondary Water Supply System Joint Board of Management adjourn at _____ p.m. to meet again on September 4, 2024 at 1:00 p.m.

Moved by:

Seconded by:

THAT the Port Burwell Secondary Water Supply System Joint Board of Management adjourn at _____ p.m. to meet again on September 4, 2024 at 1:00 p.m.

MINUTES

AYLMER AREA SECONDARY WATER SUPPLY SYSTEM PORT BURWELL AREA SECONDARY WATER SUPPLY SYSTEM JOINT BOARD OF MANAGEMENT

**March 6, 2024 – 1:00 PM
Malahide Council Chambers
51221 Ron McNeil Line, Springfield, ON**

In Attendance

Board Members:

*Municipality of Central Elgin – Todd Noble
Town of Aylmer – Pete Barbour
Township of Malahide – Chester Glinski*

Staff:

*Township of Malahide – Jason Godby, Sam Gustavson, Allison Adams, and Cindy Ryan
Municipality of Bayham – Ed Roloson and Thomas Thayer
Central Elgin – Alex Piggott*

(1) Call to Order

Peter Barbour is appointed Chair and the meeting is called to order at 1:02pm.

(2) Disclosure of Pecuniary Interest

N/A

(3) Adoption of Prior Minutes

Moved by: Chester Glinski

Seconded by: Todd Noble

THAT the minutes of the Port Burwell Area Secondary Water Supply System Joint Board of Management meeting held on December 6, 2023, be approved as circulated.

Carried

Moved by: Todd Noble

Seconded by: Chester Glinski

THAT the minutes of the Aylmer Area Secondary Water Supply System Joint Board of Management meeting held on December 6, 2023, be approved as circulated.

Carried

(4) Reports

- *2023 Flow Consumption and Water Loss Report*

Moved by: Todd Noble

Seconded by: Chester Glinski

THAT Report No. PBASWSS-24-01 entitled “Port Burwell Area Secondary Water Supply System (PBASWSS): 2023 Flow Consumption and Water Loss Report” be received.

Carried

Moved by: Chester Glinski

Seconded by: Todd Noble

THAT Report No. AASWSS-24-01 entitled “Aylmer Area Secondary Water Supply System (AASWSS): 2023 Flow Consumption and Water Loss Report” be received.

Carried

-2023 Drinking Water Quality Trends Report

Moved by: Todd Noble

Seconded by: Chester Glinski

THAT Report No. PBASWSS-24-02 entitled “Port Burwell Area Secondary Water Supply System: DWQMS Element 20: 2023 Drinking Water Quality Trends Report” be received.

Carried

Moved by: Todd Noble

Seconded by: Chester Glinski

THAT Report No. AASWSS-24-02 entitled “Aylmer Area Secondary Water Supply System: DWQMS Element 20: 2023 Drinking Water Quality Trends Report” be received.

Carried

- *2023 MECP Final Inspection Report*

Moved by: Chester Glinski
Seconded by: Todd Noble

THAT Report No. PBASWSS-24-03 entitled “Port Burwell Area Secondary Water Supply System Inspection- 2023 MECP Final Inspection Report” be received.

Carried

- *2023 Fourth Quarter Operations Report*

Moved by: Todd Noble
Seconded by: Chester Glinski

THAT Report No. PBASWSS-24-04 entitled “2023 Fourth Quarter Operations Report” be received.

Carried

Moved by: Todd Noble
Seconded by: Chester Glinski

THAT Report No. AASWSS-24-03 entitled “2023 Fourth Quarter Operations Report” be received.

Carried

-*2023 Section 11 Annual Report and Schedule 22 Summary Report*

Moved by: Todd Noble
Seconded by: Chester Glinski

THAT Report No. PBASWSS-24-05 entitled “Port Burwell Area Secondary Water Supply System (PBASWSS): 2023 Section 11 Annual Report and Schedule 22 Summary Report” be received.

Carried

Moved by: Chester Glinski
Seconded by: Todd Noble

THAT Report No. AASWSS-24-04 entitled “Aylmer Area Secondary Water Supply System (AASWSS): 2023 Section 11 Annual Report and Schedule 22 Summary Report” be received.

Carried

(7) Correspondence

**Moved by: Todd Noble
Seconded by: Chester Glinks**

THAT correspondence item i) be noted and filed;

AND THAT the board direct the administering municipality to provide a follow-up report regarding correspondence item ii) at an upcoming meeting.

- i) Letter to R.V. Anderson Associates Limited and City of St. Thomas relating to Highbury Avenue Widening Class Environmental Assessment**
- ii) Letter from Town of Aylmer relating to Report AASWWS-24-01**

Carried

(8) New Business

(9) Adjournment

**Moved by: Chester Glinks
Seconded by: Todd Noble**

THAT the Aylmer Area Secondary Water Supply System Joint Board of Management adjourn at 2:17p.m. to meet again on June 5, 2024 at 1:00 p.m.

Carried

**Moved by: Chester Glinks
Seconded by: Todd Noble**

THAT the Port Burwell Secondary Water Supply System Joint Board of Management adjourn at 2:17p.m. to meet again on June 5, 2024 at 1:00 p.m.

Carried

Pete Barbour - Board Chair

Allison Adams - Clerk

**PORT BURWELL AREA SECONDARY WATER SUPPLY SYSTEM
SPECIAL MEETING- April 24, 2024 – 1:00 PM**

The PBASWSS Board met at the Springfield & Area Community Services Building, at 51221 Ron McNeil Line, Springfield, at 1:00p.m. The following were present:

Board Members:

Municipality of Central Elgin – Norman Watson

Township of Malahide – Chester Glinski

Municipality of Bayham – Tim Emerson

Staff:

Municipality of Central Elgin – Alex Piggott and Geoff Brooks

Township of Malahide – Nathan Dias, Jason Godby, Sam Gustavson, Adam Boylan, and Allison Adams

Municipality of Bayham – Ed Roloson, Thomas Thayer, and Harry Baranik

Also Present:

Pure Technologies Ltd. – Josh Greenberg and Ashan McNealy

(1) Call to Order

Norman Watson is appointed Chair and the meeting is called to order at 1:02p.m.

(2) Disclosure of Pecuniary Interest

N/A

(3) Reports

- Port Burwell Area Secondary Water Supply System - Pipeline Desktop Condition Assessment Report

S. Gustavson, the Operations Manager for Water/Waste Water at the administering Municipality, provided a brief overview of his report and highlighted its alignment with the upcoming presentation for the board. Consequently, the board listened to the presentation before deciding on the recommendation.

(4) Presentation

- Pure Technologies Ltd. - Desktop Assessment of the Port Burwell Area Secondary Water Supply System

Josh Greenby from Pure Technologies Ltd. presented the components analyzed in a project of this scale. Following that, he delivered a comprehensive project overview of the Port Burwell Area Secondary Water Supply System, focusing on these components. Subsequently, he outlined the risk assessment section of the desktop appraisal, categorizing risks and outlining the potential consequences of failure. The presentation concluded with the assessment recommendations.

Member Emerson asked about staff's capability to offer details on surge relief mechanisms for pressure reduction. Member Watson agreed with this request, emphasizing the importance of pressure relief. Manager Gustavson suggested incorporating this into a review process and updating the board accordingly.

Member Glinski asked whether the upcoming project would involve an improved pipe design. Mr. Gustavson assured that the pipe's quality and standards would surpass those of previous versions, as the engineer will incorporate the latest practices and materials during design and installation. He emphasized the significance of conducting inspections at various project stages.

Moved by: Chester Glinski
Seconded by: Tim Emerson

THAT Report No. PBAWSS-24-06 entitled "Port Burwell Area Secondary Water Supply System - Pipeline Desktop Condition Assessment Report" be received;

AND THAT the Port Burwell Area Secondary Water Supply System Joint Board of Management direct the Staff of the administering Municipality to initiate and develop a Request for Proposal (RFP) to obtain an Engineering Consultant to prepare a detailed Tender ready engineered design for the replacement of the entire Port Burwell Area Secondary Water Supply System transmission main.

AND that the Port Burwell Area Secondary Water Supply System Joint board of management direct staff of the administering municipality to review surge relief mechanisms to help reduce interim risk.

Carried

Moved by: Tim Emerson
Seconded by: Chester Glinski

THAT the presentation from Pure Technologies Ltd. relating to the Desktop Assessment of the Port Burwell Area Secondary Water Supply System be received for information.

Carried

(5) Adjournment

Moved by: Chester Glinski
Seconded by: Tim Emerson

THAT the Port Burwell Secondary Water Supply System Joint Board of Management adjourn at 2:20p.m.

Carried

Norman Watson - Board Chair

Allison Adams - Clerk



Aylmer Area Secondary Water Supply System

REPORT NO.: AASWSS-24-08
DATE: June 12, 2024
ATTACHMENTS: Town of Aylmer Correspondence
SUBJECT: **Water Loss Billing**

Recommendation:

THAT Report AASWSS-24-08 titled “Water Loss Billing” be received.

Background:

On March 6, 2024, the Joint Board of Management received a number of recommendations from the Town of Aylmer in regards to the administration of the secondary system. To address the concerns of the member municipality staff have sincerely considered these recommendations and have provided an analysis for the Board’s consideration.

Comments/Analysis:

Water Loss

Water loss is determined by calculating the difference between water purchased from the primary supply system and metered by member municipalities. It is an unavoidable reality of operating a water system that has a variety of causes including leaks in service connections or distribution mains, unauthorized use of water such as theft or illegal connections and preventative maintenance flushing programs.

Water Billing Methodology

- 1) Each year, the AASWSS Board determines the system rate that will be charged to member municipalities to recover secondary system costs as presented in the annual budget.
- 2) The Elgin Area Primary Water Supply System (EAPWSS) charges a per cubic metre rate for water transmitted to the AASWSS as metered at the Elgin-Middlesex Pumping Station. The AASWSS is invoiced monthly by the primary system.

- 3) The AASWSS apportions its monthly water purchase costs to member municipalities based on their ownership share as determined by the proportion of system flows from the prior year.
- 4) Boundary meters are read at the end of the year to determine each municipality's actual annual consumption and new ownership share. A billing adjustment is included on the member municipality's last invoice of the year to reflect changes in ownership share.

Calculation:

$$[Annual\ consumption\ (cm^3) + Apportioned\ Water\ loss\ (cm^3)] \times System\ Rate$$

Water Loss Billing Authorization

Section 29 of the AASWSS Transfer Order states that “a system rate will be set by the Joint Board for the System that will be charged to all Municipalities to pay the costs of the System. The System Rate will be determined on the basis of dividing the total forecast system costs by the total forecast system water usage.”

The AASWSS bills its water loss by applying its system rate against system flows, as authorized through the Transfer Order. As water loss is a cost to the system, it is reasonable that the system rate would be applied to all system flows as a means to recover the costs of the system as stated in the Transfer Order.

The secondary system does not levy a separate fee to recover water loss but rather charges its system rate as authorized by the Transfer Order and approved annually by the Board.

This methodology was communicated to the Board in its 2024 Budget document, prior to 2023 water loss billing, whereby it was explicitly stated water loss is billed back to secondary system owners. Staff are unaware of any concerns being raised about this practice over the history of the secondary system's operations and openly state it as an assumption used to develop it's the secondary system's annual budget and system rates.

Watson and Associates Rate Study

The AASWSS rate study, as prepared by Watson and Associates, was approved in principle by the Board. It provides general guidance for future rate recommendations and sets expectations for member municipalities as to the future cost of water for their municipal drinking water systems. It has no bearing on Board governance, or administrative billing practices and does not equate to an authorization of future system rates or budgets. The secondary system's budget and system rate may deviate from the rate study's recommendation as new information continues to become available. The Board must determine its system rate through its annual budgeting process of which the assumptions regarding the volume of water purchased, sold and estimates for water loss are reviewed and updated each year.

Town of Aylmer Recommendations

Recommendation #1. Discontinue apportionment of water losses directly to member municipalities

The Town of Aylmer is requesting AASWSS's system rate be applied to metered flow volumes as opposed to purchased flow volumes.

Revenues generated by the secondary system are a function of two factors: water volumes and system rate. The Town's recommendation entails charging the member municipalities on a lower volume basis resulting in the need to increase the system rate to compensate for the resulting lost revenue.

Staff consider this an acceptable, if not lateral, change of process. The secondary system would take on minor financial risk in that unexpected volumes of water loss would require two budget cycles to fully recover costs. The 2024 system rate, based on the 2024 Budget, does not include a provision for water loss. As a result, a change in process will result in 2024 budget variance which can be recovered through the 2025 system rate.

Regardless of the methodology selected, member municipalities inevitably pay for their share of water loss and the impact on end users of municipal drinking water systems is identical in both scenarios.

If adopting this methodology eases the concerns of the Town, staff would be pleased to accommodate this request subject to Board approval.

Recommendation #2: Water loss to be charged to the administering municipality

This recommendation requests the Township of Malahide, as the administering municipality, be apportioned 100 percent water loss costs of the secondary system on behalf of its municipal members. This seems to be recommended by the Town as an incentive for the administering municipality to reduce water loss and prevent subsidization of water rates through property taxes.

As previously mentioned, water loss is an unavoidable cost of operating a water distribution system and is therefore a poor metric for rewarding or punishing administrative performance. The length, age and number of service connections on a system, for example, all play a role in water loss. The AASWSS transmission main is not a complex system and is in good condition, so water loss is low, estimated at 3% annually. The Town of Aylmer's water system, a more complex system with more service connections, estimates a water loss at 14%. It would be similarly unreasonable to expect the Town to attain a 0% water loss.

If the Board wishes to explore strategies for reducing water loss, options, such as preventative maintenance programs, enhanced metering of the system, expedited

infrastructure renewals, additional investments into its SCADA network and additional resourcing through its OCWA contract, could be recommended by staff. It should be noted these measures would represent significant investments for the secondary system, of which the Town funds approximately 97% of through its user rates, and would have diminishing returns in terms of water loss prevention.

Lastly, secondary system costs, including water loss, are downloaded to member municipalities' water rate bases. Water loss is therefore paid for through water system users, not through property taxes.

Recommendation #3: Transfer order & rate study formal review

It is being requested that the secondary board bring forward a review of the secondary system's water loss billing practices, rate study and Transfer Order.

Staff appreciates the Town's concerns with the secondary system's water loss billing practices, have provided an informal review and are willing to make process changes where reasonable and requested in good faith.

However, undertaking a formal review of the secondary system's rate study unnecessarily depletes the financial resources of the secondary system in order to further assess a document that has no bearing on governance or administrative practices. This request seems to yield no benefit to the Town or its residents and costs for such a review are primarily funded through the Town of Aylmer water rate.

Further, the Board could choose to sanction a legal review of the AASWSS transfer order. Staff are equally uncertain of the benefits of this review. It is not disputed by either party that water loss can and should be recovered by the secondary system. As previously mentioned, either methodology for water loss recovery has an identical impact on end users of the system. Similarly, staff do not recommend this undertaking or its implied costs to end users.

Overall, staff are agreeable to altering the secondary systems' water loss billing methodology as requested by the Town of Aylmer. Staff believe the Town's other recommendations are not in the best interests of Aylmer residents or the secondary system.

Submitted by:	Approved for Council:
Adam Boylan Director of Corporate Services / Treasurer	Nathan Dias Chief Administrative Officer



Office of the Mayor
The Corporation of the Town of Aylmer
46 Talbot Street West, Aylmer, Ontario N5H 1J7
Office: 519-773-3164 Fax: 519-765-1446
www.aylmer.ca

March 4 , 2024

Chair and Members
AASWWS

Re: Report AASWWS-24-01 March 6, 2024 Meeting

Dear Chair and Members of the Board,

Recently the municipalities of Malahide and Aylmer have been proactively reviewing historic billings to ensure authorization exists for charges. Town staff note a desire for the 2023 water loss estimates incorporated within such a review.

As part of this review, Town staff would request the Board revisit the Watson and Associates study dated December 19, 2022, as adopted by the Board. Table 5-1 of this report appears to indicate that the cost of water loss have already been included within the overall rate calculations. This is a common approach used throughout the province.

The Town of Aylmer has previously recommended the strategy of recovering costs in the water rates to the Administrating Municipality. We agree with such an approach as it has favourable impacts upon reserves and encouraging water loss reduction. This approach also prevents tax payers subsidizing water users.

As referenced above, there are numerous reviews on historic billing practices and agreements ongoing between Malahide and Aylmer. While the Town does not challenge the ability of the AASWWS to set water rates to recover loss, we are requesting a review of this item, the Watson and Associates Report, and the Transfer Order. We are requesting that the Secondary Board present agreements or materials to support the charging of additional fees for water that was neither metered nor delivered to the Town.

We look forward to the opportunity for further discussions on this matter. We believe that open and transparent communication is essential in addressing these matters and ensuring the equitable distribution of costs.

Respectfully,

Andy Grozelle
CAO Town of Aylmer



Aylmer Area Secondary Water Supply System

REPORT NO.: AASWSS-24-09

DATE: June 12, 2024

ATTACHMENT: A) 2023 Budget Variance Schedule, B) 2023 Engagement Letter, C) Audit Planning Memo, D) Audit Findings Letter, E) 2023 Draft Financial Statements

SUBJECT: **2023 AUDITED FINANCIAL STATEMENTS & YEAR END REPORT**

Recommendation:

THAT the "2023 Audited Financial Statements and Year-End Report" be received;

AND THAT the Chair be authorized to sign the Engagement Letter, Audit Planning Letter, and Audit Findings Letter from Graham, Scott, Enns LLP, dated June 12, 2024, on behalf of the AASWSS Board.

AND THAT the Aylmer Area Secondary Water Supply System 2023 surplus of \$239,383 be transferred to reserves.

Background:

The Aylmer Area Secondary Water Supply System (AASWSS) receives a financial audit each year to comply with its legislative requirements. AASWSS' auditor in 2023 was Graham Scott Enns LLP who have provided the following attached documents for information:

Document	Purpose	
Engagement Letter	To define the terms of the audit and inform the board of the differing responsibilities of the auditor and management.	<i>Plan</i>
Audit Planning Memo	To inform the board of the methodology used to perform the audit and highlight any issues that affects the scope of audit work.	
Audit Findings Letter	To provide a qualitative report to the board on the outcome of the audit and to inform of any difficulties experienced during the audit.	<i>Results</i>
Draft Financial Statements	To provide the audited financial figures for the year.	

Summary of Audit Findings:

Graham Scott Enns LLP's full audit findings letter is attached to this report. To briefly summarize its contents:

- No significant matters are required to be brought to the board's attention
- No significant difficulties were encountered during the audit
- No significant uncorrected misstatements
- No significant deficiencies in internal controls

Interpretation of Financial Statements:

As required by Public Sector Accounting Standards, the AASWSS' financial statements are presented in five separate section along with additional explanatory notes. An explanation for each section has been provided below to assist board members in reading this year's financial statements.

1. **Statement of Financial Position / Balance Sheet** (*page 3*) – summarizes the financial position of the Board at the end of the year.
2. **Statement of Operations and Accumulated Surplus / Income Statement** (*page 4*) – explains the change in overall financial position during the year.
3. **Statement of Changes in Net Assets** (*page 5*) – details the change between the current prior period for net asset balances.
4. **Statement of Remeasurement Gain & Losses** (*page 6*) – explains the change in the overall financial position of the entity during the accounting period due to remeasurement related to unrealized gain and losses on specific financial assets and liabilities.
5. **Statement of Cash Flows** (*page 7*)– reconciles the change in cash and cash equivalents from the prior year and provides information on the entity's ability to generate cash to meet its cash requirements.

Annual Financial Highlights:

2023 Financial Performance

A budget surplus of \$239,383 was generated during the year. Water volume sales exceeded budget expectations by \$341,072 which was offset by the cost to purchase additional water from the primary system in the amount of \$219,890 resulting in a net volume surplus of \$121,183. The system's water billing volume is generally budgeted conservatively due to the board's variable rate structure that could leave it financially vulnerable to deficits in years of low consumption, such as those with high rainfall. Despite this, due to the magnitude of water volume surpluses generated over the last few years, a budget adjustment was made in the 2024 budget to reduce the likelihood of significant

2023 Budget Surplus	
Water Volume	\$121,183
Investment Income	106,793
Other	11,407
Total	\$239,383

operational surpluses in the future.

The secondary board's investments realized \$137,393 in investment income during the year, exceeding budget estimates by \$106,793. Unrealized investment gains, income generated if investments were cashed-in at the end of the year, accounts for an additional increase to the AASWSS's investment portfolio of \$68,362 bringing total annual investment earnings to \$205,756.

Other net operating costs including those for wages, OCWA contract, EMPS agreement and maintenance repair costs for the system were also lower than expected. Spending in these areas were a net total \$11,407 below budget.

Reconciliation of Budget Surplus to Financial Statements

Public Sector Accounting Standards require the exclusion of budgeted transfers to reserves and the inclusion amortization, the estimated degradation of infrastructure, as part of the Board's annual surplus calculation. This conversion translates to a \$324,624 surplus as presented in the 2023 audited financial statements.

AASWSS's 2023 surplus is recommended to be transferred to reserves which can be utilized to fund future capital projects as approved by the Board. A surplus of this magnitude was not included in the secondary system's long-term reserves forecast and therefore will have a downward pressure on future rate recommendations.

Investment Portfolio

The Aylmer Area Secondary Water Supply System (AASWSS) plans to replace its transmission main through gradually building its reserves over time so they can be drawn upon when replacement is eventually required. This allows the secondary system to plan for its' capital needs without significantly impacting water rates in any particular year while minimizing the need to incur debt. While funds are not in use, they are invested to earn income which reduces costs which would otherwise be borne by ratepayers.

The AASWSS established a relationship with ONE Investment in 2015 for the purpose of managing the secondary system's investment portfolio and supplying investment advice to its administrators.

Investment income and unrealized gains on investments increased the value of the AASWSS's investment portfolio by \$205,756, a rate of return of approximately 7.5%. During the same period, non-residential construction prices, measured by the Non-residential Construction Price Index rose by 3.98%.

A change in investment strategy was made during the year to better align with the secondary system's long-term financial goals, specifically the funding of its transmission main. As such, a shift was made from cash equivalents, such as GICs and high-interest savings, to equity investments. Equity investments are money that is invested in companies by purchasing shares of those companies in the stock market. Equity investments tend to fluctuate more in their annual returns and tend to be considered a higher risk than its fixed income alternatives. The appeal of equity investments is that

over the long-term they tend to outperform other investment options though investors must bear occasional short-term losses. Staff are limiting equity investments to 33% of total financial holdings. The table below provides a summary of the AASWSS's ONE Investment portfolios at the end of 2023.

Investment Type	2022 Market Values	Deposits & (Draws)	Earnings & (Losses)	2023 Market Values	2023 Rate of Return
Investments					
Government Bonds	\$400,371	\$260,000	\$28,016	\$688,387	4.61%
Corporate Bonds	625,060	0	68,347	664,096	6.25%
Equity Fund	0	830,000	39,036	898,347	17.22%
Total	\$1,025,430	\$1,090,000	\$135,399	\$2,250,829	
Cash Holdings					
Operating Account	\$250,000	\$0	\$5,750	\$250,000	~2.30%
Cash Equivalents	839,312	(605,412)	64,607	548,507	5.30%
Total	\$1,089,312	(\$605,412)	\$70,357	\$798,507	
Grand Total	\$2,114,742	\$484,588	\$205,756	\$3,049,336	
<i>All investment activities were compliant with Ontario Regulation 438/97 of the Municipal Act.</i>					

Reserve Continuity

At the end of 2023, AASWSS' reserves total \$3,050,063, inclusive of the 2023 surplus, which can be used to fund unforeseen events or future infrastructure projects at the Board's discretion.

Statement of Reserves	
January 1, 2023 Opening Balance	\$2,635,406
Add: Budgeted Contribution	203,432
Less: Capital Spending	(23,158)
Add: 2023 Surplus	239,383
December 31, 2023 Closing Balance	\$3,050,063

Submitted by:	Approved by:
Adam Boylan, Director of Corporate Services / Treasurer	Nathan Dias Chief Administrative Officer

Schedule A) 2023 Budget Variance Schedule

	Prior Years				
	2022 Budget	Actuals	Budget	2023 Actual	Variance
<u>Expenses</u>					
Purchase of Water	\$1,429,134	\$1,637,643	\$1,501,163	\$1,721,053	\$219,890
EMPS Operations	\$184,130	\$164,400	\$188,385	\$174,096	-\$14,289
OCWA Operations Contract	\$93,950	\$94,208	\$108,639	\$121,493	\$12,854
System Repairs & Maintenance	\$43,023	\$20,350	\$54,678	\$52,145	-\$2,533
Wages	\$38,710	\$38,710	\$39,484	\$40,171	\$687
Software (SCADA)	\$8,500	\$8,681	\$16,700	\$9,762	-\$6,938
Audit Fees	\$6,500	\$3,593	\$6,500	\$3,714	-\$2,786
Studies & Reports	\$0	\$0	\$1,500	\$1,429	-\$71
Miscellaneous	\$250	\$3	\$250	\$418	\$168
Total Expenses	\$1,804,197	\$1,967,588	\$1,917,299	\$2,124,282	\$206,983
Capital Costs	\$151,000	\$27,125	\$34,000	\$23,159	-\$10,841
<u>Revenue</u>					
Water Billings	\$1,997,953	\$2,289,465	\$2,088,631	\$2,429,703	\$341,072
Investment Income	\$30,000	\$43,900	\$30,600	\$137,393	\$106,793
Total Revenue	\$2,027,953	\$2,333,365	\$2,119,231	\$2,567,096	\$447,865
<u>Reserve Transfers</u>					
Contributions to Reserves	\$223,756	\$223,756	\$203,432	\$203,432	\$0
Less: Capital Costs	-\$151,000	-\$27,125	-\$35,500	-\$23,159	\$12,341
Operating Surplus/(Deficit)	\$0	\$142,021	\$0	\$239,383	\$239,383
Net Reserve Transfer	\$72,756	\$338,652	\$167,932	\$419,656	\$251,724
Net Total	\$0	\$0	\$0	\$0	\$0



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April 2, 2024

Aylmer Area Water System
87 John Street South
Aylmer, Ontario, N5H 2C3

Dear Joint Board of Management:

The Objective and Scope of the Audit

You have requested that we audit the financial statements of Aylmer Area Water System, which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. 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:

- a. 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.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- d. Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- e. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

The Responsibilities of Management

Our audit will be conducted on the basis that management and those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards
- b. For the design and implementation of 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.
- c. To provide us with timely:
 - i. Access to all information of which management is aware that is relevant to the preparation of the financial statements (such as records, documentation and other matters);
 - ii. Information about all known or suspected fraud, any allegations of fraud or suspected fraud and any known or probable instances of noncompliance with legislative or regulatory requirements;
 - iii. Additional information that we may request from management for the purpose of the audit; and
 - iv. Unrestricted access to persons within Aylmer Area Water System from whom we determine it necessary to obtain audit evidence.

As part of our audit process:

- a. We will make inquiries of management about the representations contained in the financial statements. At the conclusion of the audit, we will request from management and those charged with governance written confirmation concerning those representations. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.
- b. We will communicate any misstatements identified during the audit other than those that are clearly trivial. We request that management correct all the misstatements communicated.

Form and Content of Audit Opinion

Unless unanticipated difficulties are encountered, our report will be substantially in the form contained below.

INDEPENDENT AUDITORS' REPORT

To the Joint Board of Management of Aylmer Area Water System:

Opinion

We have audited the financial statements of Aylmer Area Water System, which comprise the statement of financial position as at December 31, 2023, and the statement of operations and accumulated surplus, statement of changes in financial assets, statement of remeasurement gains and losses, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the organization's financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2023, and the results of its operations and its cash flows 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization'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 the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with Canadian auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. Thomas, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

If we conclude that a modification to our opinion on the financial statements is necessary, we will discuss the reasons with you in advance.

Confidentiality

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of unless:

- a. We have been specifically authorized with prior consent;
- b. We have been ordered or expressly authorized by law or by the Code of Professional Conduct/Code of Ethics; or
- c. The information requested is (or enters into) public domain.

Communications

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus, or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues or anticipated profits). If you do not consent to our use of electronic communications, please notify us in writing.

We offer you the opportunity to communicate by a secure online portal, however if you choose to communicate by email you understand that transmitting information poses the risks noted above. You should not agree to communicate with the firm via email without understanding and accepting these risks.

Use of Information

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- a. You represent to us that management has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
- b. We will hold all personal information in compliance with our Privacy Statement.

Use and Distribution of our Report

The examination of the financial statements and the issuance of our audit opinion are solely for the use of Aylmer Area Water System and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements or our audit report, and we accept no responsibility for their use by any third party or any liability to anyone other than Aylmer Area Water System.

For greater clarity, our audit will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our audit report should not be circulated (beyond Aylmer Area Water System) or relied upon by any third party for any purpose, without our prior written consent.

You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

Reproduction of Auditor's Report

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website or to consider the consistency of other information on the electronic site with the original document.

Ownership

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the engagement are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any damage or loss incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

File Inspections

In accordance with professional regulations (and by our Firm's policy), our client files may periodically be reviewed by practice inspectors and by other engagement file reviewers to ensure that we are adhering to our professional and Firm's standards. File reviewers are required to maintain confidentiality of client information.

Accounting Advice

Except as outlined in this letter, the audit engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement.

Other Services

In addition to the audit services referred to above, we will, as allowed by the Code of Professional Conduct/Code of Ethics, prepare your federal and provincial income tax returns and other special reports as required. Management will provide the information necessary to complete these returns/reports and will file them with the appropriate authorities on a timely basis.

Governing Legislation

This engagement letter is subject to, and governed by, the laws of the Province of Ontario. The Province of Ontario will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts to claim that the action has been brought in an inappropriate forum or to claim that those courts do not have jurisdiction.

Dispute Resolution

You agree that:

- a. Any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- b. You will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

Indemnity

Aylmer Area Water System hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our Firm, and its partners, agents or employees, from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- a. The breach by Aylmer Area Water System, or its directors, officers, agents, or employees, of any of the covenants made by Aylmer Area Water System herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our Firm.
- b. A misrepresentation by a member of your management or board of directors.

Time Frames

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by Aylmer Area Water System of its obligations.

Fees***Fees at Regular Billing Rates***

Our professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable HST, and are due when rendered. Fees for any additional services will be established separately.

Fees will be rendered as work progresses and are payable on presentation.

Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1.0% per month. We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

Costs of Responding to Government or Legal Processes

In the event we are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our normal hourly rates for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable GST/HST) incurred.

Termination

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all of our out-of-pocket costs through to the date of termination.

Management acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party. If early termination takes place, shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the audit or are unable to form, or have not formed, an opinion on the financial statements, we may withdraw from the audit before issuing an auditor's report, or we may disclaim an opinion on the financial statements. If this occurs, we will communicate the reasons and provide details.

Conclusion

This engagement letter includes the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your organization.

Sincerely,

GRAHAM SCOTT ENNS LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

A handwritten signature in black ink, appearing to read "Robert Foster", written in a cursive style.

Robert Foster CPA, CA
Partner

Acknowledged and agreed on behalf of Aylmer Area Water System by:

Joint Board of Management
Aylmer Area Water System



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www.grahamscottenns.com

June 5, 2024

Aylmer Area Water System
87 John Street South
Aylmer, Ontario, N5H 2C3

Dear Joint Board of Management:

Re: Audit Findings

This letter has been prepared to assist you with your review of the financial statements of Aylmer Area Water System for the year ending December 31, 2023. We look forward to meeting with you and discussing the matters outlined below.

Significant Matters Arising

Changes to Audit Plan

There were no changes to the audit plan (as previously presented to you).

Other Matters

We have not identified any other significant matters that we wish to bring to your attention at this time.

Significant Difficulties Encountered

There were no significant difficulties encountered during our audit.

Comments on Accounting Practices

Accounting Policies

The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.

- There were changes from previous accounting policies. At January 1, 2023, the Port Burwell Water System adopted PS 3280 - Asset Retirement Obligations - these changes have been incorporated into the financial statements and additional note disclosures. .
- We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- We did not identify any significant accounting policies in controversial or emerging areas.

Significant Accounting Estimates

There were no significant estimates/judgements contained in the financial statements.

Significant Financial Statement Disclosures

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention.

Uncorrected Misstatements

We accumulated no significant uncorrected misstatements during our audit.

Significant Deficiencies in Internal Control

A deficiency in internal control exists when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

To identify and assess the risks of material misstatement in the financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

We did not identify any control deficiencies that, in our judgment, would be considered significant deficiencies.

Written Representations

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards. .

Other Audit Matters of Governance Interest

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of those charged with governance of Aylmer Area Water System to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Sincerely,

GRAHAM SCOTT ENNS LLP

CHARTERED PROFESSIONAL ACCOUNTANTS



Robert Foster CPA, CA
Partner

Acknowledgement of Joint Board of Management:

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Per: Aylmer Area Water System

Signed: _____

Print Name: _____



GRAHAM SCOTT ENNS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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April 2, 2024

Aylmer Area Water System
87 John Street South
Aylmer, Ontario, N5H 2C3

Dear Joint Board of Management:

Re: Audit Planning

We are writing this letter in connection with our audit of the financial statements for the period ending December 31, 2023.

Our purpose in writing is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. In this letter we will:

- a) Address our responsibilities as independent auditors and provide information about the planned scope and timing of our audit.
- b) Request a response to some audit questions and any additional information you may have that could be relevant to our audit.

Adoption of New Public Sector Accounting Standards

On April 1, 2022 the organization was required to adopt new Public Sector Accounting Standards, which would be effective December 31, 2023 year ends, and include the following:

- PS 3280 - Asset Retirement Obligations

Current Developments in the Profession

Over the past number of years there have been developments in the area of financial reporting, corporate governance and auditing. The upcoming changes over the next few fiscal years for financial reporting as it relates to public sector accounting standards are described below.

PS 1202 – Financial Statement Presentation

This standard will apply for fiscal years beginning on or after April 1, 2026, which would be the year end December 31, 2027. This standard may impact the presentation on the financial statements with more distinction between financial assets and financial liabilities.

PS 3400 – Revenue

This standard will apply for fiscal years beginning on or after April 1, 2023, which would be the year end December 31, 2024. This standard will impact the timing of the revenue reported by the organization. Examination and audit of the types of revenue will determine the impact of this standard.

We as auditors are not responsible for ensuring that the organization is prepared for the introduction of these standards and these standards will only be considered in so far as it affects our audit responsibilities under Canadian Auditing Standards. Management and those charged with governance are responsible for analyzing the impact on the organization, developing plans to mitigate the effects, and the preparation of the financial statements under these new or updated Canadian public sector accounting standards.

Auditor Responsibilities

As stated in the engagement letter dated April 2, 2024, our responsibility as auditors of your organization is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian public sector accounting standards.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- a) Assessing the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole; and
- b) Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

As part of our audit, we will obtain a sufficient understanding of the business and the internal control structure of Aylmer Area Water System to plan the audit. This will include management's assessment of:

- a) The risk that the financial statements may be materially misstated as a result of fraud and error; and,
- b) The internal controls put in place by management to address such risks.

Planned Scope and Timing of Our Audit

In developing our audit plan, we worked with management to understand the nature of the entity Aylmer Area Water System and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the identified areas of risk.

Materiality

Overall materiality will be used to:

- a) plan and perform the audit; and,
- b) evaluate the effects of identified and uncorrected misstatements on the audit procedures performed as well as on the financial statements.

The materiality amount will be reassessed at period end to ensure it remains appropriate.

Internal Control

To help identify and assess the risks of material misstatement in the financial statements, we obtain an understanding of internal control relevant to the audit. This understanding is used in the design of appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control. Should we identify any significant deficiencies in the internal control and accounting systems, we will communicate them to you in our audit findings letter.

Significant Risks

In planning our audit, we identify significant financial reporting risks that, by their nature, require special audit consideration. The significant risks we have identified and our proposed audit response is outlined below:

Significant Risks	Proposed Audit Response
Revenue recognition and completeness	Analytical procedures Substantive testing of revenues, including the consistent application of accounting policies Review of cut-off procedures
Management override	Inquiries of management Review of journal entries Review of related-party transactions and management estimates
Accounts payable - existence and completeness	Analytical Substantive testing and tests of controls
Litigation and legal estimates	Discussions with council and management Confirmations sent to legal council

If there are specific areas that warrant our particular attention during the audit or where you would like us to undertake some additional procedures, please let us know.

Uncorrected Misstatements

Where we identify uncorrected misstatements during our audit, we will communicate them to management and request that they be corrected. If not corrected by management, we will then request that you correct them. If not corrected by you, we will also communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Audit Findings

At the conclusion of our audit, we will prepare an audit findings letter to assist you with your review of the financial statements. This letter will include our views and comments on matters such as:

- a) significant matters, if any, arising from the audit that were discussed with management;
- b) significant difficulties, if any, encountered during the audit;
- c) qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- d) uncorrected misstatements; and
- e) any other audit matters of governance interest.

Audit Questions and Requests

Fraud

To help us in identifying and responding to the risks of fraud within the entity, we would appreciate your responses to the following questions:

- a) What oversight, if any, do you provide over management’s processes for identifying and responding to fraud risks? Management’s processes could include policies, procedures, programs or controls that serve to prevent, detect and deter fraud.
- b) Do you have any knowledge of any actual, suspected or alleged fraud, including misappropriation of assets or manipulation of the financial statements, affecting the entity? If so, please provide details and how the fraud or allegations of fraud were addressed.

Other Matters

Would you please bring to our attention any significant matters or financial reporting risks, of which you are aware, that may not have been specifically addressed in our proposed audit plan. This could include such matters as future plans, contingencies (including any liability for contaminated sites), events, decisions, non-compliance with laws and regulations, potential litigation, specific transactions (such as with related parties or outside of the normal course of business) and any additional sources of audit evidence that might be available.

We recognize your significant role in the oversight of the audit and would welcome any observations on our audit plan.

This letter was prepared for the sole use of those charged with governance of Aylmer Area Water System to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Sincerely,

GRAHAM SCOTT ENNS LLP

Chartered Professional Accountants



Robert Foster CPA, CA

Partner

Per: Aylmer Area Water System

Signed: _____

Date: _____

Print Name: _____

AYLMER AREA WATER SYSTEM

Financial Statements

December 31, 2023

Draft

AYLMER AREA WATER SYSTEM

Financial Statements

For The Year Ended December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Joint Board of Management of **Aylmer Area Water System**:

Opinion

We have audited the financial statements of **Aylmer Area Water System**, which comprise the statement of financial position as at December 31, 2023, and the statement of operations and accumulated surplus, statement of changes in net financial assets, statement of remeasurement of gains and losses, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Aylmer Area Secondary Water System's financial statements present fairly, in all material respects, the financial position of the Aylmer Area Secondary Water System as at December 31, 2023, and the results of its operations and its cash flows 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Aylmer Area Secondary Water System in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Aylmer Area Secondary Water 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 the Aylmer Area Secondary Water System or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Aylmer Area Secondary Water System's financial reporting process.

Auditors' 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.



GRAHAM SCOTT ENNS LLP
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aylmer Area Secondary Water 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 the Aylmer Area Secondary Water 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 the Aylmer Area Secondary Water 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.

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.

St. Thomas, Ontario

June 5, 2024

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

AYLMER AREA WATER SYSTEM

**Statement of Financial Position
As At December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
FINANCIAL ASSETS		
Cash	548,507	1,089,312
Investments (Note 3)	2,250,829	1,025,430
Accounts receivable (Note 5)	<u>409,004</u>	<u>601,783</u>
	3,208,340	2,716,525
LIABILITIES		
Accounts payable and accrued liabilities	<u>204,254</u>	<u>200,455</u>
NET FINANCIAL ASSETS	3,004,086	2,516,070
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6, page 17)	<u>3,617,432</u>	<u>3,694,462</u>
TOTAL NET ASSETS	<u>6,621,518</u>	<u>6,210,532</u>
ACCUMULATED SURPLUS (NOTE 7)	6,672,494	6,329,870
ACCUMULATED REMEASUREMENT LOSSES	<u>(50,975)</u>	<u>(119,337)</u>
	<u>6,621,518</u>	<u>6,210,532</u>

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The accompanying notes are an integral part of these financial statements

AYLMER AREA WATER SYSTEM

Statement of Operations and Accumulated Surplus For The Year Ended December 31, 2023

	Budget (Note 8) <u>\$</u>	Actual 2023 <u>\$</u>	Actual 2022 <u>\$</u>
REVENUES			
Municipal contributions			
Town of Aylmer	2,041,184	2,374,508	2,234,270
Township of Malahide	12,011	13,972	13,972
Municipality of Central Elgin	<u>35,436</u>	<u>41,223</u>	<u>41,223</u>
	2,088,631	2,429,703	2,289,465
Interest	<u>30,600</u>	<u>137,393</u>	<u>43,941</u>
Total Revenues	<u>2,119,231</u>	<u>2,567,096</u>	<u>2,333,406</u>
EXPENSES			
Water purchases	1,501,163	1,721,053	1,637,645
Operations and maintenance	414,081	362,676	325,334
Amortization	99,612	100,191	99,612
Administrative	19,974	17,875	16,843
Insurance	<u>16,081</u>	<u>22,677</u>	<u>14,931</u>
Total Expenses	<u>2,050,911</u>	<u>2,224,472</u>	<u>2,094,365</u>
ANNUAL SURPLUS	68,320	342,624	239,041
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>6,329,870</u>	<u>6,329,870</u>	<u>6,090,829</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u><u>6,398,190</u></u>	<u><u>6,672,494</u></u>	<u><u>6,329,870</u></u>

Draft

The accompanying notes are an integral part of these financial statements

AYLMER AREA WATER SYSTEM

**Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
ANNUAL SURPLUS	342,624	239,041
Acquisition of tangible capital assets	(23,160)	-
Amortization of tangible capital assets	100,191	99,612
Change in accumulated remeasurement gains (losses)	<u>68,361</u>	<u>(119,337)</u>
INCREASE IN NET FINANCIAL ASSETS	488,016	219,316
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,516,070</u>	<u>2,296,755</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>3,004,086</u></u>	<u><u>2,516,070</u></u>

Draft

The accompanying notes are an integral part of these financial statements

AYLMER AREA WATER SYSTEM

**Statement of Remeasurement Gains and Losses
For The Year Ended December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	<u>(119,337)</u>	<u>(23,974)</u>
Unrealized gains (losses) attributable to investments	<u>68,362</u>	<u>(95,363)</u>
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	<u><u>(50,975)</u></u>	<u><u>(119,337)</u></u>
Accumulated remeasurement gains is comprised of: Investments	<u><u>(50,975)</u></u>	<u><u>(119,337)</u></u>

Draft

The accompanying notes are an integral part of these financial statements

AYLMER AREA WATER SYSTEM

**Statement of Cash Flows
For The Year Ended December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	342,624	239,041
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	<u>100,190</u>	<u>99,612</u>
	442,814	338,653
Change in non-cash items related to operations:		
Accounts receivable	192,779	(63,379)
Accounts payable and accrued liabilities	<u>3,799</u>	<u>11,100</u>
Net change in cash from operating activities	<u>639,392</u>	<u>286,374</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(23,160)</u>	<u>-</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(1,157,037)</u>	<u>(21,464)</u>
NET CHANGE IN CASH DURING THE YEAR	(540,805)	264,910
CASH, BEGINNING OF YEAR	<u>1,089,312</u>	<u>824,402</u>
CASH, END OF YEAR	<u>548,507</u>	<u>1,089,312</u>

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The accompanying notes are an integral part of these financial statements

AYLMER AREA WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

NATURE AND PURPOSE OF THE ORGANIZATION

Effective November 29, 2000, the Ministry of Environment issued a Transfer Order to transfer ownership and associated properties of the Aylmer Area Secondary Water Supply System from the Ontario Clean Water Agency to area municipalities. As part of the Transfer Order, a Joint Board of Management ("Joint Board") was established to govern the management of the System. The System was renamed the Aylmer Area Water System. The Joint Board consists of one representative of the municipal Councils of the Town of Aylmer, Township of Malahide and the Municipality of Central Elgin. The Township of Malahide is the administering municipality on behalf of the Municipalities and the Joint Board. The Joint Board has authority to manage on behalf of the Municipalities the System for the purpose of constructing, operating, repairing and improving the System.

1. CHANGE IN ACCOUNTING POLICY

On January 1, 2023, the Aylmer Area Secondary Water System adopted accounting policies to conform to new standards issued under Canadian public sector accounting standards. The Aylmer Area Secondary Water System adopted the following standards which had the following impact:

- PS 3280 - Asset Retirement Obligations - require reporting of any asset retirement obligations as tangible capital assets and their liabilities and associated policies. It is managements opinion that no asset retirement obligations exist as at December 31, 2023. This change has been applied retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Aylmer Area Secondary Water System are prepared by management in accordance with Canadian accounting standards for public sector entities. Significant aspects of the accounting policies adopted by the Aylmer Area Secondary Water System are as follows:

Reporting Entity

The financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are 100% owned or controlled by the Aylmer Area Secondary Water System.

AYLMER AREA WATER SYSTEM**Notes to the Financial Statements
For The Year Ended December 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for public sector entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. In addition, the Aylmer Area Secondary Water System's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. These estimates and assumptions are based on the best information and judgment and may differ significantly from actual results.

Government Transfers

Government transfers are recognized in the financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

Asset Retirement Obligations

The Aylmer Area Secondary Water System may be exposed to obligations of remediation associated with their tangible capital assets. If a legal obligation exists of remediation for a tangible capital asset then the Aylmer Area Secondary Water System would be required to set up an estimated future cost and liability associated with these obligations. As at December 31, 2023 there were no tangible capital assets that Aylmer Area Secondary Water System has controlled, constructed, owned or used that would have a legal obligation of remediation.

AYLMER AREA WATER SYSTEM**Notes to the Financial Statements
For The Year Ended December 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial Instruments**

The Aylmer Area Secondary Water System's financial assets and liabilities are measured as follows:

- [i] Cash at fair value;
- [ii] Portfolio investments at fair value;
- [iii] Accounts receivable at amortized cost;
- [iv] Accounts payable and accrued liabilities at amortized cost;

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measure using amortized cost, the effective interest rate method is used to determine interest revenue or expenses. Transaction costs are a component of cost for financial instruments measured using cost or amortized costs. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash equivalents and portfolio investments are accounted for using trade-date accounting. The Aylmer Area Secondary Water System does not use foreign currency contracts or any other type of derivative financial instruments of trading or speculative purposes.

The Aylmer Area Secondary Water System's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Aylmer Area Secondary Water System is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

AYLMER AREA WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building - structural	50 years
Building - mechanical	20 years
Mains	100 years
Hydrants	35 years

No amortization is charged in the year of acquisition and a full year of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

iii) Interest capitalization

The Aylmer Area Secondary Water System does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

v) Leased tangible capital assets

Leases are classified as capital or operating leases. Leases which transfer substantially all of 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.

AYLMER AREA WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

3. INVESTMENTS

Investments are comprised of the following:

	2023		2022	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	Cost	Market	Cost	Market
One fund pooled bond securities	<u>2,301,804</u>	<u>2,250,829</u>	<u>1,144,767</u>	<u>1,025,430</u>

During the year the Aylmer Area Secondary Water System earned total income of \$67,037 (2022 - \$21,463) on it's investments and reported unrealized gain (losses) of \$68,362 (2022 - \$(95,363)) on the schedule of remeasurement gains

All of the above investments are valued as Level 1 investments. The investments are valued based on the degree to which the fair value is observable, as follows:

- [i] Level 1 - Fair value measurements are those derived from quoted prices (in active markets);
- [ii] Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- [iii] Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable data (unobservable inputs).

AYLMER AREA WATER SYSTEM**Notes to the Financial Statements
For The Year Ended December 31, 2023**

4. FINANCIAL INSTRUMENT RISKSRisks and Concentrations

The Aylmer Area Secondary Water System is exposed to various risks through its financial instruments. The following analysis provides a measure of the Aylmer Area Secondary Water System's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Aylmer Area Secondary Water System is mainly exposed to interest and price risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Aylmer Area Secondary Water System is exposed to price risk through its investments in quoted One Fund investments. The following details the Aylmer Area Secondary Water System's portfolio sensitivity to a 1.0% increase or decrease in the market prices. At December 31, 2023, if market prices had a 1% increase or decrease with all other variables remaining the same the increase or decrease in accumulated remeasurement gains and losses on the investments for the year would have totalled \$22,500.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Aylmer Area Secondary Water System is exposed to interest rate risk on its fixed rate long-term debt. As the interest rates are fixed the Aylmer Area Secondary Water System doesn't believe that interest rate risk is a significant risk.

Liquidity Risk

Liquidity risk is the risk that a Aylmer Area Secondary Water System will encounter difficulty in meeting obligations associated with financial liabilities. The Aylmer Area Secondary Water System is exposed to this risk mainly in respect of its accounts payable, accrued liabilities. The Aylmer Area Secondary Water System doesn't believe that liquidity risk is a significant risk.

AYLMER AREA WATER SYSTEM

**Notes to the Financial Statements
For The Year Ended December 31, 2023**

4. FINANCIAL INSTRUMENT RISKS (CONTINUED)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Aylmer Area Secondary Water System's main credit risks relate to its accounts receivable. The Aylmer Area Secondary Water System manages this risk by monitoring active receivable balances.

5. ACCOUNTS RECEIVABLE

	2023	2022
	<u>\$</u>	<u>\$</u>
Town of Aylmer	398,797	586,646
Township of Malahide	2,951	1,835
Municipality of Central Elgin	<u>7,256</u>	<u>13,302</u>
	<u>409,004</u>	<u>601,783</u>

6. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2023	2022
	<u>\$</u>	<u>\$</u>
Infrastructure		
Land	40,514	40,514
Building - Structural	216,408	224,542
Building - Mechanical	542,695	570,741
Mains	2,809,911	2,850,053
Hydrants	<u>7,904</u>	<u>8,612</u>
	3,617,432	3,694,462
Assets under construction	<u>-</u>	<u>-</u>
	<u>3,617,432</u>	<u>3,694,462</u>

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

AYLMER AREA WATER SYSTEM

**Notes to the Financial Statements
For The Year Ended December 31, 2023**

7. ACCUMULATED SURPLUS

The accumulated surplus balance is comprised of the current fund, investment in tangible capital assets, and reserves.

	2023	2022
	<u>\$</u>	<u>\$</u>
Investment in tangible capital assets	3,617,431	3,694,462
Reserves	<u>3,055,063</u>	<u>2,635,408</u>
	<u>6,672,494</u>	<u>6,329,870</u>

RESERVES CONSIST OF THE FOLLOWING:

Working capital	99,495	99,455
Lifecycle replacement	<u>2,955,568</u>	<u>2,535,953</u>
Total reserves	<u>3,055,063</u>	<u>2,635,408</u>

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AYLMER AREA WATER SYSTEM

**Notes to the Financial Statements
For The Year Ended December 31, 2023**

8. BUDGET FIGURES

The operating budget approved by the board of directors for 2023 is reflected on the statement of operations and accumulated surplus. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures and amortization.

	Approved Budget \$	Adjustments \$	PSAB Budget \$
REVENUES			
Municipal contributions			
Town of Aylmer	2,041,184	-	2,041,184
Township of Malahide	12,011	-	12,011
Municipality of Central Elgin	<u>35,436</u>	<u>-</u>	<u>35,436</u>
	2,088,631	-	2,088,631
Transfer from reserves	35,500	(35,500)	-
Interest	<u>30,600</u>	<u>-</u>	<u>30,600</u>
Total Revenues	<u>2,154,731</u>	<u>(35,500)</u>	<u>2,119,231</u>
EXPENSES			
Water purchases	1,501,163	-	1,501,163
Operations and maintenance	414,081	-	414,081
Amortization	-	99,612	99,612
Administrative	19,974	-	19,974
Insurance	16,081	-	16,081
Reserve transfers	<u>203,432</u>	<u>(203,432)</u>	<u>-</u>
Total Expenses	<u>2,154,731</u>	<u>(103,820)</u>	<u>2,050,911</u>
ANNUAL SURPLUS (DEFICIT)	<u>-</u>	<u>68,320</u>	<u>68,320</u>

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AYLMER AREA WATER SYSTEM

Schedule of Tangible Capital Assets For The Year Ended December 31, 2023

ASSET TYPE	Opening Historical Cost Balance Jan 1/2023	2023 Acquisitions	2023 Disposals	2023 Write-Offs	Ending Historical Cost Balance Dec 31/2023	Opening Accumulated Amortization Balance Jan 1/2023	2023 Disposals	2023 Amortization	2023 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2023	Ending Net Book Value Dec 31/2023
	Infrastructure Related										
Land	40,514	-	-	-	40,514	-	-	-	-	-	40,514
Buildings -Structural	835,378	-	-	-	835,378	610,836	-	8,134	-	618,970	216,408
Building - Mechanical	1,411,281	23,160	-	-	1,434,441	840,540	-	51,206	-	891,746	542,695
Mains	4,014,162	-	-	-	4,014,162	1,164,109	-	40,142	-	1,204,251	2,809,911
Hydrants	24,761	-	-	-	24,761	16,149	-	708	-	16,857	7,904
Total Capital Assets Sub-Total	6,326,096	23,160	-	-	6,349,256	2,631,634	-	100,190	-	2,731,824	3,617,432
Work In Progress	-	-	-	-	-	-	-	-	-	-	-
Total Tangible Capital Assets	6,326,096	23,160	-	-	6,349,256	2,631,634	-	100,190	-	2,731,824	3,617,432

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ASSET TYPE	Opening Historical Cost Balance Jan 1/2022	2022 Acquisitions	2022 Disposals	2022 Write-Offs	Ending Historical Cost Balance Dec 31/2022	Opening Accumulated Amortization Balance Jan 1/2022	2022 Disposals	2022 Amortization	2022 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2022	Ending Net Book Value Dec 31/2022
	Infrastructure Related										
Land	40,514	-	-	-	40,514	-	-	-	-	-	40,514
Buildings -Structural	835,378	-	-	-	835,378	602,702	-	8,134	-	610,836	224,542
Building - Mechanical	1,411,281	-	-	-	1,411,281	789,912	-	50,628	-	840,540	570,741
Mains	4,014,162	-	-	-	4,014,162	1,123,967	-	40,142	-	1,164,109	2,850,053
Hydrants	24,761	-	-	-	24,761	15,441	-	708	-	16,149	8,612
Total Capital Assets Sub-Total	6,326,096	-	-	-	6,326,096	2,532,022	-	99,612	-	2,631,634	3,694,462
Work In Progress	-	-	-	-	-	-	-	-	-	-	-
Total Tangible Capital Assets	6,326,096	-	-	-	6,326,096	2,532,022	-	99,612	-	2,631,634	3,694,462



Port Burwell Area Secondary Water Supply System

REPORT NO.: PBASWSS-24-10

DATE: June 12, 2024

ATTACHMENT: A) 2023 Budget Variance Schedule, B) 2023 Engagement Letter, C) Audit Planning Memo, D) Audit Findings Letter, E) 2023 Draft Financial Statements

SUBJECT: **2023 AUDITED FINANCIAL STATEMENTS & YEAR END REPORT**

Recommendation:

THAT the 2023 Audited Financial Statements and Year-End Report be received;

AND THAT the Chair be authorized to sign the Engagement Letter, Audit Planning Letter, and Audit Findings Letter from Graham, Scott, Enns LLP, dated June 12, 2024, on behalf of the PBASWSS Board.

AND THAT the Port Burwell Area Secondary Water Supply System 2023 surplus of \$116,067 be transferred to reserves.

Background:

The Port Burwell Area Secondary Water Supply System (PBASWSS) receives a financial audit each year to comply with its legislative requirements. PBASWSS' auditor in 2023 was Graham Scott Enns LLP who have provided the following attached documents for information:

Document	Purpose	
Engagement Letter	To define the terms of the audit and inform the board of the differing responsibilities of the auditor and management.	<i>Plan</i>
Audit Planning Memo	To inform the board of the methodology used to perform the audit and highlight any issues that affects the scope of audit work.	
Audit Findings Letter	To provide a qualitative report to the board on the outcome of the audit and to inform of any difficulties experienced during the audit.	<i>Results</i>
Draft Financial Statements	To provide the audited financial figures for the year.	

Summary of Audit Findings:

Graham Scott Enns LLP's full audit findings letter is attached to this report. To briefly summarize its contents:

- No significant matters are required to be brought to the board's attention
- No significant difficulties were encountered during the audit
- No significant uncorrected misstatements
- No significant deficiencies in internal controls

Interpretation of Financial Statements:

As required by Public Sector Accounting Standards, the PBASWSS' financial statements are presented in five separate section along with additional explanatory notes. An explanation for each section has been provided below to assist board members in reading this year's financial statements.

1. **Statement of Financial Position / Balance Sheet** (*page 3*) – summarizes the financial position of the Board at the end of the year.
2. **Statement of Operations and Accumulated Surplus / Income Statement** (*page 4*) – explains the change in overall financial position during the year.
3. **Statement of Changes in Net Assets** (*page 5*) – details the change between the current prior period for net asset balances.
4. **Statement of Remeasurement Gain & Losses** (*page 6*) – explains the change in the overall financial position of the entity during the accounting period due to remeasurement related to unrealized gain and losses on specific financial assets and liabilities.
5. **Statement of Cash Flows** (*page 7*) – reconciles the change in cash and cash equivalents from the prior year and provides information on the entity's ability to generate cash to meet its cash requirements.

Annual Financial Highlights:

2023 Financial Performance

A budget surplus of \$116,068 was generated during the year. Water volume sales exceeded budget expectations by \$30,424 which was offset by the cost to purchase additional water from the primary system in the amount of \$5,887 resulting in a net volume surplus of \$24,537.

2023 Budget Surplus	
Water Volume	\$24,537
Investment Income	122,714
System Repairs	(40,374)
Other	9,190
Total	\$116,068

The secondary board's investments realized \$127,714 in investment income during the year, exceeding budget estimates by \$122,714. Unrealized investment gains, income generated if investments were cashed-in at the end of the year, accounts for an additional increase to the PBASWSS's investment portfolio of \$17,366 bringing total

annual investment earnings to \$145,080.

System repair and maintenance costs, primarily consisting of OCWA call out fees, and an insured value update on the secondary board's assets resulting in a total budget exceedance of \$40,373.

Other net operating costs including those for wages, booster station operations, and administrative costs were below budget by \$9,190.14.

Reconciliation of Budget Surplus to Financial Statements

Public Sector Accounting Standards require the exclusion of budgeted transfers to reserves and the inclusion amortization, the estimated degradation of infrastructure, as part of the Board's annual surplus calculation. This conversion translates to a \$303,156 surplus as presented in the 2023 audited financial statements.

2023 Surplus Reconciliation	
Budget Surplus	\$116,067
Add: Net Contribution to Reserves	336,112
Less: Amortization	(149,023)
Financial Statement Surplus	\$303,156

PBASWSS's 2023 surplus is recommended to be transferred to reserves which can be utilized to fund future capital projects as approved by the Board. A surplus of this magnitude was not included in the secondary system's long-term reserves forecast and therefore will have a downward pressure on future rate recommendations.

Investment Portfolio

The Port Burwell Area Secondary Water Supply System (PBASWSS) plans to replace its transmission main through gradually building its reserves over time so they can be drawn upon when replacement is eventually required. This allows the secondary system to plan for its' capital needs without significantly impacting water rates in any particular year while minimizing the need to incur debt. While funds are not in use, they are invested to earn income which reduces costs which would otherwise be borne by ratepayers.

The PBASWSS established a relationship with ONE Investment in 2015 for the purpose of managing the secondary system's investment portfolio and supplying investment advice to its administrators.

Investment income and unrealized gains on investments increased the value of the PBASWSS's investment portfolio by \$145,080, a rate of return of approximately 5.82%. During the same period, non-residential construction prices, measured by the Non-residential Construction Price Index rose by 3.98%.

A change in investment strategy was made during the year to better align with the secondary system's long-term financial goals. As such, a shift was made from cash equivalents, such as GICs and high-interest savings, to equity investments. Equity

investments are money that is invested in companies by purchasing shares of those companies in the stock market. Equity investments tend to fluctuate more in their annual returns and tend to be considered a higher risk than fixed-income alternatives. The appeal of equity investments is that over the long-term they tend to outperform other investment options though investors must bear occasional short-term losses. Equity investing is generally recommended for funds earmarked for long-term investment use due to the potential for price volatility in the short-term. As the secondary system is potentially facing a significant draw upon its reserves over the next 5 years due to an imminent watermain replacement, staff are recommending equity investments be limited to 20% of total financial holdings, a more conservative target than what would otherwise be recommended. The table below provides a summary of the PBASWSS's ONE Investment portfolios at the end of 2023.

Investment Type	2022 Market Values	Deposits & (Draws)	Earnings & (Losses)	2023 Market Values	2023 Rate of Return
Investments					
Government Bonds	\$107,763	\$550,000	\$12,327	\$670,090	4.61%
Corporate Bonds	352,194	300,000	29,347	681,541	6.25%
Equity Funds	0	500,000	15,466	515,466	17.22%
Total	\$459,957	\$1,350,000	\$57,140	\$1,867,097	
Cash Holdings					
Operating Account	\$100,000	(5,300)	5,300	100,000	~2.30%
Cash Equivalents	1,661,572	(1,120,627)	82,640	623,585	5.30%
Total	\$1,761,572	(\$1,125,927)	\$87,940	\$723,585	
Grand Total	\$2,221,529	\$224,073	\$145,080	\$2,590,682	
<i>All investment activities were compliant with Ontario Regulation 438/97 of the Municipal Act.</i>					

Reserve Continuity

At the end of 2023, PBASWSS' reserves total \$2,695,281, inclusive of the 2023 surplus, which can be used to fund unforeseen events or future infrastructure projects at the Board's discretion.

Statement of Reserves	
January 1, 2023 Opening Balance	\$2,292,718
Add: Budgeted Contribution	336,112
Less: Capital Spending	(49,616)
Add: 2023 Surplus	116,067
December 31, 2023 Closing Balance	\$2,695,281

Submitted by:	Approved by:
Adam Boylan, Director of Corporate Services / Treasurer	Nathan Dias Chief Administrative Officer

Schedule A) 2023 Budget Variance Schedule

	2022		2023		Variance
	Budget	Actuals	Budget	Actual	
<u>Expenses</u>					
Purchase of Water	\$237,679	\$266,704	\$249,642	\$255,529	\$5,887
OCWA Contract	\$84,673	\$89,139	\$108,581	\$155,533	\$46,952
System Repairs & Maintenance	\$40,611	\$72,146	\$62,392	\$55,814	-\$6,578
Booster Station	\$13,072	\$10,341	\$13,655	\$10,694	-\$2,961
Wages	\$41,582	\$41,581	\$42,413	\$43,249	\$836
SCADA	\$10,800	\$16,313	\$29,000	\$25,956	-\$3,044
Audit Fees	\$6,500	\$3,633	\$6,500	\$3,714	-\$2,786
Studies & Reports	\$0	\$0	\$1,500	\$1,777	\$277
Miscellaneous	\$200	\$3	\$200	\$465	\$265
Total Expenses	\$435,116	\$499,860	\$513,883	\$552,730	\$38,847
Capital Costs	\$86,000	\$27,211	\$64,500	\$49,616	-\$14,884
<u>Revenue</u>					
Water Billings	\$794,726	\$892,414	\$843,495	\$873,919	\$30,424
Investment Income	\$15,000	-\$10,409	\$5,000	\$127,714	\$122,714
Other Revenues	\$0	\$0	\$0	\$3,277	\$3,277
Total Revenue	\$809,726	\$882,005	\$848,495	\$1,004,910	\$156,415
<u>Reserve Transfers</u>					
Contributions to Reserves	\$374,610	\$374,610	\$336,112	\$336,112	\$0
Less: Capital Costs	-\$86,000	-\$27,211	-\$66,000	-\$49,616	\$16,384
Operating Surplus/(Deficit)	\$0	\$7,536	\$0	\$116,068	\$116,068
Net Reserve Transfer	\$288,610	\$354,935	\$270,112	\$402,564	\$132,452
Net Total	\$0	\$0	\$0	\$0	\$0



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April 2, 2024

Port Burwell Water System
87 John Street South
Aylmer, Ontario, N5H 2C3

Dear Joint Board of Management:

The Objective and Scope of the Audit

You have requested that we audit the financial statements of Port Burwell Water System, which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, change in net financial assets, remeasurement gains and losses, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. 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:

- a. 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.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- d. Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- e. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

The Responsibilities of Management

Our audit will be conducted on the basis that management and those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards
- b. For the design and implementation of 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.
- c. To provide us with timely:
 - i. Access to all information of which management is aware that is relevant to the preparation of the financial statements (such as records, documentation and other matters);
 - ii. Information about all known or suspected fraud, any allegations of fraud or suspected fraud and any known or probable instances of noncompliance with legislative or regulatory requirements;
 - iii. Additional information that we may request from management for the purpose of the audit; and
 - iv. Unrestricted access to persons within Port Burwell Water System from whom we determine it necessary to obtain audit evidence.

As part of our audit process:

- a. We will make inquiries of management about the representations contained in the financial statements. At the conclusion of the audit, we will request from management and those charged with governance written confirmation concerning those representations. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.
- b. We will communicate any misstatements identified during the audit other than those that are clearly trivial. We request that management correct all the misstatements communicated.

Form and Content of Audit Opinion

Unless unanticipated difficulties are encountered, our report will be substantially in the form contained below.

INDEPENDENT AUDITORS' REPORT

To the Joint Board of Management of Port Burwell Water System:

Opinion

We have audited the financial statements of Port Burwell Water System, which comprise the statement of financial position as at December 31, 2023, and the statement of operations and accumulated surplus, statement of changes in financial assets, statement of rereasurement gains and losses, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the organization's financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2023, and the results of its operations and its cash flows 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization'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 the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with Canadian auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. Thomas, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

If we conclude that a modification to our opinion on the financial statements is necessary, we will discuss the reasons with you in advance.

Confidentiality

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of unless:

- a. We have been specifically authorized with prior consent;
- b. We have been ordered or expressly authorized by law or by the Code of Professional Conduct/Code of Ethics; or
- c. The information requested is (or enters into) public domain.

Communications

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus, or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues or anticipated profits). If you do not consent to our use of electronic communications, please notify us in writing.

We offer you the opportunity to communicate by a secure online portal, however if you choose to communicate by email you understand that transmitting information poses the risks noted above. You should not agree to communicate with the firm via email without understanding and accepting these risks.

Use of Information

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- a. You represent to us that management has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
- b. We will hold all personal information in compliance with our Privacy Statement.

Use and Distribution of our Report

The examination of the financial statements and the issuance of our audit opinion are solely for the use of Port Burwell Water System and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements or our audit report, and we accept no responsibility for their use by any third party or any liability to anyone other than Port Burwell Water System.

For greater clarity, our audit will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our audit report should not be circulated (beyond Port Burwell Water System) or relied upon by any third party for any purpose, without our prior written consent.

You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

Reproduction of Auditor's Report

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website or to consider the consistency of other information on the electronic site with the original document.

Ownership

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the engagement are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any damage or loss incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

File Inspections

In accordance with professional regulations (and by our Firm's policy), our client files may periodically be reviewed by practice inspectors and by other engagement file reviewers to ensure that we are adhering to our professional and Firm's standards. File reviewers are required to maintain confidentiality of client information.

Accounting Advice

Except as outlined in this letter, the audit engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement.

Other Services

In addition to the audit services referred to above, we will, as allowed by the Code of Professional Conduct/Code of Ethics, prepare your federal and provincial income tax returns and other special reports as required. Management will provide the information necessary to complete these returns/reports and will file them with the appropriate authorities on a timely basis.

Governing Legislation

This engagement letter is subject to, and governed by, the laws of the Province of Ontario. The Province of Ontario will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts to claim that the action has been brought in an inappropriate forum or to claim that those courts do not have jurisdiction.

Dispute Resolution

You agree that:

- a. Any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- b. You will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

Indemnity

Port Burwell Water System hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our Firm, and its partners, agents or employees, from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- a. The breach by Port Burwell Water System, or its directors, officers, agents, or employees, of any of the covenants made by Port Burwell Water System herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our Firm.
- b. A misrepresentation by a member of your management or board of directors.

Time Frames

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by Port Burwell Water System of its obligations.

Fees***Fees at Regular Billing Rates***

Our professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable HST, and are due when rendered. Fees for any additional services will be established separately.

Fees will be rendered as work progresses and are payable on presentation.

Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1.0% per month. We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

Costs of Responding to Government or Legal Processes

In the event we are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our normal hourly rates for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable GST/HST) incurred.

Termination

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all of our out-of-pocket costs through to the date of termination.

Management acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party. If early termination takes place, shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the audit or are unable to form, or have not formed, an opinion on the financial statements, we may withdraw from the audit before issuing an auditor's report, or we may disclaim an opinion on the financial statements. If this occurs, we will communicate the reasons and provide details.

Conclusion

This engagement letter includes the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your organization.

Sincerely,

GRAHAM SCOTT ENNS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



Robert Foster CPA, CA
Partner

Acknowledged and agreed on behalf of Port Burwell Water System by:

Joint Board of Management
Port Burwell Water System



GRAHAM SCOTT ENNS LLP
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April 2, 2024

Port Burwell Water System
87 John Street South
Aylmer, Ontario, N5H 2C3

Dear Joint Board of Management:

Re: Audit Planning

We are writing this letter in connection with our audit of the financial statements for the period ending December 31, 2023.

Our purpose in writing is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. In this letter we will:

- a) Address our responsibilities as independent auditors and provide information about the planned scope and timing of our audit.
- b) Request a response to some audit questions and any additional information you may have that could be relevant to our audit.

Adoption of New Public Sector Accounting Standards

On April 1, 2022 the organization was required to adopt new Public Sector Accounting Standards, which would be effective December 31, 2023 year ends, and include the following:

- PS 3280 - Asset Retirement Obligations

Current Developments in the Profession

Over the past number of years there have been developments in the area of financial reporting, corporate governance and auditing. The upcoming changes over the next few fiscal years for financial reporting as it relates to public sector accounting standards are described below.

PS 1202 – Financial Statement Presentation

This standard will apply for fiscal years beginning on or after April 1, 2026, which would be the year end December 31, 2027. This standard may impact the presentation on the financial statements with more distinction between financial assets and financial liabilities.

PS 3400 – Revenue

This standard will apply for fiscal years beginning on or after April 1, 2023, which would be the year end December 31, 2024. This standard will impact the timing of the revenue reported by the organization. Examination and audit of the types of revenue will determine the impact of this standard.

We as auditors are not responsible for ensuring that the organization is prepared for the introduction of these standards and these standards will only be considered in so far as it affects our audit responsibilities under Canadian Auditing Standards. Management and those charged with governance are responsible for analyzing the impact on the organization, developing plans to mitigate the effects, and the preparation of the financial statements under these new or updated Canadian public sector accounting standards.

Auditor Responsibilities

As stated in the engagement letter dated April 2, 2024, our responsibility as auditors of your organization is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian public sector accounting standards.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- a) Assessing the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole; and
- b) Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

As part of our audit, we will obtain a sufficient understanding of the business and the internal control structure of Port Burwell Water System to plan the audit. This will include management's assessment of:

- a) The risk that the financial statements may be materially misstated as a result of fraud and error; and,
- b) The internal controls put in place by management to address such risks.

Planned Scope and Timing of Our Audit

In developing our audit plan, we worked with management to understand the nature of the entity Port Burwell Water System and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the identified areas of risk.

Materiality

Overall materiality will be used to:

- a) plan and perform the audit; and,
- b) evaluate the effects of identified and uncorrected misstatements on the audit procedures performed as well as on the financial statements.

The materiality amount will be reassessed at period end to ensure it remains appropriate.

Internal Control

To help identify and assess the risks of material misstatement in the financial statements, we obtain an understanding of internal control relevant to the audit. This understanding is used in the design of appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control. Should we identify any significant deficiencies in the internal control and accounting systems, we will communicate them to you in our audit findings letter.

Significant Risks

In planning our audit, we identify significant financial reporting risks that, by their nature, require special audit consideration. The significant risks we have identified and our proposed audit response is outlined below:

Significant Risks	Proposed Audit Response
Revenue recognition and completeness	Analytical procedures Substantive testing of revenues, including the consistent application of accounting policies Review of cut-off procedures
Management override	Inquiries of management Review of journal entries Review of related-party transactions and management estimates
Accounts payable - existence and completeness	Analytical Substantive testing and tests of controls
Litigation and legal estimates	Discussions with council and management Confirmations sent to legal council

If there are specific areas that warrant our particular attention during the audit or where you would like us to undertake some additional procedures, please let us know.

Uncorrected Misstatements

Where we identify uncorrected misstatements during our audit, we will communicate them to management and request that they be corrected. If not corrected by management, we will then request that you correct them. If not corrected by you, we will also communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Audit Findings

At the conclusion of our audit, we will prepare an audit findings letter to assist you with your review of the financial statements. This letter will include our views and comments on matters such as:

- a) significant matters, if any, arising from the audit that were discussed with management;
- b) significant difficulties, if any, encountered during the audit;
- c) qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- d) uncorrected misstatements; and
- e) any other audit matters of governance interest.

Audit Questions and Requests

Fraud

To help us in identifying and responding to the risks of fraud within the entity, we would appreciate your responses to the following questions:

- a) What oversight, if any, do you provide over management’s processes for identifying and responding to fraud risks? Management’s processes could include policies, procedures, programs or controls that serve to prevent, detect and deter fraud.
- b) Do you have any knowledge of any actual, suspected or alleged fraud, including misappropriation of assets or manipulation of the financial statements, affecting the entity? If so, please provide details and how the fraud or allegations of fraud were addressed.

Other Matters

Would you please bring to our attention any significant matters or financial reporting risks, of which you are aware, that may not have been specifically addressed in our proposed audit plan. This could include such matters as future plans, contingencies (including any liability for contaminated sites), events, decisions, non-compliance with laws and regulations, potential litigation, specific transactions (such as with related parties or outside of the normal course of business) and any additional sources of audit evidence that might be available.

We recognize your significant role in the oversight of the audit and would welcome any observations on our audit plan.

This letter was prepared for the sole use of those charged with governance of Port Burwell Water System to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Sincerely,

GRAHAM SCOTT ENNS LLP

Chartered Professional Accountants



Robert Foster CPA, CA

Partner

Per: Port Burwell Water System

Signed: _____

Date: _____

Print Name: _____



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June 5, 2024

Port Burwell Water System
87 John Street South
Aylmer, Ontario, N5H 2C3

Dear Joint Board of Management:

Re: Audit Findings

This letter has been prepared to assist you with your review of the financial statements of Port Burwell Water System for the year ending December 31, 2023. We look forward to meeting with you and discussing the matters outlined below.

Significant Matters Arising

Changes to Audit Plan

There were no changes to the audit plan (as previously presented to you).

Other Matters

We have not identified any other significant matters that we wish to bring to your attention at this time.

Significant Difficulties Encountered

There were no significant difficulties encountered during our audit.

Comments on Accounting Practices

Accounting Policies

The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.

- There were changes from previous accounting policies. At January 1, 2023, the Port Burwell Water System adopted PS 3280 - Asset Retirement Obligations - these changes have been incorporated into the financial statements and additional note disclosures. .
- We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- We did not identify any significant accounting policies in controversial or emerging areas.

Significant Accounting Estimates

There were no significant estimates/judgements contained in the financial statements.

Significant Financial Statement Disclosures

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention.

Uncorrected Misstatements

We accumulated no significant uncorrected misstatements during our audit.

Significant Deficiencies in Internal Control

A deficiency in internal control exists when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

To identify and assess the risks of material misstatement in the financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

We did not identify any control deficiencies that, in our judgment, would be considered significant deficiencies.

Written Representations

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian accounting standards for public sector entities.

Other Audit Matters of Governance Interest

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of those charged with governance of Port Burwell Water System to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Sincerely,

GRAHAM SCOTT ENNS LLP

CHARTERED PROFESSIONAL ACCOUNTANTS



Robert Foster CPA, CA
Partner

Acknowledgement of Joint Board of Management:

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Per: Port Burwell Water System

Signed: _____

Print Name: _____

PORT BURWELL WATER SYSTEM

Financial Statements

December 31, 2023

PORT BURWELL WATER SYSTEM
Financial Statements
For The Year Ended December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Joint Board of Management of **Port Burwell Water System**:

Opinion

We have audited the financial statements of **Port Burwell Water System**, which comprise the statement of financial position as at December 31, 2023, and the statement of operations and accumulated surplus, statement of changes in net financial assets, statement of remeasurement of gains and losses, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Port Burwell Water System's financial statements present fairly, in all material respects, the financial position of the Port Burwell Water System as at December 31, 2023, and the results of its operations and its cash flows 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Port Burwell Water System in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Port Burwell Water 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 the Port Burwell Water System or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Port Burwell Water System's financial reporting process.

Auditors' 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Burwell Water 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 the Port Burwell Water 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 the Port Burwell Water 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.

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.

St. Thomas, Ontario

June 5, 2024

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

PORT BURWELL WATER SYSTEM

**Statement of Financial Position
As At December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
FINANCIAL ASSETS		
Cash	473,585	1,761,572
Investments (Note 3)	2,117,097	459,957
Accounts receivable (Note 5)	<u>123,826</u>	<u>104,369</u>
	2,714,508	2,325,898
LIABILITIES		
Accounts payable and accrued liabilities	<u>46,554</u>	<u>77,875</u>
NET FINANCIAL ASSETS	2,667,954	2,248,023
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6, page 17)	<u>3,446,093</u>	<u>3,545,501</u>
TOTAL NET ASSETS	<u>6,114,047</u>	<u>5,793,524</u>
ACCUMULATED SURPLUS (NOTE 7)	6,141,374	5,838,218
ACCUMULATED REMEASUREMENT LOSSES	<u>(27,327)</u>	<u>(44,694)</u>
	<u>6,114,047</u>	<u>5,793,524</u>

The accompanying notes are an integral part of these financial statements

PORT BURWELL WATER SYSTEM

**Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2023**

	Budget (Note 8) <u>\$</u>	2023 Actual <u>\$</u>	2022 Actual <u>\$</u>
REVENUES			
Municipal contributions			
Municipality of Bayham	524,650	543,573	555,011
Township of Malahide	286,874	297,221	303,578
Municipality of Central Elgin	<u>31,972</u>	<u>33,125</u>	<u>33,825</u>
	843,496	873,919	892,414
Interest	5,000	127,714	34,285
Other	<u>-</u>	<u>3,277</u>	<u>-</u>
Total Revenues	<u>848,496</u>	<u>1,004,910</u>	<u>926,699</u>
EXPENSES			
Water purchases	249,642	255,529	266,704
Operations and maintenance	179,820	242,301	215,683
Amortization	149,023	149,023	147,783
Administrative	23,103	21,419	19,716
Insurance	<u>17,819</u>	<u>33,482</u>	<u>19,455</u>
Total Expenses	<u>619,407</u>	<u>701,754</u>	<u>669,341</u>
ANNUAL SURPLUS	229,089	303,156	257,358
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>5,838,218</u>	<u>5,838,218</u>	<u>5,580,860</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u>6,067,307</u>	<u>6,141,374</u>	<u>5,838,218</u>

The accompanying notes are an integral part of these financial statements

PORT BURWELL WATER SYSTEM

**Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
ANNUAL SURPLUS	303,156	257,358
Acquisition of tangible capital assets	(49,615)	(5,513)
Amortization of tangible capital assets	149,023	147,783
Change in accumulated remeasurement gains (losses)	<u>17,367</u>	<u>(44,694)</u>
INCREASE IN NET FINANCIAL ASSETS	419,931	354,934
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,248,023</u>	<u>1,893,089</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>2,667,954</u></u>	<u><u>2,248,023</u></u>

The accompanying notes are an integral part of these financial statements

PORT BURWELL WATER SYSTEM

**Statement of Remeasurement Gains and Losses
For The Year Ended December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	(44,694)	1,998
Unrealized gains (losses) attributable to investments	<u>17,367</u>	<u>(46,692)</u>
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	<u>(27,327)</u>	<u>(44,694)</u>
Accumulated remeasurement gains is comprised of: Investments	<u>(27,327)</u>	<u>(44,694)</u>

The accompanying notes are an integral part of these financial statements

PORT BURWELL WATER SYSTEM

**Statement of Cash Flows
For The Year Ended December 31, 2023**

	2023	2022
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	303,156	257,358
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	<u>149,023</u>	<u>147,783</u>
	452,179	405,141
Change in non-cash items related to operations:		
Accounts receivable	(19,457)	97,388
Accounts payable and accrued liabilities	<u>(31,321)</u>	<u>41,654</u>
	<u>401,401</u>	<u>544,183</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(49,615)</u>	<u>(5,513)</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(1,639,773)</u>	<u>(10,006)</u>
NET CHANGE IN CASH DURING THE YEAR	(1,287,987)	528,664
CASH, BEGINNING OF YEAR	<u>1,761,572</u>	<u>1,232,908</u>
CASH, END OF YEAR	<u><u>473,585</u></u>	<u><u>1,761,572</u></u>

The accompanying notes are an integral part of these financial statements

PORT BURWELL WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

NATURE AND PURPOSE OF THE ORGANIZATION

Effective November 29, 2000, the Ministry of Environment issued a Transfer Order to transfer ownership and associated properties of the Port Burwell Are Secondary Water Supply System from the Ontario Clean Water Agency to area municipalities. As part of the Transfer Order, a Joint Board of Management ("Joint Board") was established to govern the management of the System. The System was renamed the Port Burwell Water System. The Joint Board consists of one representative of the municipal Councils of the Municipality of Bayham, Township of Malahide and the Municipality of Central Elgin. The Township of Malahide is the administering municipality on behalf of the Municipalities and the Joint Board. The Joint Board has authority to manage on behalf of the Municipalities the System for the purpose of constructing, operating, repairing and improving the System.

1. CHANGES IN ACCOUNTING POLICIES

On January 1, 2023, the Port Burwell Water System adopted accounting policies to conform to new standards issued under Canadian public sector accounting standards. The Port Burwell Water System adopted the following standards which had the following impact:

- PS 3280 - Asset Retirement Obligations - require reporting of any asset retirement obligations as tangible capital assets and their liabilities and associated policies. It is managements opinion that no asset retirement obligations exist as at December 31, 2023. This change has been applied retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port Burwell Water System are prepared by management in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Port Burwell Water System are as follows:

Reporting Entity

The financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are 100% owned or controlled by the Port Burwell Water System.

PORT BURWELL WATER SYSTEM**Notes to the Financial Statements
For The Year Ended December 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for public sector entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. In addition, the Port Burwell Water System's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. These estimates and assumptions are based on the best information and judgment and may differ significantly from actual results.

Government Transfers

Government transfers are recognized in the financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

Asset Retirement Obligations

The Port Burwell Water System may be exposed to obligations of remediation associated with their tangible capital assets. If a legal obligation exists of remediation for a tangible capital asset then the Port Burwell Water System would be required to set up an estimated future cost and liability associated with these obligations. As at December 31, 2023 there were no tangible capital assets that Port Burwell Water System has controlled, constructed, owned or used that would have a legal obligation of remediation.

PORT BURWELL WATER SYSTEM**Notes to the Financial Statements
For The Year Ended December 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial Instruments**

The Port Burwell Water System's financial assets and liabilities are measured as follows:

- [i] Cash at fair value;
- [ii] Portfolio investments at fair value;
- [iii] Accounts receivable at amortized cost;
- [iv] Accounts payable and accrued liabilities at amortized cost;

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measure using amortized cost, the effective interest rate method is used to determine interest revenue or expenses. Transaction costs are a component of cost for financial instruments measured using cost or amortized costs. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash equivalents and portfolio investments are accounted for using trade-date accounting. The Port Burwell Water System does not use foreign currency contracts or any other type of derivative financial instruments of trading or speculative purposes.

The Port Burwell Water System's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Port Burwell Water System is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

PORT BURWELL WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building -structural	50 years
Building - mechanical	20 years
Mains	75 to 100 years
Land improvements	20 years

No amortization is charged in the year of acquisition and a full year of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

iii) Interest capitalization

The Port Burwell Water System does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

v) Leased tangible capital assets

Leases are classified as capital or operating leases. Leases which transfer substantially all of 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.

PORT BURWELL WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

3. INVESTMENTS

Investments are comprised of the following:

	2023		2022	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	Cost	Market	Cost	Market
One fund pooled bond securities	<u>2,144,424</u>	<u>2,117,097</u>	<u>504,651</u>	<u>459,957</u>

During the year the Port Burwell Water System earned total income of \$39,774 (2022 - \$10,006) on its investments and reported unrealized gains (losses) of \$17,367 (2022 - \$46,692) on the schedule of remeasurement gains and losses.

All of the above investments are valued as Level 1 investments. The investments are valued based on the degree to which the fair value is observable, as follows:

- [i] Level 1 - Fair value measurements are those derived from quoted prices (in active markets);
- [ii] Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- [iii] Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable data (unobservable inputs).

PORT BURWELL WATER SYSTEM**Notes to the Financial Statements
For The Year Ended December 31, 2023**

4. FINANCIAL INSTRUMENT RISKSRisks and Concentrations

The Port Burwell Water System is exposed to various risks through its financial instruments. The following analysis provides a measure of the Port Burwell Water System's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Port Burwell Water System is mainly exposed to interest and price risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Port Burwell Water System is exposed to price risk through its investments in quoted One Fund investments. The following details the Port Burwell Water System's portfolio sensitivity to a 1.0% increase or decrease in the market prices. At December 31, 2023, if market prices had a 1% increase or decrease with all other variables remaining the same the increase or decrease in accumulated remeasurement gains and losses on the investments for the year would have totaled \$21,000.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Port Burwell Water System is exposed to interest rate risk on its fixed rate long-term debt. The Port Burwell Water System doesn't believe that interest rate risk is a significant risk.

Liquidity Risk

Liquidity risk is the risk that a Port Burwell Water System will encounter difficulty in meeting obligations associated with financial liabilities. The Port Burwell Water System is exposed to this risk mainly in respect of its accounts payable, accrued liabilities. The Port Burwell Water System doesn't believe that liquidity risk is a significant risk.

PORT BURWELL WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

4. FINANCIAL INSTRUMENT RISKS (CONTINUED)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Port Burwell Water System's main credit risks relate to its accounts receivable. The Port Burwell Water System manages this risk by monitoring active receivable balances.

5. ACCOUNTS RECEIVABLE

	2023	2022
	<u>\$</u>	<u>\$</u>
Municipality of Bayham	69,541	54,438
Township of Malahide	50,609	38,458
Municipality of Central Elgin	<u>3,676</u>	<u>11,473</u>
	<u>123,826</u>	<u>104,369</u>

6. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2023	2022
	<u>\$</u>	<u>\$</u>
Infrastructure		
Land	5,932	5,932
Land improvements	3,718	4,131
Building - Structural	598,887	657,561
Building - Mechanical	451,483	446,977
Mains	<u>2,386,073</u>	<u>2,430,900</u>
	<u>3,446,093</u>	<u>3,545,501</u>

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

PORT BURWELL WATER SYSTEM

**Notes to the Financial Statements
For The Year Ended December 31, 2023**

7. ACCUMULATED SURPLUS

The accumulated surplus balance is comprised of investment in tangible capital assets and balances in reserves.

	2023	2022
	<u>\$</u>	<u>\$</u>
Investment in tangible capital assets	3,446,093	3,545,501
Reserves	<u>2,695,281</u>	<u>2,292,717</u>
	<u>6,141,374</u>	<u>5,838,218</u>

RESERVES CONSIST OF THE FOLLOWING BALANCES:

Working capital purposes	50,605	50,605
Lifecycle replacement	2,630,342	2,227,778
Rate stabilization purposes	<u>14,334</u>	<u>14,334</u>
Total reserves	<u>2,695,281</u>	<u>2,292,717</u>

PORT BURWELL WATER SYSTEM

Notes to the Financial Statements For The Year Ended December 31, 2023

8. BUDGET FIGURES

The operating budget approved by the board of directors for 2023 is reflected on the statement of operations and accumulated surplus. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures and amortization.

	Approved Budget <u>\$</u>	Adjustments <u>\$</u>	PSAB Budget <u>\$</u>
REVENUES			
Municipal contributions			
Town of Aylmer	524,650	-	524,650
Township of Malahide	286,874	-	286,874
Municipality of Central Elgin	<u>31,972</u>	<u>-</u>	<u>31,972</u>
	843,496	-	843,496
Interest	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Revenues	<u>848,496</u>	<u>-</u>	<u>848,496</u>
 EXPENSES			
Water purchases	249,642	-	249,642
Operations and maintenance	179,820	-	179,820
Amortization	-	149,023	149,023
Administrative	23,103	-	23,103
Insurance	17,819	-	17,819
Capital expenditures	42,000	(42,000)	-
Reserve transfers	<u>336,112</u>	<u>(336,112)</u>	<u>-</u>
Total Expenses	<u>848,496</u>	<u>(229,089)</u>	<u>619,407</u>
ANNUAL SURPLUS (DEFICIT)	<u>-</u>	<u>229,089</u>	<u>229,089</u>

PORT BURWELL WATER SYSTEM

Schedule of Tangible Capital Assets For The Year Ended December 31, 2023

ASSET TYPE	Opening Historical Cost Balance Jan 1/2022	2022 Acquisitions	2022 Disposals	2023 Adjustments	Ending Historical Cost Balance Dec 31/2023	Opening Accumulated Amortization Balance Jan 1/2022	2022 Disposals	2023 Amortization	2023 Adjustments	Ending Accumulated Amortization Balance Dec 31/2023	Ending Net Book Value Dec 31/2023
	Infrastructure Related										
Land	5,932	-	-	-	5,932	-	-	-	-	-	5,932
Land improvements	8,261	-	-	-	8,261	4,130	-	413	-	4,543	3,718
Buildings -Structural	1,271,784	-	-	-	1,271,784	614,223	-	58,674	-	672,897	598,887
Building - Mechanical	1,107,137	49,615	-	-	1,156,752	660,160	-	45,109	-	705,269	451,483
Mains	3,927,345	-	-	-	3,927,345	1,496,445	-	44,827	-	1,541,272	2,386,073
Total Capital Assets Sub-Total	6,320,459	49,615	-	-	6,370,074	2,774,958	-	149,023	-	2,923,981	3,446,093
Work In Progress	-	-	-	-	-	-	-	-	-	-	-
Total Tangible Capital Assets	6,320,459	49,615	-	-	6,370,074	2,774,958	-	149,023	-	2,923,981	3,446,093

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ASSET TYPE	Opening Historical Cost Balance Jan 1/2022	2022 Acquisitions	2022 Disposals	2022 Adjustments	Ending Historical Cost Balance Dec 31/2022	Opening Accumulated Amortization Balance Jan 1/2022	2022 Disposals	2022 Amortization	2022 Adjustments	Ending Accumulated Amortization Balance Dec 31/2022	Ending Net Book Value Dec 31/2022
	Infrastructure Related										
Land	5,932	-	-	-	5,932	-	-	-	-	-	5,932
Land improvements	8,261	-	-	-	8,261	3,717	-	413	-	4,130	4,131
Buildings -Structural	1,271,784	-	-	-	1,271,784	555,549	-	58,674	-	614,223	657,561
Building - Mechanical	1,101,624	5,513	-	-	1,107,137	616,291	-	43,869	-	660,160	446,977
Mains	3,927,345	-	-	-	3,927,345	1,451,618	-	44,827	-	1,496,445	2,430,900
Total Capital Assets Sub-Total	6,314,946	5,513	-	-	6,320,459	2,627,175	-	147,783	-	2,774,958	3,545,501
Work In Progress	-	-	-	-	-	-	-	-	-	-	-
Total Tangible Capital Assets	6,314,946	5,513	-	-	6,320,459	2,627,175	-	147,783	-	2,774,958	3,545,501



Aylmer Area Secondary Water Supply System

REPORT NO.: AASWSS-24-10
DATE: June 12, 2024
ATTACHMENT: 2024 Budget Variance Schedule
SUBJECT: MID-YEAR FINANCIAL UPDATE

Recommendation:

THAT Report AASWSS-24-10 entitled “Mid-Year Financial Update” be received.

Background:

The purpose of this report is to give Board members an overview of 2024’s year-to-date financial results compared to its 2024 budget. It is important to note that the financial results presented in this report are preliminary and subject to change.

Comments/Analysis:

Water volumes purchased and sold are trending marginally lower than predicted in the 2024 budget with a net operating deficit of \$6,000, a less than 1% variance from budget, expected by the end of the year.

No notable system repairs have yet been required. As such, the majority of the secondary system’s \$60,000 repairs budget remains available for use.

Investment income during the year has nearly reached budget estimates by the end of May. Based on its current trajectory, it is expected investment income will total \$162,000 by the end of 2024 resulting in a \$105,000 surplus.

Overall, the secondary system’s financial results are generally tracking within budget expectations with net surplus of \$100,000 expected by the end of 2024. Staff will provide further updates during the year if irregular or significant events occur that may impact the secondary system’s financial standing.

Submitted by:	Approved by:
Adam Boylan, Director of Corporate Services / Treasurer	Nathan Dias Chief Administrative Officer



Port Burwell Area Secondary Water Supply System

REPORT NO.: PBASWSS-24-11
DATE: June 12, 2024
ATTACHMENT: 2024 Budget Variance Schedule
SUBJECT: MID-YEAR FINANCIAL UPDATE

Recommendation:

THAT report PBASWSS-24-11 entitled “Mid-Year Financial Update” be received.

Background:

The purpose of this report is to give Board members an overview of 2024’s year-to-date financial results compared to its 2024 budget. It is important to note that the financial results presented in this report are preliminary and subject to change.

Comments/Analysis:

Water volumes purchased and sold are trending higher than predicted in the 2024 budget with a net operating surplus of \$24,900, approximately a 5% variance from budget, expected by the end of the year.

No notable system repairs have yet been required. As such, the majority of the secondary system’s \$62,500 repairs budget remains available for use.

Investment income during the year to date totals \$33,446. Based on its current trajectory, it is expected that \$100,300 in investment income will be generated by the end of 2024 resulting in a \$50,300 surplus.

Overall, the secondary system’s financial results are generally tracking within budget expectations with a net surplus of \$76,800 expected by the end of 2024. Staff will provide further updates during the year if irregular or significant events occur that may impact the secondary system’s financial standing.

Submitted by:	Approved by:
Adam Boylan, Director of Corporate Services / Treasurer	Nathan Dias Chief Administrative Officer



Aylmer Area Secondary Water Supply System

REPORT NO.: AASWSS-24-05
DATE: June 12, 2024
ATTACHMENT: None
SUBJECT: APAM SCADA Wide Area Network Agreement

Recommendation:

THAT Report No. AASWSS-24-05 entitled “APAM SCADA Wide Area Network Agreement” be received;

AND THAT the Aylmer Area Secondary Water Supply System Joint Board of Management authorizes the Administering Municipality to renew the APAM SCADA Wide Area Network Agreement for a term of three years and to execute the necessary documents with Execulink; SUBJECT TO the acceptance by the Township of Malahide and the Joint Board of Management for the Port Burwell Area Secondary Water Supply System of their portion.

Background:

In 2012, the contract to supply and monitor a Wide Area Network (WAN) with Execulink Telecom Inc. was extended for a period of five years and was renewed for three years in 2018 and in 2021. The WAN contract is for the group commonly referred to as APAM. The APAM group is comprised of the Aylmer Area Secondary Water Supply System, the Port Burwell Area Secondary Water Supply System, and the Township of Malahide.

This partnership allows all the parties involved access to the benefits of SCADA System network which is used for continual monitoring and remote operation of the water and wastewater sites. Given the interconnectivity of many of the systems, having an integrated SCADA system is beneficial. The total cost of the service is apportioned to the members based on the number of sites applicable to each member and by the services required at each of the individual sites.

The current sites within the agreement which are individually apportioned to each group member’s portion of the contract cost are as follows:

- Aylmer Secondary (EMPS, Chamber 13, Chamber 16, Aylmer Water Tower)
- Pt. Burwell Secondary (MV1, Dexter Re-chlor Facility, PB Water Tower, Lakeview Re-chlor Facility)

- Malahide Township (Copenhagen Booster, Springfield SPS, OPC SPS)
- The APAM WAN Central Server at Malahide's main office is also included in the agreement. The monthly cost for the server is apportioned to all APAM members based on the number of sites the member has connected divided by the total number of sites (Central Server not included in total).

Based on historical cost apportionment, the monthly apportionment for the members is apportioned as follows:

- Aylmer Area Secondary - $4/11 = 36.4\%$
- Pt. Burwell Secondary - $4/11 = 36.4\%$
- Malahide Water $1/11 = 9.1\%$
- Malahide Sewer $2/11 = 18.2\%$

Comments/Analysis:

Staff believe that the services are competitively priced and recommend renewing the agreement. Prior to the renewal of the contract, Staff met with the service provider to review costs and services. The proposed agreement includes the provisioning of replacement routers for each site at a total value of approximately \$8000.00. If approved Execulink has proposed a one-time installation fee of \$750.00 to complete router replacements which is a value-added service to the agreement. The new agreement includes router rentals and replacements for each site. This was added to the agreement because the existing routers which belong to the APAM group members are no longer manufacturer-supported. In the event of failure, a similar unit must be sourced, configured and brought to site which can cause significant downtime on SCADA when failure occurs. During the current agreement, the router at EMPS failed and took several days to source a reconfigured unit from Execulink. The existing routers were considered to be at the end of their useful life in 2019. With a rental agreement, a new router can be brought to site the same day to create improved redundancy and reliability of the WAN and the SCADA system and avoid lengthy service interruptions at no additional cost to the members.

The total monthly cost of the new agreement is approximately \$120.00 per month more than the current agreement. The proposed agreement has some shifts in pricing for the various services provided. Each site has approximately a \$10.00 per/month increase, which is minor considering a \$15.00 per/month router rental has been added to the proposal. Additionally, the monthly fees for sites with hybrid bond (cellular failover) in the agreement has come down \$5.00 per/month with a \$2.00 per/month reduction to LTE data for the applicable sites.

Staff have been pleased with the service provided as Execulink Telecom Inc. has continued to improve reliability and customer support for the APAM Wide Area Network, with a large reduction in communication failures and improved response times when issues occur.

Staff of the Administering Municipality recommends that the Aylmer Area Secondary Water Supply System Joint Board of Management, along with the PBASWSS Joint Board of Management, and the Township of Malahide, accept the Execulink contract renewal and approve renewing the agreement as outlined in this report.

Financial Implications to Budget:

There is a provision in the budget for annual operating expenses for the SCADA WAN outlined in the quote provided by Execulink.

Execulink Telecom Inc. has proposed a renewed monthly rate of \$2,526.37 (excluding HST) for the APAM invoice, with minimal pricing increases compared to the previous agreement. As previously identified this cost is charged proportionally to the APAM members as outlined in the attached quotation.

Summary:

Staff recommend renewing the proposed agreement with Execulink Telecom Inc. for the APAM WAN agreement for another three-year term. They have continued to provide reliable service and quality technical support for the Wide Area Network on an ongoing 24/7 basis.

Submitted by:	Reviewed by:	Approved for Board:
Sam Gustavson, Water/ Wastewater Operations Manager	Jason Godby Director of Public Works	Nathan Dias CAO



Port Burwell Area Secondary Water Supply System

REPORT NO.: PBASWSS-24-07
DATE: June 12, 2024
ATTACHMENT: None
SUBJECT: APAM SCADA Wide Area Network Agreement

Recommendation:

THAT Report No. PBASWSS-24-07 entitled “APAM SCADA Wide Area Network Agreement” be received;

AND THAT the Port Burwell Area Secondary Water Supply System Joint Board of Management authorizes the Administering Municipality to renew the existing APAM SCADA Wide Area Network Agreement for a term of three years and to execute the necessary documents with Execulink; SUBJECT TO the acceptance by the Township of Malahide and the Joint Board of Management for the Aylmer Area Secondary Water Supply System of their portion.

Background:

In 2012, the contract to supply and monitor a Wide Area Network (WAN) with Execulink Telecom Inc. was extended for a period of five years and was renewed for three years in 2018 and in 2021. The WAN contract is for the group commonly referred to as APAM. The APAM group is comprised of the Aylmer Area Secondary Water Supply System, the Port Burwell Area Secondary Water Supply System, and the Township of Malahide.

This partnership allows all the parties involved access to the benefits of SCADA Communication System which is used for continual monitoring and remote operation of the water and wastewater sites. Given the interconnectivity of many of the systems, having an integrated SCADA system is beneficial. The total cost of the service is apportioned to the members based on the number of sites applicable to each member and by the services required at each of the individual sites.

The current sites within the agreement which are individually apportioned to each group member’s portion of the contract cost are as follows:

- Aylmer Secondary (EMPS, Chamber 13, Chamber 16, Aylmer Water Tower)
- Pt. Burwell Secondary (MV1, Dexter Re-chlor Facility, PB Water Tower, Lakeview Re-chlor Facility)

- Malahide Township (Copenhagen Booster, Springfield SPS, OPC SPS)
- The APAM WAN Central Server at Malahide's main office is also included in the agreement. The monthly cost for the server is apportioned to all APAM members based on the number of sites the member has connected divided by the total number of sites (Central Server not included in total).

Based on historical cost apportionment, the monthly apportionment for the members is apportioned as follows:

- Aylmer Area Secondary - $4/11 = 36.4\%$
- Pt. Burwell Secondary - $4/11 = 36.4\%$
- Malahide Water- $1/11 = 9.1\%$
- Malahide Sewer- $2/11 = 18.2\%$

Comments/Analysis:

Staff believe that the services are competitively priced and recommend renewing the agreement. Prior to the renewal of the contract, Staff met with the service provider to review costs and services. The proposed agreement includes the provisioning of replacement routers for each site at a total value of approximately \$8000.00. If approved Execulink has proposed a one-time installation fee of \$750.00 to complete router replacements which is a value-added service to the agreement. The new agreement includes router rentals and replacements for each site. This was added to the agreement because the existing routers which belong to the APAM group members are no longer manufacturer-supported. In the event of failure, a similar unit must be sourced, configured and brought to site which can cause significant downtime on SCADA when failure occurs. During the current agreement, the router at the Aylmer Secondary EMPS site failed and took several days to source a reconfigured unit from Execulink. The existing routers were considered to be at the end of their useful life in 2019. With a rental agreement, a new router can be brought to site the same day to create improved redundancy and reliability of the WAN and the SCADA system and avoid lengthy service interruptions at no additional cost to the members.

The total monthly cost of the new agreement is approximately \$120.00 per month more than the current agreement. The proposed agreement has some shifts in pricing for the various services provided. Each site has approximately a \$10.00 per/month increase, which is minor considering a \$15.00 per/month router rental has been added to the proposal. Additionally, the monthly fees for sites with hybrid bond (cellular failover) in the agreement has come down \$5.00 per/month with a \$2.00 per/month reduction to LTE data for the applicable sites.

Staff have been pleased with the service provided as Execulink Telecom Inc. has continued to improve reliability and customer support for the APAM Wide Area Network, with a large reduction in communication failures and improved response times when issues occur.

Staff of the Administering Municipality recommends that the Port Burwell Area Secondary Water Supply System Joint Board of Management, along with the AASWSS Joint Board of Management, and the Township of Malahide, accept the Execulink contract renewal and approve renewing the agreement as outlined in this report.

Financial Implications to Budget:

There is a provision in the budget for annual operating expenses for the SCADA WAN outlined in the quote provided by Execulink.

Execulink Telecom Inc. has proposed a renewed monthly rate of \$2526.37 (excluding ST) for the APAM invoice, with minimal pricing increases compared to the previous agreement. As previously identified this cost is charged proportionally to the APAM members as outlined in the attached quotation.

Summary:

Staff recommend renewing with either of the proposed options noted above for the APAM WAN agreement with Execulink Telecom Inc. for another three-year term. They have continued to provide reliable service and quality technical support for the Wide Area Network on an ongoing 24/7 basis.

Submitted by:	Reviewed by:	Approved for Board:
Sam Gustavson, Water/ Wastewater Operations Manager	Jason Godby Director of Public Works	Nathan Dias CAO



Aylmer Area Secondary Water Supply System

REPORT NO.: AASWSS-24-06
DATE: June 12, 2024
ATTACHMENT: OCWA First Quarter 2024 Operations Reports
SUBJECT: **2024 FIRST QUARTER OPERATIONS REPORT**

Recommendation:

THAT Report No. AASWSS-24-06 entitled “2024 First Quarter Operations Report” be received.

Background:

The Ontario Clean Water Agency (OCWA) and the Staff of the Administering Municipality (Township Staff), formally meet on a quarterly basis to review the operations and maintenance of the AASWSS. OCWA and the Township Staff discuss recommended lifecycle/capital work, bacteriological/chemical sample results, regulatory compliance, and possible emerging issues. OCWA provides detailed operations reports and performance assessment reports at these meetings.

Comments/Analysis:

This report is a summary of the operations and maintenance for the first quarter of 2024. This report is submitted to the Joint Board of Management to satisfy specific requirements of the QEMS Operational Plan for the AASWSS. Additionally, this approach ensures that the Joint Board of Management is kept informed on the operational performance of the water system on a continual basis by Township Staff.

Compliance Summary:

There were no compliance or exceedance issues during the first quarter of 2024.

Inspections:

There were no MECP or MOL inspections during the first quarter of 2024.

QEMS Update:

There were no QEMS updates during the first quarter of 2024.

Performance Assessment:

The average daily flow to the system from the Elgin Area Primary Water Supply System thus far in 2024 was 4,857.30 m³/d which is a 0.6% decrease when compared to the 2023 annual average flow (4,888.62 m³/d).

Weekly microbiological samples were taken by OCWA via sampling stations throughout the transmission main. Samples are tested for E. coli, Total coliforms and HPCs. Samples are shipped to SGS laboratories which is an accredited laboratory. There were no adverse sample results during the first quarter of 2024.

OCWA tested for free chlorine residuals throughout the distribution system two times per week. Quarterly samples were collected for Trihalomethanes (THMs) and Halo Acetic Acids (HAAs) in accordance with regulatory requirements. All sample results tested were well below the Maximum Allowable Concentrations (MAC) set forth in O.Reg. 170/03. OCWA continues to meet or exceed the Provincial Regulations pertaining to microbiological sampling requirements.

Further information relating to water sampling results is outlined in the attached report.

General Maintenance:

OCWA conducted various maintenance activities during the first quarter of 2024. Activities include but are not limited to, the annual inspection and pumping of all chambers including air release chambers, and monthly alarm testing. Annual flow meter calibrations were completed by Flow Metrix in March of 2024. Further information regarding maintenance completed in the first quarter of 2024 can be found in the attached report.

Alarms:

While alarms did occur in the first quarter of 2024, all were minor in nature and received the appropriate response from OCWA when they occurred.

Complaints & Concerns:

There were two complaints from the public that required a response from Township Staff in the first quarter of 2024. This information was communicated to OCWA as the Operating Authority and further information relating to the complaints is outlined in the attached report.

Summary:

Quarterly meetings with OCWA are an effective tool used to keep the Township Staff well informed as to the operations and maintenance of the drinking water system. The information provided to the Board by OCWA is used to help the Joint Board of Management make well-thought-out decisions in an effort to provide a continual safe supply of potable water.

Submitted by:	Reviewed by:	Approval for Board:
Sam Gustavson Water/Wastewater Operations Manager	Jason Godby Director of Public Works	Nathan Dias CAO



Ontario Clean Water Agency
Agence Ontarienne Des Eaux

Aylmer Area Secondary Water
Supply System Operations Report
First Quarter 2024

Ontario Clean Water Agency, Southwest Region
Vitaliy Talashok, Sr. Operations Manager, Aylmer Cluster
Date:

Facility Description

Facility Name: Aylmer Area Secondary Water Supply System
Regional Manager: Dale LeBritton - (519) 476-5898
Sr. Operations Manager: Vitaliy Talashok - (226) 378-8986
Business Development Manager: Robin Trepanier - (519) 791-2922
Facility Type: Municipal
Classification: Class 2 Water Distribution
Drinking Water System Category: Large Municipal Residential
Title Holder: Municipality
Operation Status: OCWA

Service Information

Area(s) Serviced: Central Elgin, Malahide, and Aylmer
Population Serviced: 593
Malahide Direct Connections: 53
Central Elgin Connections: 175

Operational Description

This is an 18" watermain from St. Thomas to Aylmer with booster pumps at the Elgin Middlesex Pumping Station.

CLIENT CONNECTION MONTHLY CLIENT REPORT

Facility Name: Aylmer Area Secondary Water Supply System
 ORG#: 6614

SECTION 1: COMPLIANCE SUMMARY

FIRST QUARTER:

There were no compliance issues to report for the first quarter.

SECTION 2: INSPECTIONS

FIRST QUARTER:

There were no MECP or MOL inspections conducted during the first quarter.

SECTION 3: QEMS UPDATE

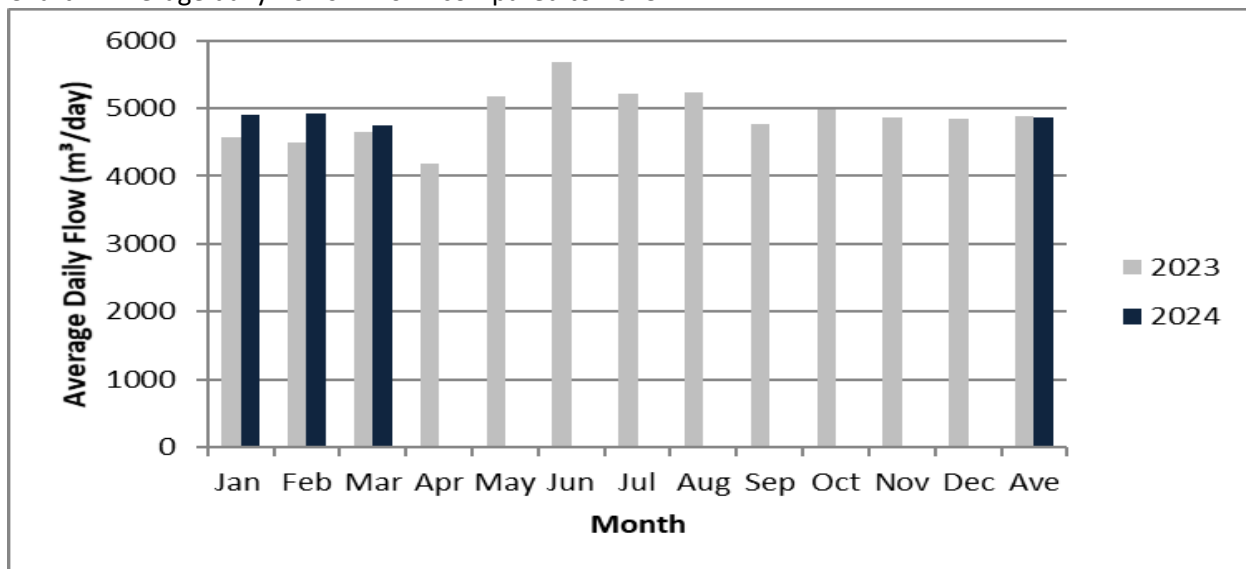
FIRST QUARTER:

There were no QEMS updates to report during the first quarter.

SECTION 4: PERFORMANCE ASSESSMENT REPORT

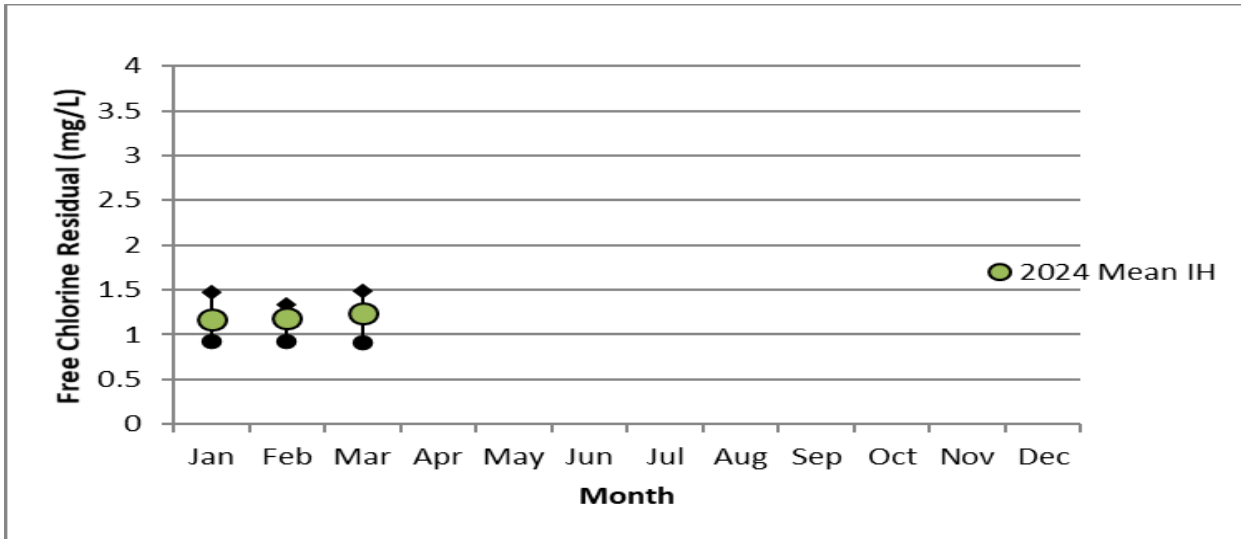
Flows are recorded at various points within the distribution system. The average daily flow to the system from the Elgin Area Primary Water Supply System in 2024 so far was 4,857.30m³/d which is down 0.6% when comparing to 2023 (4,888.62m³/d). Chart 1 below depicts the average daily flows for 2024 compared to 2023.

Chart 1. Average daily flows in 2024 compared to 2023.



Chlorine residuals are obtained throughout the distribution system two times per week, with 4 residuals taken on sample days (usually Monday’s) and three residuals taken at least 48 hours after the first set (usually on Friday’s) to meet the regulatory requirements. The chart below depicts the minimum, maximum and average chlorine residuals taken in the distribution system for 2024. The concentration of free chlorine varies depending on the location that the sample taken (see chart below).

Chart 2. Free Chlorine Residual in the Distribution System in 2024.



Samples are obtained once per week at three locations along the transmission main. The following table summarizes the results of the microbiological sampling for 2024.

Month	# Samples	E. coli Range (cfu/100mL)	Total Coliform Range (cfu/100mL)	# Samples	Heterotrophic Plate Count Range (cfu/mL)
January	15	0 – 0	0 – 0	5	<10 - <10
February	12	0 – 0	0 – 0	4	<10 - <10
March	12	0 – 0	0 – 0	5	<10 - <10

Trihalomethanes (THMs) are sampled on a quarterly basis; the 2024 current running average is 23.75µg/L. When comparing the current running average to the 2023 average (22.50µg/L) there has been an increase of 5.6%. The results are well below the limit of 100 µg/L.

April 2023	-	16
July 2023	-	28
October 2023	-	31
January 2024	-	20
Running Average	100	23.75

Haloacetic Acids (HAAs) are required to be sampled on a quarterly basis. The 2024 current running average is 6.53µg/L. When comparing the current running average to the 2022 average (6.53µg/L) there has been no change. The results remain well below the limit of 80µg/L.

	Limit (µg/L)	HAA Result (µg/L)
April 2023	-	5.5
July 2023	-	9.2
October 2023	-	6.1
January 2024	-	14.2
Running Average	80	8.75

SECTION 5: OCCUPATIONAL HEALTH & SAFETY

FIRST QUARTER:

There were no additional Health & Safety issues identified in the first quarter.

SECTION 6: GENERAL MAINTENANCE

FIRST QUARTER:

JANUARY

- 10: Pumped/inspected metering chambers
- 16: Chamber 13, Eastlink replaced modem
- 18: Chamber 16, reset modem and router and confirmed communication with on-call operator
- 25: Power fail/flood alarms tested at chamber 13
: Pumped/inspected air relief chambers
- 26: Power fail/flood alarms tested at chamber 16

FEBRUARY

- 13: Pumped/inspected air relief chambers
- 21: Power fail/flood alarms tested at chamber 13 and 16
- 23: Chamber 16, reset modem and confirmed communication with on-call operator

MARCH

- 07: Flowmetrix calibrated flow and pressure sensors at chamber 13 and 16
- 12: Flowmetrix calibrated flow meters at Roger rd, Norton, Springwater, Belmont rd, and Tower ave.
- 25: Power fail/flood alarms tested at chamber 13 and 16
- 27: Pumped/inspected air relief chambers

SECTION 7: ALARM SUMMARY

FIRST QUARTER:

JANUARY

- 15: Chamber 13 no communication alarm, cycled power to modem. Spoke with exculink, no issues on their end. Spoke with eastlink also no issues. Communication had restored and trending seems normal.

FEBRUARY

No alarms to report for the month of February.

MARCH

- 07: Chamber 16 no communication alarm. cycled power to modem and router, communication restored.

: Chamber 16 no communication alarm. Communication restored while enroute to site. Spoke with Execulink who confirmed connection. They believe it to be an issue with the lines and will have Eastlink investigate.

09: Chamber 16 no communication alarm. cycled power to modem, communication restored.

: Chamber 16 no communication alarm. Contacted Execulink who attempted to access remotely. Suggested that we replace cables between modem and router.

SECTION 8: COMMUNITY COMPLAINTS & CONCERNS

FIRST QUARTER:

On February 16th, received complaint from WWOM for 48073 Talbot St. Low pressure. Sam Gustavson confirmed pressure on SCADA at chamber 16 was 61PSI. On site Sam removed the flow meter, there was adequate flow and pressure. 1" line going into house reduced to 3/4" and was improperly plumbed inside the house.

On March 15th, Sam Gustavson received a community complaint from Terrace Lodge of rusty/brown water from their hot water. Sam responded to complaint and confirmed colouration was only on the hot water side. Details logged in Opex.

AASWS01 Locates	
Month	# of Locates Completed
January	6
February	8
March	2
April	
May	
June	
July	
August	
September	
October	
November	
December	



Port Burwell Area Secondary Water Supply System

REPORT NO.: PBASWSS-24-08
DATE: June 12, 2024
ATTACHMENT: OCWA First Quarter 2024 Operations Reports
SUBJECT: **2024 FIRST QUARTER OPERATIONS REPORT**

Recommendation:

THAT Report No. PBASWSS-24-08 entitled “First Quarter 2024 Operations Report” be received.

Background:

The Ontario Clean Water Agency (OCWA) and the Staff of the Administering Municipality (Township Staff) formally meet on a quarterly basis to review the operations and maintenance of the PBASWSS. OCWA and the Township Staff discuss recommended lifecycle/capital work, bacteriological/chemical sample results, regulatory compliance, and possible emerging issues. OCWA provides detailed operations reports and performance assessment reports at these meetings.

Comments/Analysis:

This report is a summary of the operations and maintenance for the first quarter of 2024. This report is submitted to the Joint Board of Management to satisfy specific requirements of the QEMS Operational Plan for the PBASWSS. Additionally, this approach ensures that the Joint Board of Management is kept informed on the operational performance of the water system on a continual basis by the Township Staff.

Compliance Summary:

There were no compliance or exceedance issues in the first quarter of 2024.

Inspections:

There were no MECP or MOL inspections during the first quarter of 2024.

QEMS Update:

There were no QEMS updates during the first quarter of 2024.

Performance Assessment:

The average daily flow to the system from the Elgin Area Water Supply System (recorded at MV1) thus far in 2024 was 615.11m³/d. This is down 15.4% when compared to the 2023 annual average flow (727.39 m³/d).

Weekly microbiological samples were taken by OCWA via sampling stations throughout the transmission main. Samples are tested for E. coli, Total coliforms and HPCs. Samples are shipped to SGS laboratories which is an accredited laboratory. There were no adverse sample results during the first quarter of 2024.

OCWA tested for chlorine residuals throughout the distribution system two times per week. There are also three continuous on-line chlorine analyzers for the system located at the Port Burwell Tower, and the Dexter Line and Lakeview re-chlorination facilities. These analyzers provide continuous data and trends for each facility and are connected to SCADA with the ability to notify operators in the event an alarm occurs which requires an Operator response. OCWA continues to meet or exceed the Provincial Regulations pertaining to microbiological sampling requirements.

Quarterly samples were collected for Trihalomethanes (THMs) and Halo Acetic Acids (HAAs) in accordance with regulatory requirements. All sample results tested were well below the Maximum Allowable Concentrations (MAC) set forth in O.Reg. 170/03. OCWA continues to meet or exceed the Provincial Regulations pertaining to microbiological sampling requirements.

Further information relating to water sampling results is outlined in the attached report.

General Maintenance:

OCWA conducted various maintenance activities during the first quarter of 2024. Activities include but are not limited to, regular readings and checks, the inspection and pumping of air release chambers, chemical feed system repairs at re-chlorination facilities, and monthly alarm testing. Annual flow meter calibrations were completed by Flow Metrix in March of 2024. Further information regarding maintenance completed in 2023 can be found in the attached report.

Alarms:

OCWA reported multiple alarms during the first quarter of 2024. Some alarms were a result of communication failures of the SCADA system and power failures. There were also various alarms resulting from the re-chlorination facilities outlined in the attached report. All alarms in the first quarter were minor in nature and were responded to and resolved by OCWA as outlined in the attached report.

Overall, there has been a reduction in after-hours callouts for communication faults at the three (3) re-chlorination facilities, which is not noted in the OCWA report. The implementation and installation of the hybrid bonded cellular failover equipment that

was added in after the most recent Execulink contract renewal has significantly improved the stability of the connections and greatly reduced the communication faults at the re-chlorination facilities. This in turn has reduced the number of after-hours calls related to communication faults. These types of alarms occurred more frequently in the past and typically required a response from OCWA.

Complaints & Concerns:

There were no complaints from the public that required a response from OCWA in the first quarter of 2024.

Summary:

Quarterly meetings with OCWA are an effective tool used to keep the Township Staff well informed as to the operations and maintenance of the drinking water system. The information provided to the Board by OCWA is used to help the Joint Board of Management make well-thought-out decisions in an effort to provide a continual safe supply of potable water.

Submitted by:	Reviewed by:	Approval for Board:
Sam Gustavson Water/Wastewater Operations Manager	Jason Godby Director of Public Works	Nathan Dias CAO



Ontario Clean Water Agency
Agence Ontarienne Des Eaux

Port Burwell Area Secondary
Water Supply System
Operations Report
First Quarter 2024

Ontario Clean Water Agency, Southwest Region
Vitaliy Talashok, Sr. Operations Manager, Aylmer Cluster
Date: May 8, 2024

Facility Description

Facility Name:	Port Burwell Area Secondary Water Supply System
Regional Manager:	Dale LeBritton - (519) 476-5898
Sr. Operations Manager:	Vitaliy Talashok - (226-378-8986)
Business Development Manager:	Robin Trepanier - (519) 791-2922
Facility Type:	Municipal
Classification:	Class 2 Water Distribution
Drinking Water System Category:	Large Municipal Residential
Title Holder:	Municipality
Operation Status:	OCWA

Service Information

Area(s) Serviced:	Municipality of Central Elgin, Malahide & Bayham
Population Serviced:	730
Malahide Direct Connections:	204
Central Elgin Connections:	75

Operational Description

This is a 12-inch watermain from the Elgin Area Water Treatment Plant to Port Burwell including an elevated tank west of Pt. Burwell. Includes re-chlorination at the tower and at Lakeview Re-Chlorination Facility.

CLIENT CONNECTION MONTHLY CLIENT REPORT

Facility Name: Port Burwell Secondary - Lakeview, Burwell tower, Valve house
ORG#: 5911

SECTION 1: COMPLIANCE SUMMARY

FIRST QUARTER:

There were no compliance issues to report for the first quarter.

SECTION 2: INSPECTIONS

FIRST QUARTER:

There were no MECP or MOL inspections conducted during the first quarter.

SECTION 3: QEMS UPDATE

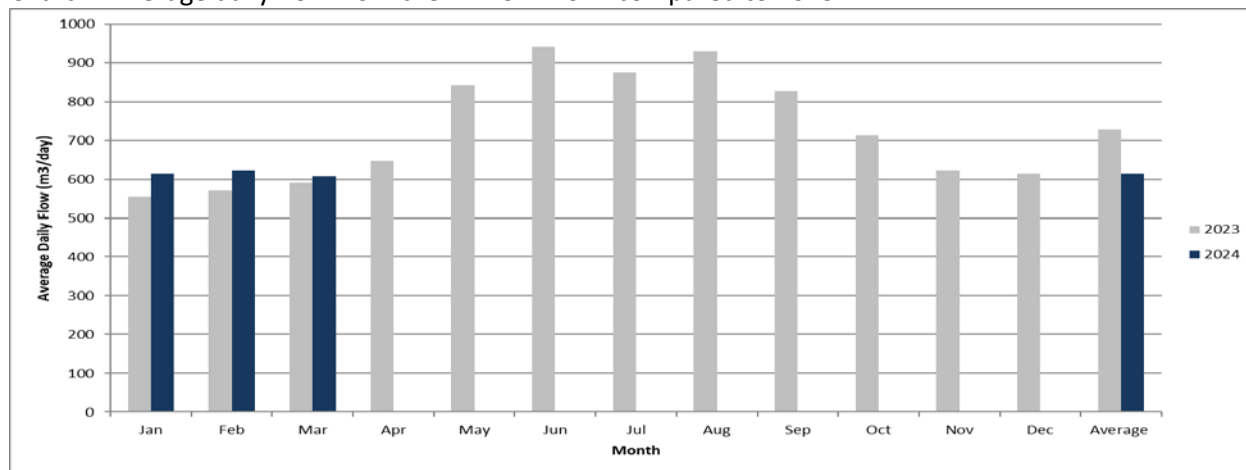
FIRST QUARTER:

There were no QEMS updates to report during the first quarter.

SECTION 4: PERFORMANCE ASSESSMENT REPORT

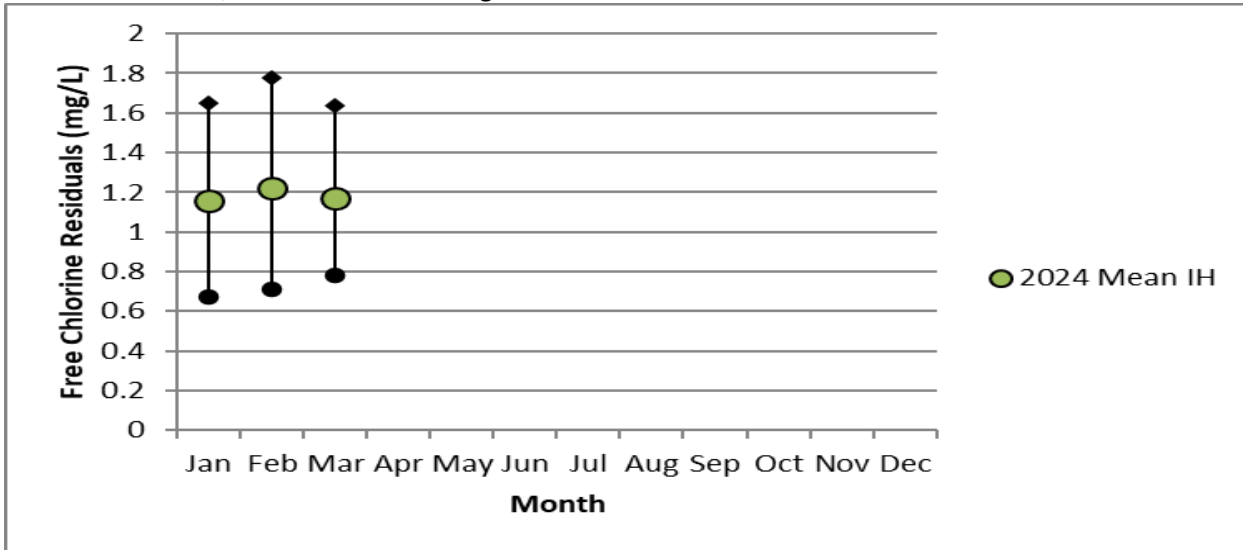
Flows are recorded at various points within the distribution system. The average daily flow to the system from the Elgin Area Primary Water Supply System (recorded at MV1) in 2024 so far was 615.11m³/d. This is down 15.4% when comparing to 2023 (727.39 m³/d). Chart 1 below depicts the average daily flow in 2024 compared to 2023.

Chart 1. Average daily flow from the EMPS in 2024 compared to 2023.



Chlorine residuals are obtained throughout the distribution system two times per week, with 4 residuals taken on sample days (usually Mondays) and three residuals taken at least 48 hours after the first set (usually on Fridays) to meet the regulatory requirements. Chart 2 below depicts the minimum, maximum and average chlorine residuals taken in the distribution system in 2023. The concentration of free chlorine varies depending on the location of sample taken. All results met regulatory requirements.

Chart 2. Minimum, maximum and average chlorine residuals in 2024.



The chlorine residuals are continuously monitored at the re-chlorination facilities at Dexter Line, the Tower and Lakeview. Chart 3 below provides the monthly average, minimum and maximum free chlorine residuals at the Dexter Line Re-Chlorination Facility in 2024.

Chart 3. Minimum, maximum and average chlorine residuals recorded at Dexter Line Re-chlorination in 2024.

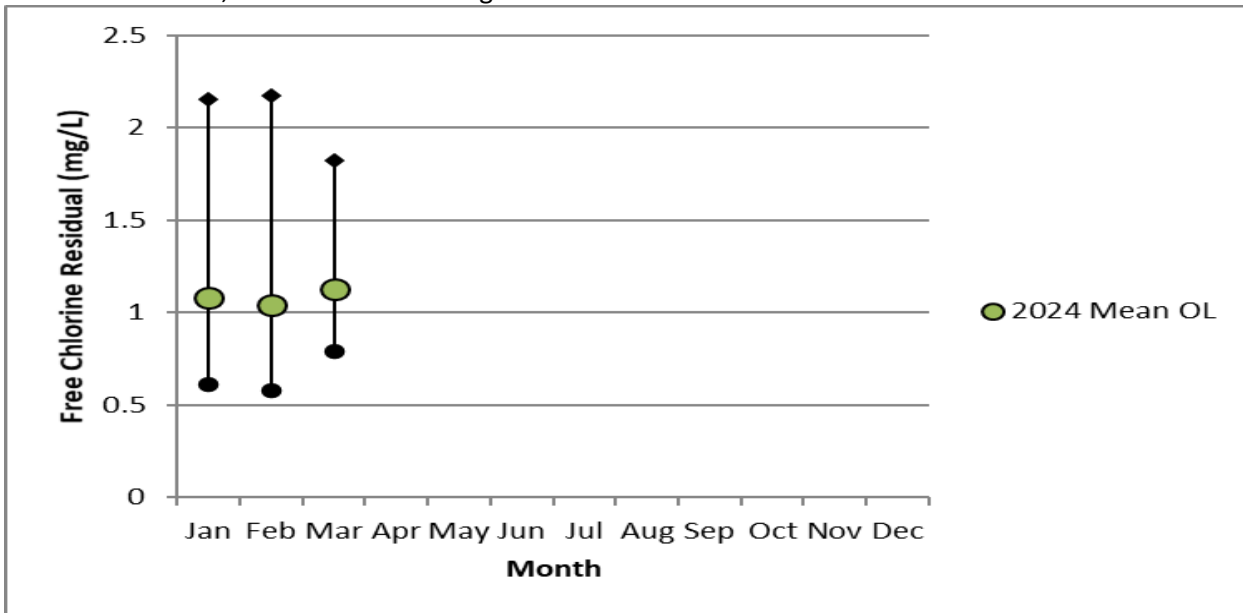


Chart 4 below provides the monthly average, minimum and maximum free chlorine residuals at the Port Burwell Tower in 2024. The residuals at the tower fluctuate depending on the fill cycles.

Chart 4. Minimum, maximum and average chlorine residuals recorded at Port Burwell Tower in 2024.

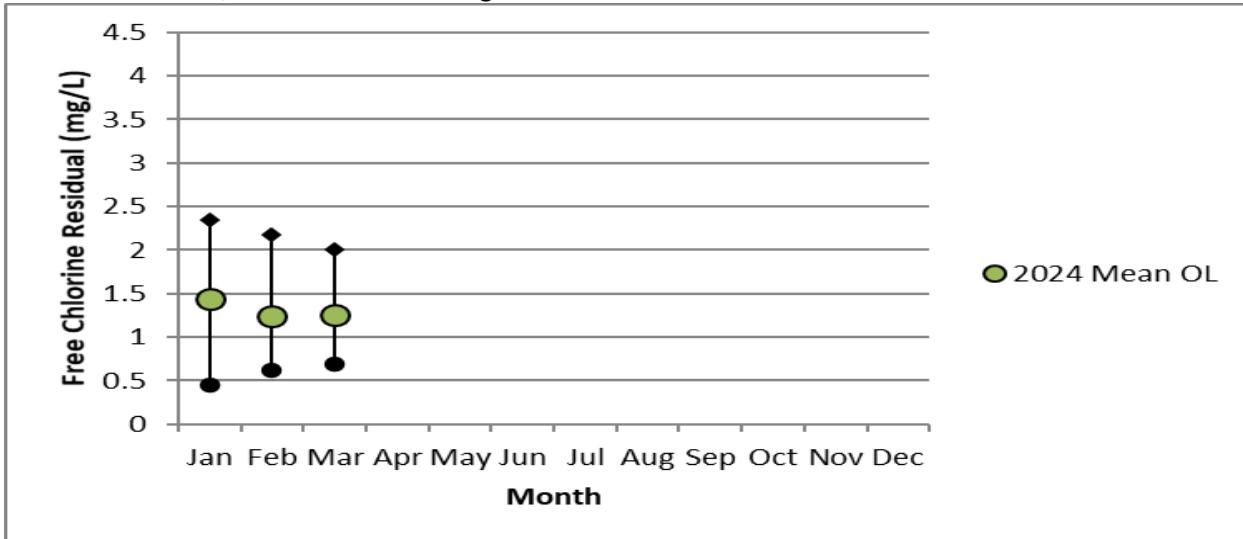
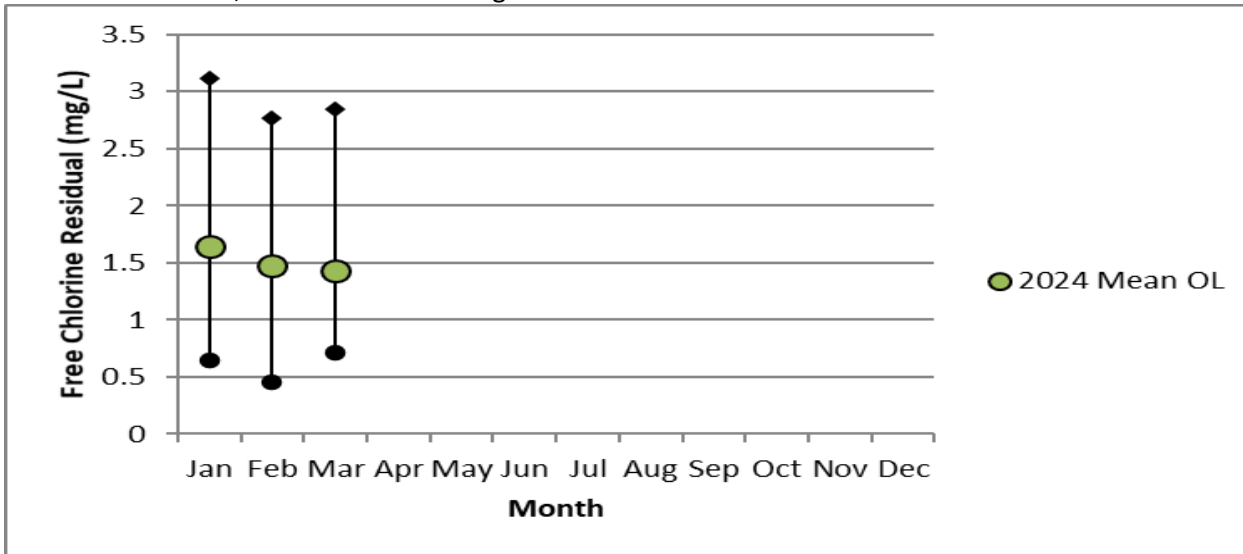


Chart 5 below provides the daily average, minimum and maximum free chlorine residuals at the Lakeview Re-chlorination Facility in 2024.

Chart 5. Minimum, maximum and average chlorine residuals recorded at Lakeview Re-chlorination in 2024.



Samples are obtained once per week at three locations in the distribution system. Table 1 summarizes the results of the microbiological sampling.

Table 1. Summary of microbiological sampling in 2024.

Month	# Samples	E. coli Range (cfu/100mL)	Total Coliform Range (cfu/100mL)	# Samples	Heterotrophic Plate Count Range (cfu/mL)
January	10	0 – 0	0 – 0	5	<10 - <10
February	8	0 – 0	0 – 0	4	<10 - <20
March	8	0 – 0	0 – 0	4	<10 - <10

Trihalomethanes (THMs) are sampled on a quarterly basis; the current running average is 39.00µg/L. When comparing the current running average to the 2023 average (37.25µg/L) there has been an increase of 4.7%. The results are well below the limit of 100 µg/L (refer to Table 2).

Table 2. Summary of THM sample results

	Limit (µg/L)	THM Result (µg/L)
April 2023		29
July 2023		38
October 2023		53
January 2024		36
Running Average	100	39.00

Haloacetic Acids (HAAs) are required to be sampled on a quarterly basis. The current 2024 running average is 15.88µg/L (refer to Table 3). When comparing the current running average to the 2022 average (17.2µg/L) there has been a decrease of 7.6%. The results are well below the limit of 80µg/L.

Table 3. Summary of HAA sample results

	Limit (µg/L)	HAA Result (µg/L)
April 2023		14.4
July 2023		17.1
October 2023		16.4
January 2024		22.5
Running Average	80	17.6

SECTION 5: OCCUPATIONAL HEALTH & SAFETY

FIRST QUARTER:

There were no additional Health & Safety issues identified in the first quarter.

SECTION 6: GENERAL MAINTENANCE

FIRST QUARTER:

JANUARY

- 04: Valve house - Jutzi on site for chemical delivery.
- 05: Lakeview – On site with Eastlink technician due to loss of communication for primary internet. Repairs completed the pedestal west of site. Confirmed operation of primary internet before securing site.
- 09: Port Burwell tower - On site at Lakeview to cycle power to modem and router for Lakeview as per WWOM of township. Due to activity on cellular fail over for Port Burwell tower cycled power to modem and router as well. Once connection was re-established contacted Execulink to confirm both sites are running on primary. Now normal.
- 10: Valve house, Dexter Rechlor, Port Burwell tower and Lakeview Rechlor – Tested flood alarms.
- 28: PB02 meter chamber - Inspected meter chamber PB02 due to recent issues with sump pump after rain events. Sump pump failure. Water under main. Will return to pump chamber and test pump. ORO, OIC and WWOM of township notified via email. Pumped out meter chamber PB02. Reset GFCI and tested pump. Now working normally. Attached a temporary shroud over outlet box to help divert water until a proper repair can be completed.

FEBRUARY

- 05: Port Burwell tower - Landmark Municipal services on site to paint Pipes and valves inside tower chamber
 06: Lakeview - On site with Koolen electric for replacement of both baseboard heaters and installation of exterior light. Breaker for heaters also replaced as it was found to be faulty.
 06: Lakeview - On site with Koolen electric for replacement of both baseboard heaters and installation of exterior light. Breaker for heaters also replaced as it was found to be faulty.
 22: Valve House - Jutzi on site for chemical delivery.

MARCH

- 07: Flowmetrix completed annual flow and pressure meter calibration at Dexter rechlor, Dexter and Imperial meter chamber and Waneeta Drive meter chambers.
 08: Lakeview - Noticed a small leak on injection line between pump 2 and chlorine panel. Pressure cracks in line. Completed repair.
 : Flowmetrix on site at PB01, PB02, EO38, VO01 and Lakeview rechlor for annual flow and pressure meter calibration
 13: Flowmetrix on site at Port Burwell tower and EO14 for annual annual flow and pressure meter calibrations/
 19: Port Burwell tower, Dexter & Lakeview rechlor - Tested critical alarms via SCADA by altering set points. Operation confirmed with alerts from call service. Set points returned to initial settings upon completion
 20: Dexter rechlor - Tested flood alarms.
 21: Valve house: Jutzi on site for chemical delivery.
 27: Dexter rechlor - Replaced last section of chlorine panel after last isolation valve due to pinhole leak.
 28: Dexter- Found chlorine panel with leak from treaded joint from previous days repair. Completed repair.

SECTION 7: ALARMS

FIRST QUARTER:

JANUARY

- 12: Lakeview - Received alarm for Control Panel failure Lakeview rechlor (17:01). Logged onto SCADA Laptop to find no power to site. But still has Communication. Chlorine level reading 1.61ppm free, pressure: 315.1kpa, flow rate 2.42l/sec. Will continue to monitor site through SCADA. Contacted Hydro One about power failure in the area. Expected repair is for 11pm tonight. Received alert from Hydro One that power restoration had been moved to 3pm January 13th. Shortly after conversation lost communication to Lakeview rechlor and Port Burwell Tower. Heading to site (23:13).
 13: Lakeview - Arrived on site at Lakeview rechlor due to power failure alarm.
 :Set up portable generator to UPS and now restoring communication too SCADA (00:44). Restored communication to Lakeview rechlor, can now see tower as well which is currently in high level. Chlorine analyzer reading 1.55ppm free, grab taken: 1.48ppm free.
 :Port Burwell tower - Arrived on site at the tower after receiving a high level alarm. Tower not overflowing currently. Chlorine level on analyzer reading: 1.70ppm free, grab taken: 1.67ppm free. Tower discharging currently all appears normal (01:54).
 :Lakeview - Arrived back on site at Lakeview rechlor. Refilled generator with gas and reset router to restore communication to Tower (10:15). Communication to tower restored. Chlorine level at 1.45ppm free and discharging at 8.25l/sec. Put MV1 into pressure mode to run off Lakeview to prevent tower overflowing if communication cuts off from the tower again. Expected Utility power restoration expected to be around 2pm now. Power restored to site. Disassembled generator and returned everything back to normal operation (15:40). MV1 returned to "level only" mode, and pressure control source returned to MV1/MV2.

FEBRUARY

- 28: Lakeview - Received power failure alarm. Acknowledged alarm and proceeded to site. Arrived on site. Power has been restored. Possibly power flicker due to the heavy thunderstorm. Visually inspected chlorine panel and ensured both pumps had power. Chlorine analyzer also functioning. Verified that

communications were up for both the tower and Lakeview. Heater was on. All appeared normal and functioning as intended. Secured site

29: Valve House - Received communication loss alarm. Unknown location. Spectrum operator did mention they had Hydro One outages all over, however not active in our area.

Acknowledged alarm on Win911 system, again no location stated. SCADA alarms email came through showing the comm loss to be at PB3. I was then able to log in to iPad and verify it to be MV1. All appeared normal on SCADA iPad. Contacted water treatment plant on Dexter Line to see if it was anything in conjunction with them. They also had no current alarms on the screen. He also looked into MV1 and confirmed that all appeared normal and functioning as intended. Contacted Execulink, who confirmed it was due to maintenance on their end between 0421 and 0435

MARCH

29: Port Burwell tower - Received notification from Execulink via answering service that Port Burwell Tower modem needed to be reset. Proceeded to site. Checked back building - Tower modem is at Lakeview Re-chlor. Arrived on site at Lakeview Re-chlor. Reset PB Tower modem. Checked SCADA iPad - comms appear to be restored. Observed SCADA for several minutes to confirm no further anomalies/drops in comms. No faults observed, logged off from SCADA.

SECTION 8: COMPLAINTS & CONCERNS

FIRST QUARTER:

There were no community complaints or concerns during the first quarter.

PBSW01 Locates	
Month	# of Locates Completed
January	1
February	4
March	5
April	
May	
June	
July	
August	
September	
October	
November	
December	



Aylmer Area Secondary Water Supply System

REPORT NO.: AASWSS-24-07
DATE: June 12, 2024
ATTACHMENT: OCWA QEMS Policy & Commitment and Endorsement
SUBJECT: **DWQMS OPERATIONAL PLAN: REVISION TO ELEMENT 3 – COMMITMENT AND ENDORSEMENT**

Recommendation:

THAT Report No. AASWSS-24-07 entitled “DWQMS Operational Plan: Revision to Element 3 – Commitment and Endorsement” be received;

AND THAT the Joint Board of Management for the Aylmer Area Secondary Water Supply System does hereby endorse the Operational Plan and authorizes the Mayor and Clerk of the Administering Municipality, being the Township of Malahide, to sign the Element 3 Commitment and Endorsement on their behalf.

Background:

The Safe Drinking Water Act requires owners in Ontario that supply municipal water to have an accredited Operating Authority. To be accredited, the Operating Authority is required to develop and maintain a Quality Management System (QMS). Minimum requirements of the QMS are detailed in the Drinking Water Quality Management Standard (DWQMS). The DWQMS requires an Operating Authority to document a Quality Management System for each Subject System that it operates in an Operational Plan.

In 2009, the Ontario Clean Water Agency (OCWA) was responsible for the development of an Operational Plan, as required under the Provincial Regulation, for the Aylmer Area Secondary Water Supply System. Over the course of time, revisions to the Operational Plan have been made to reflect changes in Municipal Council and Top Management, recommendations made by auditors during the audit process, and recommendations made by the Staff of the Administering Municipality and OCWA during the annual Management Review process.

Comments/Analysis:

This report is submitted to the Joint Board to satisfy the requirements of the QEMS Element 3 (Commitment and Endorsement) of the Aylmer Area Secondary Water Supply System's Operational Plan. Element 3 of the DWQMS requires written endorsement of the Operational Plan by OCWA's Top Management and the Owner. The purpose of Element 3 is to demonstrate the Owner's and OCWA's Top Management's commitment to developing, implementing, maintaining and continually improving its Quality and Environmental Management System (QEMS).

OCWA is currently in the process of collectively reviewing and updating all Operational Plans throughout the Province of Ontario to ensure the plans reflect updated SOPs and to address changes made internally with OCWA staff. The updated plans also address OFI's (Opportunities For Improvement) identified across the Province resulting from internal/ external audits of the DWQMS.

OCWA's QEMS policy has also been updated recently and as a result this change also requires re-endorsement. The updated QEMS policy is attached for reference.

Under Element 3, s. 3.2 the Operational Plan shall be re-endorsed when a change occurs to both representatives of the facility's Top Management and/or both of the Owner's representatives that endorsed the Operational Plan. Re-endorsement of the Operational Plan is required to reflect these changes.

The Aylmer Secondary System is operated and maintained by two separate OCWA Hubs. The System has one Hub which operates the transmission main and a separate Hub which operates the Elgin Middlesex Pumping Station (EMPS) portion of the system. Each Hub has a separate Operation Plan and separate top management. As such, two separate versions of the signed commitment and endorsement are attached to this report and both require re-endorsement.

Ensuring the Operational Plan is up to date, provides evidence to both the public and the auditors, of the Joint Board's commitment to the QEMS; as well as ensuring the Joint Board's goal of supplying a safe supply of potable water to its member municipalities. Therefore, Staff is requesting that the Mayor and Clerk of the Administering Municipality be authorized to sign the latest revision to Element 3 of the Aylmer Area Secondary Water Supply System Operational Plans.

The re-endorsement of OCWA's Operational Plans for the Aylmer Area Secondary Water Supply System by the Joint Board demonstrates the Board's commitment and support of the Operating Authority's Operational Plans and helps to provide safe and cost effective drinking water for all of the customers.

Summary:

The re-endorsement of OCWA's Operational Plan for AASWSS by the Joint Board of Management demonstrates the owner's commitment and support of the Operating Authority's Operational Plans.

Submitted by:	Reviewed by:	Approved for Board:
Sam Gustavson Water/ Wastewater Operations Manager	Jason Godby Director of Public Works	Nathan Dias CAO



QUALITY & ENVIRONMENTAL MANAGEMENT SYSTEM (QEMS) POLICY

OCWA's Policy is to:

- Deliver safe water and wastewater services that protect public health, the environment, and the sustainability of communities.
- Comply with applicable legislation and regulations.
- Promote client, consumer and stakeholder confidence through service excellence, effective communications and reporting.
- Train staff on their QEMS responsibilities.
- Maintain and continually improve the QEMS.


Originally issued as Environmental Policy on June 8, 1995

Last revised, approved by OCWA's Board of Directors on April 4, 2024

(This policy is annually reviewed)

(A complete review/revision history is accessible to all staff on OCWA's intranet and is available to external stakeholders upon request by contacting: ccompliance@ocwa.com).



	OPERATIONAL PLAN Aylmer Area Secondary Water Supply System Joint Board of Management – Elgin-Middlesex Pumping Station (Aylmer Portion)	QEMS Doc: OP-03A Rev Date: 2024-06-01 Rev No: 2 Pages: 1 of 1
SIGNED COMMITMENT AND ENDORSEMENT		

This Operational Plan sets out the framework for OCWA' Quality & Environmental Management System (QEMS) that is specific and relevant to your drinking water system(s) and supports the overall goal of OCWA and the Aylmer Area Secondary Water Supply System Joint Board of Management (Owner) to provide safe, cost-effective drinking water through sustained cooperation. OCWA will be responsible for developing, implementing, maintaining and continually improving its QEMS with respect to the operation and maintenance of the Elgin-Middlesex Pumping Station (Aylmer Portion) and will do so in a manner that ensures compliance with applicable legislative and regulatory requirements.

Through the endorsement of this Operational Plan, the Owner commits to work with OCWA to facilitate this goal.

OCWA Top Management Endorsement

Owner Endorsement

Greg Henderson
 Senior Operations Manager

 Date

Dominique Giguere
 Mayor, Township of Malahide
 Administering Municipality for the
 AASWSS Board

 Date

Jackie Muller
 Regional Hub Manager


 Date

 Allison Adams
 Clerk, Township of Malahide Administering
 Municipality for the AASWSS Board

 Date

* Mayor and CAO/Clerk of the Administrating Municipality as authorized by Provincial Order W1/1998, on behalf of the Aylmer Area Secondary Water Supply System Joint Board of Management

The endorsement above is based on the Operational Plan that was current as of the revision date of this document (OP-03A).

	OPERATIONAL PLAN Aylmer Area Secondary Water Supply System	QEMS Doc: OP-03A Rev Date: 2024-06-01 Rev No: Pages: 1 of 1
SIGNED COMMITMENT AND ENDORSEMENT		

This Operational Plan sets out the framework for OCWA' Quality & Environmental Management System (QEMS) that is specific and relevant to your drinking water system(s) and supports the overall goal of OCWA and the Aylmer Area Secondary Water Supply System Joint Board of Management (Owner) to provide safe, cost-effective drinking water through sustained cooperation. OCWA will be responsible for developing, implementing, maintaining and continually improving its QEMS with respect to the operation and maintenance of the AASWSS and will do so in a manner that ensures compliance with applicable legislative and regulatory requirements.

Through the endorsement of this Operational Plan, the Owner commits to work with OCWA to facilitate this goal.

OCWA Top Management Endorsement

Owner Endorsement

Vitaliy Talashok Operations Management, Aylmer Cluster	Date	Dominique Giguère Mayor, Township of Malahide Administering Municipality for the AASWSS Board	Date
Maegan Garber, Safety, Process and Compliance Manager	Date	Allison Adams Clerk, Township of Malahide Administering Municipality for the AASWSS Board	Date

The endorsement above is based on the Operational Plan that was current as of the revision date of this document (OP-03A).

Revision History

Date	Revision #	Reason for Revision
2024-06-01	0	Endorsement issued



Port Burwell Area Secondary Water Supply System

REPORT NO.: PBASWSS-24-09
DATE: June 12, 2024
ATTACHMENT: OCWA QEMS Policy & Commitment and Endorsement
SUBJECT: **DWQMS OPERATIONAL PLAN: REVISION TO ELEMENT 3 – COMMITMENT AND ENDORSEMENT**

Recommendation:

THAT Report No. PBASWSS-24-09 entitled “DWQMS Operational Plan: Revision to Element 3 – Commitment and Endorsement” be received;

AND THAT the Joint Board of Management for the Port Burwell Area Secondary Water Supply System does hereby endorse the Operational Plan and authorizes the Mayor and Clerk of the Administering Municipality being the Township of Malahide to sign the Element 3 Commitment and Endorsement on their behalf.

Background:

The Safe Drinking Water Act requires owners in Ontario that supply municipal water to have an accredited Operating Authority. To be accredited, the Operating Authority is required to develop and maintain a Quality Management System (QMS). Minimum requirements of the QMS are detailed in the Drinking Water Quality Management Standard (DWQMS). The DWQMS requires an Operating Authority to document a Quality Management System for each Subject System that it operates in an Operational Plan.

In 2009, the Ontario Clean Water Agency (OCWA) was responsible for the development of an Operational Plan, as required under the Provincial Regulation, for the Port Burwell Area Secondary Water Supply System. Over the course of time, revisions to the Operational Plan have been made to reflect changes in Municipal Council and Top Management, recommendations made by auditors during the audit process, and recommendations made by the Staff of the Administering Municipality and OCWA during the annual Management Review process.

Comments/Analysis:

This report is submitted to the Joint Board to satisfy the requirements of the QEMS Element 3 (Commitment and Endorsement) of the Port Burwell Area Secondary Water Supply System's Operational Plan. Element 3 of the DWQMS requires written endorsement of the Operational Plan by OCWA's Top Management and the Owner. The purpose of Element 3 is to demonstrate the Owner's and OCWA's Top Management's commitment to developing, implementing, maintaining and continually improving its Quality and Environmental Management System (QEMS).

OCWA is currently in the process of collectively reviewing and updating all Operational Plans throughout the Province of Ontario to ensure the plans reflect updated SOP's and to address changes made internally with OCWA staff. The updated plans also address OFI's (Opportunities For Improvement) identified across the Province resulting from internal/ external audits of the DWQMS.

OCWA's QEMS policy has also been updated recently and as a result this change also requires re-endorsement. The updated QEMS policy is attached for reference.

Under Element 3, s. 3.2 the Operational Plan shall be re-endorsed when a change occurs to both representatives of the facility's Top Management and/or both of the Owner's representatives that endorsed the Operational Plan. Re-endorsement of the Operational Plan is required to reflect these changes.

Ensuring the Operational Plan is up to date, provides evidence to both the public and the auditors, of the Joint Board's commitment to the QEMS; as well as ensuring the Joint Board's goal of supplying a safe supply of potable water to its member municipalities. Therefore, the Staff is requesting that the Mayor and Clerk of the Administering Municipality be authorized to sign the latest revision to Element 3 of the Port Burwell Area Secondary Water Supply System Operational Plan.

The re-endorsement of OCWA's Operational Plan for the Port Burwell Area Secondary Water Supply System by the Joint Board demonstrates the Board's commitment and support of the Operating Authority's Operational Plans and helps to provide safe and cost-effective drinking water for all of the customers.

Summary:

Submitted by:	Approved by:	Approved for Board:
Sam Gustavson, Water/ Wastewater Operations Manager	Jason Godby Director of Public Works	Nathan Dias CAO



QUALITY & ENVIRONMENTAL MANAGEMENT SYSTEM (QEMS) POLICY

OCWA's Policy is to:

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- Promote client, consumer and stakeholder confidence through service excellence, effective communications and reporting.
- Train staff on their QEMS responsibilities.
- Maintain and continually improve the QEMS.


Originally issued as Environmental Policy on June 8, 1995

Last revised, approved by OCWA's Board of Directors on April 4, 2024

(This policy is annually reviewed)

(A complete review/revision history is accessible to all staff on OCWA's intranet and is available to external stakeholders upon request by contacting: ccompliance@ocwa.com).



	OPERATIONAL PLAN Port Burwell Area Secondary Water Supply System	QEMS Doc: OP-03A Rev Date: 2024-06-01 Rev No: 0 Pages: 1 of 1
SIGNED COMMITMENT AND ENDORSEMENT		

This Operational Plan sets out the framework for OCWA' Quality & Environmental Management System (QEMS) that is specific and relevant to your drinking water system(s) and supports the overall goal of OCWA and the Port Burwell Area Secondary Supply System Joint Board of Management (Owner) to provide safe, cost-effective drinking water through sustained cooperation. OCWA will be responsible for developing, implementing, maintaining and continually improving its QEMS with respect to the operation and maintenance of Port Burwell Area Secondary Water Supply System and will do so in a manner that ensures compliance with applicable legislative and regulatory requirements.

Through the endorsement of this Operational Plan, the Owner commits to work with OCWA to facilitate this goal.

OCWA Top Management Endorsement

Owner Endorsement

<hr/> <i>Vitaliy Talashok</i> Operations Management, Aylmer Cluster	<hr/> Date	<hr/> Dominique Giguère Mayor, Township of Malahide Administering Municipality for the PBASWSS Board	<hr/> Date
<hr/> <i>Maegan Garber,</i> Safety, Process and Compliance Manager	<hr/> Date	<hr/> <i>Allison Adams</i> Clerk, Township of Malahide Administering Municipality for the PBASWSS Board	<hr/> Date

The endorsement above is based on the Operational Plan that was current as of the revision date of this document (OP-03A).

Revision History

Date	Revision #	Reason for Revision
2024-06-01	0	Endorsement issued