

**Grand Bend Area Joint
Sewage Board
Financial Statements
For the year ended December 31, 2018**

Grand Bend Area Joint Sewage Board
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Municipality of Lambton Shores and the Municipality of South Huron:

Opinion

We have audited the financial statements of Grand Bend Area Joint Sewage Board (the Entity), which comprise the statement of financial position as at December 31, 2018, and the statement of operations 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 accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 Entity'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 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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
June 7, 2019

Grand Bend Area Joint Sewage Board
Statement of Financial Position

December 31	2018	2017
Financial Assets		
Cash (Note 3)	\$ 154,076	\$ -
Due from participating municipality (Note 4)	51,250	-
	<hr/> \$ 205,326	<hr/> -
Accumulated surplus (Note 5)	\$ 205,326	\$ -

On behalf of the Board:

_____ Director

_____ Director

Grand Bend Area Joint Sewage Board
Statement of Operations

For the year ended December 31	Budget 2018	Actual 2018	Actual 2017
	(Note 6)		
Revenue			
Municipal recovery - Lambton Shores	\$ 448,167	\$ 321,826	\$ 331,543
Municipal recovery - South Huron	301,075	230,405	215,448
Other	-	107,436	-
	749,242	659,667	546,991
Expenses			
Administration and governance			
General administrative charges	3,860	3,860	3,989
Insurance	20,329	18,355	19,737
Audit	7,200	7,200	7,200
Accounting services	2,040	2,040	-
Technology support	500	781	121
Scada support	2,000	-	-
Engineering	2,000	-	5,525
Legal	1,000	-	-
Taxes	79,526	36,026	77,967
Taxes - pump station 2	1,784	1,176	1,206
Fixed maintenance and operational costs			
Telephone	2,000	1,775	1,703
Telephone - pump station 2	-	1,217	1,171
Computer	500	-	-
Building repairs & maintenance	20,000	2,849	5,167
Grounds maintenance	3,000	-	-
Annual preventative maintenance	10,176	13,078	16,429
Wetland pest control	1,000	-	-
Variable operational costs			
OMI administrative	33,475	33,475	32,647
Operator wages	97,892	97,892	95,469
Electrical	138,508	116,030	139,599
Electrical - pump station 2	13,000	9,827	13,864
Union gas	26,100	32,847	39,201
Water	20,000	16,700	26,602
Water - pump station 2	500	306	210
Chemicals	43,981	43,980	42,892
Laboratory sampling	13,871	14,927	16,292
	544,242	454,341	546,991
Annual surplus	205,000	205,326	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	\$ 205,000	\$ 205,326	\$ -

The accompanying notes are an integral part of these financial statements.

Grand Bend Area Joint Sewage Board
Statement of Cash Flow

For the year ended December 31	2018	2017
Operating activities		
Annual surplus	\$ 205,326	\$ -
Changes in non-cash operating balances		
Due from participating municipality	(51,250)	-
Increase in cash	154,076	-
Cash, beginning of year	-	-
Cash, end of year	\$ 154,076	\$ -

The accompanying notes are an integral part of these financial statements.

Grand Bend Area Joint Sewage Board

Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

**Management's
Responsibility for the
Financial Statements**

The financial statements of the municipal board are the responsibility of management. The Grand Bend Area Joint Sewage Board ("the municipal board") is a municipal board in the Province of Ontario and was established under the Municipal Act, sections 196 and 202. The municipal board governs the management of a wastewater treatment facility, a forcemain and a pump station.

Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards.

**Government
Transfer**

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue Recognition

Municipal recovery revenue is recognized in the year for which the service relates to. Recoveries for wastewater usage are based on agreed allocation percentages and flow rate usage of the participating municipalities. Other revenue is recognized when the amount is determinable, collectibility is assured and the services provided.

**Measurement
Uncertainty**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Grand Bend Area Joint Sewage Board

Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Financial Instruments Cash is measured at fair value. The carrying amount cash is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

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

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

2. Nature of Reporting Entity

In 2014, the participating municipalities signed an agreement to construct a new wastewater treatment facility which was completed in 2016. All new and existing works, properties, and all assets, liabilities, rights and obligations of the system have been conveyed, assigned and transferred jointly to The Corporation of the Municipality of Lambton Shores and The Corporation of the Municipality of South Huron. As long as a participating municipality is serviced by the works, each will have an undivided beneficial ownership interest in the works as a tenant in common with the other jointly. The municipalities' interest shall be in the same ratio of the quantity of wastewater contributed to the works from the municipality at any time and from time to time bears to the total quantity of wastewater contributed at such time.

A joint board was established to govern the management of the wastewater treatment facility. The joint board of management is comprised of three representatives from each participating municipality. All representatives have one vote each.

The Corporation of the Municipality of Bluewater has an option to become a participating municipality expiring January 1, 2044 with an option to renew for a further ten years. As at December 31, 2018, the Corporation of the Municipality of Bluewater has not exercised its option.

Grand Bend Area Joint Sewage Board

Notes to Financial Statements

December 31, 2018

3. Cash

The municipal board's bank account is maintained at a chartered bank and earns interest at rates from 0% to the bank's prime rate less 1.65%.

4. Due from Participating Municipality

At the end of the year, the amount due from a participating municipality was \$51,250. The balance does not have specific repayment terms and is non-interest bearing.

5. Accumulated Surplus

The municipal board segregates its accumulated surplus into the following categories:

	<u>2018</u>	<u>2017</u>
Reserves		
Capital replacement and rehabilitation	\$ 205,326	\$ -

Reserve funds represent funds set aside by the municipal board for specific purposes.

6. Budget

The budget approved by the municipal board on October 6, 2017 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards) which is allowable as per Ontario Regulation 284/09 of the Municipal Act. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget amounts anticipate use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. As a result, the budget amounts presented in the statements of operations represent the budget adopted by the municipal board on October 6, 2017 with adjustments as follows:

Budget Bylaw surplus for the year	\$ -
Add:	
Budgeted transfer to accumulated surplus	<u>205,000</u>
Budget surplus per statement of operations	<u>\$ 205,000</u>

Grand Bend Area Joint Sewage Board

Notes to Financial Statements

December 31, 2018

7. Financial Instrument Risk Management

The municipal board is exposed to credit risk from its financial instrument. This note describes the municipal board's objectives, policies and processes for managing this risk and the method used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

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 municipal board is exposed to credit risk through its cash as its bank account is held at one financial institution.

A credit risk has been assessed for the municipal board as a bank account has been added in the current year.

8. Commitment

The Grand Bend Area Joint Sewage Board has committed to contribute 2% per annum to the capital replacement and rehabilitation fund, to be reviewed in 2020.