

DRAFT
For Discussion
Purposes Only

ARROWSMITH WATER SERVICE JOINT VENTURE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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Independent Auditors' Report

Statement of Financial Position

Statement of Operations and Joint Venturers' Accumulated Surplus

Notes to Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Venturers

Report on Financial Statements

We have audited the accompanying statement of financial position of Arrow Smith Water Service Joint Venture as at December 31, 2012 and the statement of operations and joint venturers' accumulated surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Joint Venture as at December 31, 2012 and the results of its operations and joint venturers' accumulated surplus for the year then ended in accordance with Canadian Public Sector Accounting Standards.

CHARTERED ACCOUNTANTS

Parksville, Canada
June 6, 2013

ARROWSMITH WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

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ASSETS

	<u>2012</u>	<u>2011</u>
TANGIBLE CAPITAL ASSETS (note 2)	\$ <u>6,438,946</u>	\$ <u>6,438,946</u>
JOINT VENTURERS' ACCUMULATED SURPLUS (note 3)		
City of Parksville	\$ 4,078,256	\$ 4,059,244
Town of Qualicum Beach	871,244	889,985
Regional District of Nanaimo	<u>1,489,446</u>	<u>1,489,717</u>
	\$ <u>6,438,946</u>	\$ <u>6,438,946</u>

Approved:

City of Parksville

Regional District of Nanaimo

Town of Qualicum Beach

ARROWSMITH WATER SERVICE JOINT VENTURE

STATEMENT OF OPERATIONS AND JOINT VENTURERS' ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2012

	<u>City of Parksville</u>	<u>Town of Qualicum Beach</u>	<u>Regional District of Nanaimo</u>	<u>2012 Total</u>	<u>2011 Total</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	\$ 4,059,244	\$ 889,985	\$ 1,489,717	\$ 6,438,946	\$ 6,903,834
Expenses					
Administration	35,615	7,636	12,485	55,736	83,977
Operations	15,998	-	3,002	19,000	13,619
Maintenance	51,797	11,105	18,157	81,059	36,292
	<u>103,410</u>	<u>18,741</u>	<u>33,644</u>	<u>155,795</u>	<u>133,888</u>
	3,955,834	871,244	1,456,073	6,283,151	6,769,946
Deduct: Transfer of work in progress to Englishman River Water Service	-	-	-	-	467,672
Add: Joint venturers' contributions	122,422	-	33,373	155,795	136,672
ACCUMULATED SURPLUS AT END OF YEAR	\$ 4,078,256	\$ 871,244	\$ 1,489,446	\$ 6,438,946	\$ 6,438,946

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NOTES TO FINANCIAL STATEMENTS

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Arrowsmith Water Service is a joint venture of the City of Parksville, the Town of Qualicum Beach and the Regional District of Nanaimo. The purpose of the joint venture is the design, construction, installation, operation, maintenance and replacement of bulk water supply facilities, which is to supply water within the boundaries of Parksville, Qualicum Beach and the existing local water service areas in the Regional District of Nanaimo.

The joint venturers entered into an agreement on July 10, 1996 by order of the Lieutenant Governor in Council. An amended agreement was signed by the venturers on July 1, 2011.

Capital costs, administrative and maintenance expenses of the bulk water system are apportioned as follows:

City of Parksville	63.9%
Town of Qualicum Beach	13.7%
Regional District of Nanaimo	22.4%

Operational costs are shared between the City of Parksville and the Regional District of Nanaimo based on their share of water used from the Englishman River.

1. SIGNIFICANT ACCOUNTING POLICY

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. No amortization is recorded in the Joint Venture statements as the Joint Venturers each record amortization on their share of the tangible capital assets.

2. TANGIBLE CAPITAL ASSETS

	Cost	
	2012	2011
General		
Land	\$ 762,267	\$ 762,267
Buildings	40,705	40,705
Machinery and equipment	124,065	124,065
Infrastructure		
Dam	5,155,884	5,155,884
Land Improvements	356,025	356,025
	<u>\$6,438,946</u>	<u>\$6,438,946</u>

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3. JOINT VENTURERS' ACCUMULATED SURPLUS

Joint venturers' accumulated surplus includes reserves and equity in tangible capital assets less funding receivable.

	Carry- forward Reserve	Reserve for Future Expen- ditures	Equity in Tangible Capital Assets	Funding (Receivable) Payable	2012	2011
City of Parksville	\$ 3,461	\$ 133,710	\$ 4,114,486	\$ (173,401)	\$4,078,256	\$4,059,244
Town of Qualicum Beach	3,460	28,667	882,136	(43,019)	871,244	889,985
Regional District of Nanaimo	3,461	46,872	1,442,324	(3,211)	1,489,446	1,489,717
	<u>\$ 10,382</u>	<u>\$ 209,249</u>	<u>\$ 6,438,946</u>	<u>\$ (219,631)</u>	<u>\$6,438,946</u>	<u>\$6,438,946</u>