

DRAFT
For Discussion
Purposes Only

ARROWSMITH WATER SERVICE JOINT VENTURE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

DRAFT
For Discussion
Purposes Only

ARROWSMITH WATER SERVICE JOINT VENTURE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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 of Arrowsmith Water Service Joint Venture

Report on Financial Statements

We have audited the accompanying statement of financial position of Arrowsmith Water Service Joint Venture as at December 31, 2011 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, 2011 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
July 16, 2012

ARROWSMITH WATER SERVICE JOINT VENTURE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

DRAFT
For Discussion
Purposes Only

ASSETS

	<u>2011</u>	<u>2010</u>
TANGIBLE CAPITAL ASSETS (note 2)	\$ <u>6,438,946</u>	\$ <u>6,903,834</u>
JOINT VENTURERS' ACCUMULATED SURPLUS (note 3)		
City of Parksville	\$ 4,059,244	\$ 4,442,839
Town of Qualicum Beach	889,985	864,013
Regional District of Nanaimo	<u>1,489,717</u>	<u>1,596,982</u>
	\$ <u>6,438,946</u>	\$ <u>6,903,834</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, 2011

	<u>City of Parksville</u>	<u>Town of Qualicum Beach</u>	<u>Regional District of Nanaimo</u>	<u>2011 Total</u>	<u>2010 Total</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	\$ 4,442,839	\$ 864,013	\$ 1,596,982	\$ 6,903,834	\$ 6,499,714
Expenses					
Administration	53,661	11,505	18,811	83,977	51,417
Operations	11,889	-	1,730	13,619	5,450
Maintenance	23,191	4,972	8,129	36,292	19,502
	<u>88,741</u>	<u>16,477</u>	<u>28,670</u>	<u>133,888</u>	<u>76,369</u>
	4,354,098	847,536	1,568,312	6,769,946	6,423,345
Deduct transfer of work in progress to Englishman River Water Service	244,892	98,724	124,056	467,672	-
Add joint venturers' contributions (reimbursement)	<u>(49,962)</u>	<u>141,173</u>	<u>45,461</u>	<u>136,672</u>	<u>480,489</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u>\$ 4,059,244</u>	<u>\$ 889,985</u>	<u>\$ 1,489,717</u>	<u>\$ 6,438,946</u>	<u>\$ 6,903,834</u>

DRAFT
For Discussion
Purposes Only

ARROWSMITH WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

DRAFT
For Discussion
Purposes Only

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	
	2011	2010
General		
Land	\$ 762,267	\$ 762,267
Buildings	40,705	40,705
Machinery and equipment	124,065	96,049
Infrastructure		
Dam	5,155,884	5,155,884
Land improvements	356,025	356,025
	<u>6,438,946</u>	<u>6,410,930</u>
Capital works in progress	-	492,904
	<u>\$ 6,438,946</u>	<u>\$ 6,903,834</u>

ARROWSMITH WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

DRAFT
For Discussion
Purposes Only

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	2011	2010
City of Parksville	\$ 3,461	\$ 114,540	\$ 4,114,486	\$ (173,243)	\$ 4,059,244	\$ 4,442,839
Town of Qualicum Beach	3,460	24,557	882,136	(20,168)	889,985	864,013
Regional District of Nanaimo	3,461	40,152	1,442,324	3,780	1,489,717	1,596,982
	\$ 10,382	\$ 179,249	\$ 6,438,946	\$ (189,631)	\$ 6,438,946	\$ 6,903,834