

**DRAFT**  
For Discussion  
Purposes Only

**ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

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**ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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 the Englishman River Water Service Joint Venture as at December 31, 2012 and the statement of operations and 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 accumulated surplus for the year then ended in accordance with Canadian Public Sector Accounting Standards.

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

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ASSETS

	<u>2012</u>	<u>2011</u>
GRANT RECEIVABLE (note 2)	\$ 483,801	\$ -
TANGIBLE CAPITAL ASSETS (note 3)	<u>2,699,033</u>	<u>1,924,927</u>
ACCUMULATED SURPLUS	<u>\$ 3,182,834</u>	<u>\$ 1,924,927</u>
ACCUMULATED SURPLUS (note 4)		
City of Parksville	\$ 2,351,270	\$ 1,340,128
Regional District of Nanaimo	<u>831,564</u>	<u>584,799</u>
	<u>\$ 3,182,834</u>	<u>\$ 1,924,927</u>

Approved:

\_\_\_\_\_  
City of Parksville

\_\_\_\_\_  
Regional District of Nanaimo

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2012

	City of Parksville	Regional District of Nanaimo	Town of Qualicum Beach	2012 Total	2011 Total
<b>SURPLUS PRIOR TO REALLOCATION AT BEGINNING OF YEAR</b>	\$ 1,267,072	\$ 559,131	\$ 98,724	\$ 1,924,927	\$ -
Expenses					
Administration	10,192	3,580	-	13,772	3,923
Minor Capital	-	-	-	-	1,711
	10,192	3,580	-	13,772	5,634
	1,256,880	555,551	98,724	1,911,155	(5,634)
Add: Capital grant (note 2)	358,013	125,788	-	483,801	-
Add: Transfer of work in progress from Arrowsmith Water Service	-	-	-	-	467,672
Add: Joint venturers' contributions	663,321	124,557	-	787,878	1,462,889
Surplus prior to reallocation at end of year	2,278,214	805,896	98,724	3,182,834	1,924,927
Town of Qualicum Beach contribution reallocated (note 4)	73,056	25,668	(98,724)	-	-
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>	\$ 2,351,270	\$ 831,564	\$ -	\$ 3,182,834	\$ 1,924,927

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**ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

Englishman River Water Service is a joint venture of the City of Parksville 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 and treatment facilities, which is to supply water within the boundaries of Parksville and the existing local water service areas in the Regional District of Nanaimo.

The joint venturers entered into an agreement on July 10, 2011.

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

City of Parksville	74.0%
Regional District of Nanaimo	26.0%

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. GRANT RECEIVABLE**

The Union of British Columbia Municipalities (UBCM) has signed an agreement with the Regional District of Nanaimo to provide grant funding for the Aquifer Storage Reservoir project from the Strategic Priorities Fund and/or Innovations Fund Funding Agreement under the Federal Gas Tax program. The project is a study to evaluate aquifer storage potential for the Englishman River Water Service. The grant is not to exceed the lesser of \$1,334,230 and one hundred percent of the eligible costs incurred between April 27, 2011 and November 30, 2013. The eligible costs incurred to December 31, 2012 totaled \$483,801.

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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3. TANGIBLE CAPITAL ASSETS

	Cost	
	2012	2011
General		
Land	\$ 1,222,595	\$ 1,225,926
Capital works in progress	1,476,438	699,001
	<u>\$ 2,699,033</u>	<u>\$ 1,924,927</u>

4. ACCUMULATED SURPLUS

Accumulated surplus includes reserves and equity in tangible capital assets less funding receivable.

	Equity in Tangible Capital Assets	Allocation from Town of Qualicum Beach	Funding (Receivable) Payable	2012	2011
City of Parksville	\$ 1,896,099	\$ 73,056	\$ 382,115	\$ 2,351,270	\$ 1,340,128
Regional District of Nanaimo	704,210	25,668	101,686	831,564	584,799
	<u>\$ 2,600,309</u>	<u>\$ 98,724</u>	<u>\$ 483,801</u>	<u>\$ 3,182,834</u>	<u>\$ 1,924,927</u>

The Town of Qualicum Beach made a contribution of \$98,724 to the planning costs of the water intake and treatment facility. Subsequent to their contribution, the Town of Qualicum Beach chose to discontinue their participation in the water intake and treatment facility. The costs associated with the planning of the water intake and treatment facility were transferred to the Englishman River Water Services Joint Venture. As the Town of Qualicum Beach is not an equity participant in the Englishman River Water Service Joint Venture, the contribution by the Town of Qualicum Beach has been allocated to the City of Parksville and Regional District of Nanaimo based on their participating interests. The City of Parksville and Regional District of Nanaimo have agreed that the contribution may be applied against the cost of buying in to the joint venture should the Town of Qualicum Beach choose to participate in the venture in the future.