

**DRAFT**  
For Discussion  
Purposes Only

**ARROWSMITH WATER SERVICE JOINT VENTURE**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

**McGORMAN**  
**MacLEAN**

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**ARROWSMITH WATER SERVICE JOINT VENTURE**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

Independent Auditors' Report

Statement of Financial Position

Statement of Operations and Joint Venturers' Accumulated Surplus

Notes to Financial Statements

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## INDEPENDENT AUDITORS' REPORT

To the Venturers

### Report on Financial Statements

We have audited the accompanying statement of financial position of Arrowsmith Water Service Joint Venture as at December 31, 2013 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, 2013 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 5, 2014

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ARROWSMITH WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

ASSETS

	<u>2013</u>	<u>2012</u>
<b>TANGIBLE CAPITAL ASSETS (note 2)</b>	\$ <u>6,438,946</u>	\$ <u>6,438,946</u>
<b>JOINT VENTURERS' ACCUMULATED SURPLUS (note 3)</b>		
City of Parksville	\$ 4,010,938	\$ 4,078,256
Town of Qualicum Beach	916,862	871,244
Regional District of Nanaimo	<u>1,511,146</u>	<u>1,489,446</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, 2013**

**ACCUMULATED SURPLUS AT  
BEGINNING OF YEAR**

**Expenses**

Administration  
Operations  
Maintenance

	<u>City of Parksville</u>	<u>Town of Qualicum Beach</u>	<u>Regional District of Nanaimo</u>	<u>2013 Total</u>	<u>2012 Total</u>
	\$ 4,078,256	\$ 871,244	\$ 1,489,446	\$ 6,438,946	\$ 6,438,946
	29,673	6,361	10,403	46,437	55,736
	10,740	-	3,142	13,882	19,000
	16,509	3,540	5,787	25,836	81,059
	56,922	9,901	19,332	86,155	155,795
	4,021,334	861,343	1,470,114	6,352,791	6,283,151
	(10,396)	55,519	41,032	86,155	155,795
	\$ 4,010,938	\$ 916,862	\$ 1,511,146	\$ 6,438,946	\$ 6,438,946

Joint venturers' contributions

**ACCUMULATED SURPLUS AT  
END OF YEAR**

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ARROWSMITH WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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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	
	2013	2012
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>

## ARROWSMITH WATER SERVICE JOINT VENTURE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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## 3. JOINT VENTURERS' ACCUMULATED SURPLUS

The 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	2013	2012
City of Parksville	\$ 3,461	\$ 152,880	\$ 4,114,486	\$ (259,889)	\$ 4,010,938	\$ 4,078,256
Town of Qualicum Beach	3,460	32,777	882,136	(1,511)	916,862	871,244
Regional District of Nanaimo	3,461	53,592	1,442,324	11,769	1,511,146	1,489,446
	<u>\$ 10,382</u>	<u>\$ 239,249</u>	<u>\$ 6,438,946</u>	<u>\$ (249,631)</u>	<u>\$ 6,438,946</u>	<u>\$ 6,438,946</u>