ARROWSMITH WATER SERVICE JOINT VENTURE
MANAGEMENT BOARD REGULAR MEETING
AGENDA

Tuesday, May 19, 2020
2:00 P.M.
Held Electronically

1. CALL TO ORDER
The Chief Administrative Officer will call the meeting to order.

Pursuant to Section 4.2 of the AWS Joint Venture Agreement, the Management Board
must elect a Chair from among its members on the basis of one vote for each member.

2. ELECTION OF THE CHAIR
The elected Chair will assume the Chair.

3. APPROVAL OF THE AGENDA
That the agenda be approved as presented.

4. ADOPTION OF MINUTES

4.1 Arrowsmith Water Service Management Board Meeting - November 25, 2019
That the minutes of the Arrowsmith Water Service Management Board meeting
held November 25, 2019, be adopted.

5. DELEGATIONS

6. CORRESPONDENCE

7. UNFINISHED BUSINESS

8. REPORTS

8.1 Arrowsmith Water Service Joint Venture Draft Audited Financial Statements for
the Year Ending December 31, 2019
Lenora Lee, Partner, KPMG to provide a verbal report.
That the Arrowsmith Water Service Draft Audited Financial Statements be received and approved.

9. BUSINESS ARISING FROM DELEGATIONS

10. NEW BUSINESS

11. ADJOURNMENT
MINUTES OF THE ARROWSMITH WATER SERVICE JOINT VENTURE MANAGEMENT BOARD MEETING

Monday, November 25, 2019
10:00 A.M.
City of Parksville Forum
100 Jensen Avenue East

In Attendance: B. Rogers, Chair Director, Regional District of Nanaimo
E. Mayne City of Parksville
S. Harrison Town of Qualicum Beach

Also in Attendance: L. Wallace Director, Regional District of Nanaimo
D. O’Brien City of Parksville

R. Alexander Regional District of Nanaimo
P. Carlyle Regional District of Nanaimo
S. De Pol Regional District of Nanaimo
M. Walters Regional District of Nanaimo
L. Butterworth City of Parksville
K. Kehler City of Parksville
V. Figueria City of Parksville
B. Weir Town of Qualicum Beach
R. Graves Recording Secretary

CALL TO ORDER
The Chair called the meeting to order and respectfully acknowledged the Coast Salish Nations on whose traditional territory the meeting took place.

APPROVAL OF THE AGENDA
It was moved and seconded that the agenda be approved as presented.

CARRIED UNANIMOUSLY

ADOPTION OF MINUTES
Arrowsmith Water Service Management Board Meeting - September 5, 2019

It was moved and seconded that the minutes of the Arrowsmith Water Service Management Board meeting held September 5, 2019, be adopted.

CARRIED UNANIMOUSLY
REPORTS

Arrowsmith Water Service (AWS) 2020-2024 Financial Plan

It was moved and seconded that the report from the Arrowsmith Water Service Management Committee dated November 25, 2019, entitled AWS 2020 - 2024 Financial Plan be received.

CARRIED UNANIMOUSLY

It was moved and seconded that the Arrowsmith Water Service Management Board accept the 2020 - 2024 Financial Plan as outlined in Table1 attached to the November 25, 2019 report.

CARRIED UNANIMOUSLY

It was moved and seconded that the Arrowsmith Water Service Management Board recommends the Joint Ventures accept their portion of the 2020 - 2024 Financial Plan as outlined in Table 2 attached to the November 25, 2019, report.

CARRIED UNANIMOUSLY

ADJOURNMENT

It was moved and seconded that the meeting be adjourned.

CARRIED UNANIMOUSLY

TIME: 10:10 AM

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CHAIR
ARROWSMITH WATER SERVICE JOINT VENTURE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019
ARROWSMITH WATER SERVICE JOINT VENTURE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Independent Auditors' Report

Statement of Financial Position

Statement of Operations and Joint Venturers' Accumulated Surplus

Notes to Financial Statements
INDEPENDENT AUDITORS' REPORT

To the Management Board of Arrowsmith Water Service Joint Venture

Opinion

We have audited the financial statements of Arrowsmith Water Service Joint Venture (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and joint venturers' accumulated surplus for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended December 31, 2019 of the Entity are prepared, in all material respects, in accordance with the financial reporting framework described in Note 1 in the financial statements.

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1 in the financial statements, which describes the applicable financial reporting framework.

The financial statements are prepared to comply with the reporting provisions of the joint venture agreement dated July 1, 2016 between Regional District of Nanaimo and City of Parksville.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting framework described in Note 1 in the financial statements; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the financial statements in the circumstances, 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.

**Auditors' 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 auditors' 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- 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.
ARROWSMITH WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from Joint Venturers (note 2)</td>
<td>$399,630</td>
<td>$369,630</td>
</tr>
<tr>
<td><strong>NON-FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible Capital Assets (note 3)</td>
<td>6,457,416</td>
<td>6,457,416</td>
</tr>
<tr>
<td><strong>JOINT VENTURERS' ACCUMULATED SURPLUS (note 4)</strong></td>
<td>$6,857,046</td>
<td>$6,827,046</td>
</tr>
</tbody>
</table>

Approved:


10
### ARROWSMITH WATER SERVICE JOINT VENTURE

#### STATEMENT OF OPERATIONS AND JOINT VENTURERS' ACCUMULATED SURPLUS

**YEAR ENDED DECEMBER 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th>City of Parksville</th>
<th>Town of Qualicum Beach</th>
<th>Regional District of Nanaimo</th>
<th>2019 Total</th>
<th>2018 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</strong></td>
<td>$4,359,309</td>
<td>$937,343</td>
<td>$1,530,394</td>
<td>$6,827,046</td>
<td>$6,797,046</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>26,940</td>
<td>5,776</td>
<td>9,444</td>
<td>42,160</td>
<td>44,509</td>
</tr>
<tr>
<td>Operations</td>
<td>7,677</td>
<td></td>
<td>2,940</td>
<td>10,617</td>
<td>8,577</td>
</tr>
<tr>
<td>Maintenance</td>
<td>13,920</td>
<td>2,984</td>
<td>4,879</td>
<td>21,783</td>
<td>27,001</td>
</tr>
<tr>
<td></td>
<td>48,537</td>
<td>8,760</td>
<td>17,263</td>
<td>74,560</td>
<td>80,087</td>
</tr>
<tr>
<td></td>
<td>4,310,772</td>
<td>928,583</td>
<td>1,513,131</td>
<td>6,752,486</td>
<td>6,716,959</td>
</tr>
<tr>
<td>Joint venturers' contributions</td>
<td>67,707</td>
<td>12,870</td>
<td>23,983</td>
<td>104,560</td>
<td>110,087</td>
</tr>
<tr>
<td><strong>ACCUMULATED SURPLUS AT END OF YEAR</strong></td>
<td>$4,378,479</td>
<td>$941,453</td>
<td>$1,537,114</td>
<td>$6,857,046</td>
<td>$6,827,046</td>
</tr>
</tbody>
</table>
ARROWSMITH WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Arrowsmith Water Service "AWS" 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. A new agreement was signed by the venturers on July 1, 2016.

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. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Joint Venture Agreement between the Regional District of Nanaimo, City of Parksville and Town of Qualicum Beach dated July 1, 2016.

Amounts payable by AWS are presented on a net basis with the receivable due from Joint Venturers. Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is not recorded on tangible capital assets of the Joint Venture as the Joint Venturers each record amortization on their share of the tangible capital assets in their own consolidated financial statements.

These financial statements are prepared to comply with the reporting provisions of the Joint Venture Agreement between the Regional District of Nanaimo, City of Parksville and Town of Qualicum Beach dated July 1, 2016. As a result, the financial statements may not be suitable for another purpose.
ARROWSMITH WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

2. DUE (TO)/FROM JOINT VENTURERS

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due (To)/From City of Parksville</td>
<td>$413,570</td>
<td>$379,116</td>
</tr>
<tr>
<td>Due (To)/From Town of Qualicum Beach</td>
<td>$11,281</td>
<td>$(1,093)</td>
</tr>
<tr>
<td>Due (To)/From Regional District of Nanaimo</td>
<td>$(25,221)</td>
<td>$(8,393)</td>
</tr>
<tr>
<td></td>
<td>$399,630</td>
<td>$369,630</td>
</tr>
</tbody>
</table>

3. TANGIBLE CAPITAL ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost 2019</th>
<th>Cost 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$762,267</td>
<td>$762,267</td>
</tr>
<tr>
<td>Buildings</td>
<td>40,705</td>
<td>40,705</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>142,535</td>
<td>142,535</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dam</td>
<td>5,155,884</td>
<td>5,155,884</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>356,025</td>
<td>356,025</td>
</tr>
<tr>
<td></td>
<td>$6,457,416</td>
<td>$6,457,416</td>
</tr>
</tbody>
</table>

4. JOINT VENTURERS' ACCUMULATED SURPLUS

The joint venturers' accumulated surplus includes reserves and equity in tangible capital.

<table>
<thead>
<tr>
<th>Description</th>
<th>Carry-forward Reserve</th>
<th>Reserve for Future Expenditures</th>
<th>Equity in Tangible Capital Assets</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Parksville</td>
<td>$3,460</td>
<td>$248,730</td>
<td>$4,126,289</td>
<td>$4,378,479</td>
<td>$4,359,309</td>
</tr>
<tr>
<td>Town of Qualicum Beach</td>
<td>3,460</td>
<td>53,327</td>
<td>884,666</td>
<td>941,453</td>
<td>937,343</td>
</tr>
<tr>
<td>Regional District of Nanaimo</td>
<td>3,461</td>
<td>87,192</td>
<td>1,446,461</td>
<td>1,537,114</td>
<td>1,530,394</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,381</strong></td>
<td><strong>$389,249</strong></td>
<td><strong>$6,457,416</strong></td>
<td><strong>$6,857,046</strong></td>
<td><strong>$6,827,046</strong></td>
</tr>
</tbody>
</table>

13