



**ARROWSMITH WATER SERVICE JOINT VENTURE
MANAGEMENT BOARD REGULAR MEETING
AGENDA**

Thursday, September 5, 2019

9:30 A.M.

City of Parkville Forum

100 Jensen Avenue

Pages

1. CALL TO ORDER

2. APPROVAL OF THE AGENDA

That the agenda be approved as presented.

3. ADOPTION OF MINUTES

3.1 Arrowsmith Water Service Management Board Meeting - February 6, 2019

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That the minutes of the Arrowsmith Water Service Management Board meeting held February 6, 2019, be adopted.

4. INVITED PRESENTATIONS

4.1 Status of Water Reserves and Outlook for Summer 2019

City of Parkville staff to provide a verbal report.

5. DELEGATIONS

5.1 Lenora Lee, KPMG, re. Arrowsmith Water Service Joint Venture Draft Audited Financial Statements Year Ending December 31, 2018

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That the Arrowsmith Water Service Draft Audited Financial Statement be received and approved.

6. CORRESPONDENCE

7. UNFINISHED BUSINESS

8. REPORTS

8.1 Draft Audit Report from KPMG 11

8.2 Audit Findings Report from KPMG 14

9. BUSINESS ARISING FROM DELEGATIONS

10. NEW BUSINESS

11. ADJOURNMENT

REGIONAL DISTRICT OF NANAIMO
MINUTES OF THE ARROWSMITH WATER SERVICE JOINT VENTURE MANAGEMENT
BOARD MEETING

Wednesday, February 6, 2019
9:00 A.M.
City of Parksville Forum
100 Jensen Avenue

In Attendance:	B. Rogers, Chair	Director, Regional District of Nanaimo
	E. Mayne	Mayor, City of Parksville
	S. Harrison	Councillor, Town of Qualicum Beach
Also in Attendance:	C. Gourlay	Director, Regional District of Nanaimo
	D. O'Brien	Councillor, City of Parksville
	P. Carlyle	Regional District of Nanaimo
	R. Alexander	Regional District of Nanaimo
	J. Bradburn	Regional District of Nanaimo
	G. St. Pierre	Regional District of Nanaimo
	M. Walters	Regional District of Nanaimo
	L. Butterworth	City of Parksville
	V. Figueira	City of Parksville
	K. Kehler	City of Parksville
	D. Sailland	Town of Qualicum Beach
	B. Weir	Town of Qualicum Beach
	R. Graves	Recording Secretary

CALL TO ORDER

Phyllis Carlyle, Chief Administrative Officer called the meeting to order at 9:02 AM.

ELECTION OF THE CHAIR

Phyllis Carlyle, Chief Administrative Officer called for nominations for the position of Chair for the year 2019.

Mayor Mayne nominated Director Rogers. Director Rogers accepted the nomination.

There being no further nominations, Phyllis Carlyle, Chief Administrative Officer declared Director Rogers as Chair of the Board for the following year.

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 - May 25, 2018

It was moved and seconded that the minutes of the Arrowsmith Water Service Management Board meeting held May 25, 2018 be adopted.

CARRIED UNANIMOUSLY

REPORTS

Operations Update Report

V. Figueira gave a verbal presentation.

Arrowsmith Water Service 2019-2023 Financial Plan Report

It was moved and seconded that the report from the Arrowsmith Water Service Management Committee dated January 24, 2019 entitled AWS 2019 - 2023 Financial Plan be received.

CARRIED UNANIMOUSLY

It was moved and seconded that the Arrowsmith Water Service Management Board approve the 2019 – 2023 Financial Plan as outlined in Table 1 attached to the January 24, 2019 report.

CARRIED UNANIMOUSLY

It was moved and seconded that the Arrowsmith Water Service Management Board recommend the Joint Ventures approve their portion of the 2019 – 2023 Financial Plan as outlined in Table 2 attached to the January 24, 2019 report.

CARRIED UNANIMOUSLY

ADJOURNMENT

It was moved and seconded that the meeting be adjourned.

CARRIED UNANIMOUSLY

TIME: 9:16 AM

CHAIR

ARROWSMITH WATER SERVICE JOINT VENTURE
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

ARROWSMITH WATER SERVICE JOINT VENTURE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Independent Auditors' Report

Statement of Financial Position

Statement of Operations and Joint Venturers' Accumulated Surplus

Notes to Financial Statements

ARROWSMITH WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Due from Joint Venturers (note 2)	\$ 369,630	\$ 339,630
NON-FINANCIAL ASSETS		
Tangible Capital Assets (note 3)	<u>6,457,416</u>	<u>6,457,416</u>
JOINT VENTURERS' ACCUMULATED SURPLUS (note 4)	<u>\$ 6,827,046</u>	<u>\$ 6,797,046</u>

Approved:

ARROWSMITH WATER SERVICE JOINT VENTURE

STATEMENT OF OPERATIONS AND JOINT VENTURERS' ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2018

	<u>City of Parksville</u>	<u>Town of Qualicum Beach</u>	<u>Regional District of Nanaimo</u>	2018 Total	2017 Total
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	\$ 4,340,139	\$ 933,233	\$ 1,523,674	\$ 6,797,046	\$ 6,767,046
Expenses					
Administration	28,441	6,098	9,970	44,509	54,327
Operations	6,202	-	2,375	8,577	8,772
Maintenance	17,254	3,699	6,048	27,001	41,668
	<u>51,897</u>	<u>9,797</u>	<u>18,393</u>	<u>80,087</u>	<u>104,767</u>
	4,288,242	923,436	1,505,281	6,716,959	6,662,279
Joint venturers' contributions	<u>71,067</u>	<u>13,907</u>	<u>25,113</u>	<u>110,087</u>	<u>134,767</u>
ACCUMULATED SURPLUS AT END OF YEAR	\$ <u>4,359,309</u>	\$ <u>937,343</u>	\$ <u>1,530,394</u>	\$ <u>6,827,046</u>	\$ <u>6,797,046</u>

ARROWSMITH WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

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, 2018

2. DUE (TO)/FROM JOINT VENTURERS

	<u>2018</u>	<u>2017</u>
Due (To)/From City of Parksville	\$ 379,116	\$ 325,005
Due (To)/From Town of Qualicum Beach	(1,093)	18,130
Due (To)/From Regional District of Nanaimo	<u>(8,392)</u>	<u>(3,505)</u>
	<u>\$ 369,630</u>	<u>\$ 339,630</u>

3. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	
	<u>2018</u>	<u>2017</u>
General		
Land	\$ 762,267	\$ 762,267
Buildings	40,705	40,705
Machinery and equipment	142,535	142,535
Infrastructure		
Dam	5,155,884	5,155,884
Land Improvements	<u>356,025</u>	<u>356,025</u>
	<u>\$ 6,457,416</u>	<u>\$ 6,457,416</u>

4. JOINT VENTURERS' ACCUMULATED SURPLUS

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

	Carry- forward Reserve	Reserve for Future Expenditures	Equity in Tangible Capital Assets	<u>2018</u>	<u>2017</u>
City of Parksville	\$ 3,460	\$ 229,560	\$ 4,126,289	\$ 4,359,309	\$ 4,340,139
Town of Qualicum Beach	3,460	49,217	884,666	937,343	933,233
Regional District of Nanaimo	3,460	80,473	1,446,461	<u>1,530,394</u>	<u>1,523,674</u>
	<u>\$ 10,380</u>	<u>\$ 359,250</u>	<u>\$ 6,457,416</u>	<u>\$ 6,827,046</u>	<u>\$ 6,797,046</u>



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AUDIT FINDINGS LETTER

PRIVATE & CONFIDENTIAL

Arrowsmith Water Service Joint Venture Management Board
c/o City of Parksville
100 Jensen Avenue East
PO Box 1390
Parksville, BC V9P 2H3

Date of Board Meeting

To the Management Board of Arrowsmith Water Service Joint Venture ("AWS"):

We are pleased to provide the following information for your review and consideration in order to assist you in carrying out your responsibilities with respect to the review of the audited financial statements of AWS for the year ended December 31, 2018. A summary of the information provided is as follows:

Description

- Audit status and opinion
- Significant audit, accounting and reporting matters
- Significant qualitative aspects of accounting practices
- Misstatements and control deficiencies
- Independence

This report is intended to communicate to you the results of our examination. We would be pleased to receive any comments or suggestions for improvements, which you may have.

We would like to thank the staff and management for their cooperation and assistance during the course of our audit fieldwork. We appreciate the opportunity to serve you and look forward to a continuing relationship.

This letter is for the use of the Management Board of Arrowsmith Water Service Joint Venture for the purposes of carrying out and discharging its responsibilities and should not be used for any other purpose. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this document has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly

Lenora Lee, CPA, CA
Engagement Partner
250.480.3588

AUDIT STATUS AND OPINION

As of the date of this letter, we have completed the audit of the AWS financial statements, with the exception of certain remaining procedures which include:

- completing our discussions with the Management Board
- obtaining a signed representation letter
- obtaining evidence of the Board’s approval of the financial statements

We will update the AWS Management Board on any significant matters arising from the completion of the above procedures, as additional procedures or adjustments to the financial statements may be necessary.

Our audit report will be dated upon completion of any remaining procedures.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

Materiality

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. For the current period, we have determined a materiality of \$100,000.

Basis of accounting

The financial statements of AWS are prepared specifically for the joint venture members in accordance with the terms of the joint venture agreement. The basis of preparation of the financial statements differs from public sector accounting standards because amortization is not recorded in the joint venture financial statements, but rather by the joint venturers in their own respective financial statements. We have reviewed the joint venture agreement and noted financial statements may be prepared on this basis. Note 1 to the financial statements indicates the basis of accounting describing the above policies, and our audit opinion is prepared with reference to this basis of accounting.

SIGNIFICANT QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

We plan to discuss the following items with you as it relates to the qualitative aspects of accounting practices of AWS:

Significant accounting policies	<ul style="list-style-type: none"> • Critical accounting policies and practices – described in Note 1 to the financial statements
Significant accounting estimates	<ul style="list-style-type: none"> • There are no significant estimates in the financial statements of AWS
Significant disclosures	<ul style="list-style-type: none"> • Accumulated surplus and joint venturer’s proportionate share

MISSTATEMENTSAudit Misstatements – Identification

Misstatements identified during the audit have been categorized as follows:

- uncorrected audit misstatements, including disclosures.
- corrected audit misstatements, including disclosures.

Uncorrected Audit Misstatements

We identified no uncorrected audit misstatements.

Corrected Audit Misstatements

We did not identify any adjustments that were communicated to management and corrected in the financial statements.

CONTROL DEFICIENCIES

As your auditors, we are required to obtain an understanding of internal control over financial reporting (“ICFR”) relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

We did not identify any control deficiencies that we consider to be significant deficiencies in ICFR.

INDEPENDENCE

We confirm that we are independent with respect to AWS within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2018 up to the date of this letter.



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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, 2018
- 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, 2018 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.

Chartered Professional Accountants

DATE
Victoria, Canada

DRAFT