

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 Management Board of Englishman River Water Service Joint Venture

Opinion

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

- the statement of financial position as at December 31, 2020
- 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, 2020 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.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
June 1, 2021


ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Grants Receivable (note 3)	\$ -	\$ 609,434
FINANCIAL LIABILITIES		
Due to Joint Venturers (note 4)	<u>-</u>	<u>609,434</u>
NET FINANCIAL ASSETS	-	-
NON-FINANCIAL ASSETS		
Tangible Capital Assets (note 5)	<u>42,443,054</u>	<u>42,236,490</u>
JOINT VENTURERS' ACCUMULATED SURPLUS (note 6)	<u>\$ 42,443,054</u>	<u>\$ 42,236,490</u>

Approved:



ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF OPERATIONS AND JOINT VENTURERS' ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2020

	<u>City of Parksville</u>	<u>Regional District of Nanaimo</u>	<u>Town of Qualicum Beach</u>	<u>2020 Total</u>	<u>2019 Total</u>
ACCUMULATED SURPLUS PRIOR TO REALLOCATION AT BEGINNING OF YEAR	\$ 32,964,145	\$ 9,173,621	\$ 98,724	\$ 42,236,490	\$ 33,855,482
Expenses					
Administration	130,752	45,939	-	176,691	81,315
Operations	412,179	177,407	-	589,586	319,603
Maintenance	25,088	8,815	-	33,903	-
Minor Capital	15,300	5,375	-	20,675	-
	<u>583,319</u>	<u>237,536</u>	<u>-</u>	<u>820,855</u>	<u>400,918</u>
	32,380,826	8,936,085	98,724	41,415,635	33,454,564
Add: Capital grant (note 2)	-	-	-	-	277,878
Add: Joint venturers' contributions	736,176	291,243	-	1,027,419	8,504,048
	<u>33,117,002</u>	<u>9,227,328</u>	<u>98,724</u>	<u>42,443,054</u>	<u>42,236,490</u>
Town of Qualicum Beach contribution reallocated (note 6)	<u>73,056</u>	<u>25,668</u>	<u>(98,724)</u>	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS AT END OF YEAR (note 6)	<u>\$ 33,190,058</u>	<u>\$ 9,252,996</u>	<u>\$ -</u>	<u>\$ 42,443,054</u>	<u>\$ 42,236,490</u>

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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. A new agreement was signed by the venturers on July 1, 2016.

The costs of tangible capital assets, administrative expenses and maintenance expenses of the bulk water system are generally apportioned as follows:

City of Parksville	74.0%
Regional District of Nanaimo	26.0%

The Springwood transmission line was 100% funded and apportioned, to the City of Parksville. Certain capital planning costs in the early stages of project development were split equally between the partners (note 5).

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 and the City of Parksville dated July 1, 2016.

Amounts payable by ERWS are presented on a net basis with the due to/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 and the City of Parksville dated July 1, 2016. As a result, the financial statements may not be suitable for another purpose.

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

2. CAPITAL GRANT

In March 2017 the Province of BC signed an agreement (Project # C40145) with the City of Parksville to provide grant funding for the Drinking Water Supply Transmission Mains and Secondary Membrane Water Treatment from the Clean Water and Wastewater Fund grant program. The funding was for the design and construction of new water transmission mains, backwash water treatment, sand separators and other related works for the Englishman River Water Service. The grant was not to exceed the lesser of \$6,063,128 and 83% of the eligible costs incurred between April 1, 2016 and March 31, 2020. The majority of this grant relates to works that are funded entirely by the City of Parksville. The grant was fully utilized by the end of 2019.

	<u>City of Parksville</u>	<u>Regional District of Nanaimo</u>	<u>Total</u>
<u>2019 Grant Allocation</u>			
Grant Project # C40145	<u>\$ 268,550</u>	<u>\$ 9,328</u>	<u>\$ 277,878</u>

3. GRANTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Grant Project # C40145	<u>\$ -</u>	<u>\$ 609,434</u>

4. DUE TO JOINT VENTURERS

	<u>2020</u>	<u>2019</u>
Due to (from) City of Parksville	\$ 4,968	\$ 602,123
Due to (from) Regional District of Nanaimo	(4,968)	7,311
	<u>\$ -</u>	<u>\$ 609,434</u>

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

5. TANGIBLE CAPITAL ASSETS

	Cost	
	<u>2020</u>	<u>2019</u>
River intake:		
Land improvements	\$ 41,207	\$ 41,207
Building	6,028,568	6,014,402
Equipment	3,298,526	3,298,526
Water treatment plant:		
Land improvements	302,333	302,333
Building	11,373,904	11,373,904
Equipment	12,700,306	12,637,478
Joint transmission line	1,259,812	1,259,812
Springwood transmission line	6,962,798	6,962,798
Other machinery & equipment	124,839	12,485
Work in progress:		
Machinery & equipment	-	10,018
Infrastructure	27,234	-
Aquifer storage and recovery	323,527	323,527
	<u>\$ 42,443,054</u>	<u>\$ 42,236,490</u>

During 2008 to 2010 capital planning was in progress for the River intake and Water treatment plant. The cost sharing arrangement between the Joint Venture partners was an equal share of the costs for the capital planning, so a portion of the initial capital costs totalling \$118,000 are not apportioned between the partners at the current 74%, 26% split. The Springwood transmission line was also constructed as part of the entire project but it was 100% funded and is 100% owned, by the City of Parksville. The Town of Qualicum Beach also contributed funding towards the initial capital planning and those contributions and capital apportionment are shown for information of the joint venture partners.

Certain 2019 tangible capital assets comparative information has been reclassified to reflect financial statement presentation adopted in the current year.

The total reclassification in 2019 to Joint transmission lines capital account from Water treatment plant and River intake capital accounts was \$7,426 and \$129,615 respectively.

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

6. ACCUMULATED SURPLUS

Accumulated surplus is comprised of equity in tangible capital assets.

	<u>2020</u>	<u>2019</u>
City of Parksville	\$ 33,190,058	\$ 33,037,201
Regional District of Nanaimo	<u>9,252,996</u>	<u>9,199,289</u>
	<u>\$ 42,443,054</u>	<u>\$ 42,236,490</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.

SCHEDULE 1
UNAUDITED

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE
TANGIBLE CAPITAL ASSET PARTNER APPORTIONMENT
YEAR ENDED DECEMBER 31, 2020

	Capital Cost Apportionment			2020 Total
	City of Parksville	Regional District of Nanaimo	Town of Qualicum Beach	
River intake:				
Land improvements	\$ 30,493	\$ 10,714	\$ -	\$ 41,207
Building	4,391,865	\$ 1,569,112	67,591	6,028,568
Equipment	2,440,909	857,617	-	3,298,526
Water treatment plant:				
Land improvements	223,726	78,607	-	302,333
Building	8,384,780	2,957,991	31,133	11,373,904
Equipment	9,398,226	3,302,080	-	12,700,306
Joint transmission line	932,261	327,551	-	1,259,812
Springwood transmission line	6,962,798	-	-	6,962,798
Other Machinery & equipment	92,381	32,458	-	124,839
Work in progress:				
Infrastructure	20,153	7,081	-	27,234
Aquifer storage and recovery	239,410	84,117	-	323,527
	<u>\$33,117,002</u>	<u>\$ 9,227,328</u>	<u>\$ 98,724</u>	<u>\$ 42,443,054</u>

During 2008 to 2010 capital planning was in progress for the River intake and Water treatment plant. The cost sharing arrangement between the Joint Venture partners was an equal share of the costs for the capital planning, so a portion of the initial capital costs totalling \$118,000 are not apportioned between the partners at the current 74%, 26% split. The Springwood transmission line was also constructed as part of the entire project but it was 100% funded and is 100% owned, by the City of Parksville. The Town of Qualicum Beach also contributed funding towards the initial capital planning and those contributions and capital apportionment are shown for information of the joint venture partners.