

**DRAFT**  
For Discussion  
Purposes Only

**ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE**

**FINANCIAL STATEMENTS**

**PERIOD ENDED DECEMBER 31, 2011**

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**PERIOD ENDED DECEMBER 31, 2011**

Independent Auditors' Report

Statement of Financial Position

Statement of Operations and Accumulated Surplus

Notes to Financial Statements

## INDEPENDENT AUDITORS' REPORT

To the Venturers of Englishman River Water Service Joint Venture

### 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, 2011 and the statement of operations and accumulated surplus for the period 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, 2011 and the results of its operations and accumulated surplus for the period then ended in accordance with Canadian Public Sector Accounting Standards.

CHARTERED ACCOUNTANTS

Parksville, Canada  
July 16, 2012

 154 Memorial Ave., P.O. Box 760, Parksville, B.C. V9P 2G8

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

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ASSETS

	<u>2011</u>
TANGIBLE CAPITAL ASSETS (note 2)	\$ <u>1,924,927</u>
ACCUMULATED SURPLUS (note 3)	
City of Parksville	\$ 1,340,128
Regional District of Nanaimo	<u>584,799</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**  
**PERIOD ENDED DECEMBER 31, 2011**

	<u>City of Parksville</u>	<u>Regional District of Nanaimo</u>	<u>Town of Qualicum Beach</u>	<u>2011 Total</u>
<b>ACCUMULATED SURPLUS AT BEGINNING OF PERIOD</b>	\$ -	\$ -	\$ -	\$ -
Expenses				
Administration	2,903	1,020	-	3,923
Minor Capital	<u>1,266</u>	<u>445</u>	<u>-</u>	<u>1,711</u>
	<u>4,169</u>	<u>1,465</u>	<u>-</u>	<u>5,634</u>
	(4,169)	(1,465)	-	(5,634)
Add: Transfer of Work in Progress from Arrowsmith Water Service	244,892	124,056	98,724	467,672
Add: joint venturers' contributions	<u>1,026,349</u>	<u>436,540</u>	<u>-</u>	<u>1,462,889</u>
Equity in tangible capital assets	1,267,072	559,131	98,724	1,924,927
Town of Qualicum Beach contribution reallocated (note 3)	<u>73,056</u>	<u>25,668</u>	<u>(98,724)</u>	<u>-</u>
<b>ACCUMULATED SURPLUS AT END OF PERIOD</b>	<u><u>\$ 1,340,128</u></u>	<u><u>\$ 584,799</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,924,927</u></u>

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NOTES TO FINANCIAL STATEMENTS

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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 is 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. TANGIBLE CAPITAL ASSETS**

	<u>Cost 2011</u>
General	
Land	\$ 1,225,926
Capital Works in Progress	<u>699,001</u>
	<u>\$ 1,924,927</u>

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3. 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	2011
City of Parksville	\$ 1,323,261	\$ 73,056	\$ (56,189)	\$ 1,340,128
Regional District of Nanaimo	502,942	25,668	56,189	584,799
	\$ 1,826,203	\$ 98,724	\$ -	\$ 1,924,927

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 Service Joint Venture. As the Town of Qualicum Beach is not an equity participant in Englishman River water service, 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.