

DRAFT
For Discussion
Purposes Only

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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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

INDEPENDENT AUDITORS' REPORT

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To the Venturers

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, 2013 and the statement of operations and 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 accumulated surplus for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED ACCOUNTANTS

Parksville, Canada
June 5, 2014

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

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ASSETS

	<u>2013</u>	<u>2012</u>
GRANTS RECEIVABLE (note 2)	\$ 181,508	\$ 483,801
TANGIBLE CAPITAL ASSETS (note 3)	<u>3,955,661</u>	<u>2,699,033</u>
ACCUMULATED SURPLUS	<u>\$ 4,137,169</u>	<u>\$ 3,182,834</u>
ACCUMULATED SURPLUS (note 4)		
City of Parksville	\$ 3,247,517	\$ 2,351,270
Regional District of Nanaimo	<u>889,652</u>	<u>831,564</u>
	<u>\$ 4,137,169</u>	<u>\$ 3,182,834</u>

Approved:

City of Parksville

Regional District of Nanaimo

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF OPERATIONS AND JOINT VENTURERS' ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2013

	City of Parksville	Regional District of Nanaimo	Town of Qualicum Beach	2013 Total	2012 Total
SURPLUS PRIOR TO REALLOCATION AT BEGINNING OF YEAR	\$ 2,278,214	\$ 805,896	\$ 98,724	\$ 3,182,834	\$ 1,924,927
Expenses					
Administration	8,465	2,974	-	11,439	13,772
Add: Capital grants (note 2)	2,269,749	802,922	98,724	3,171,395	1,911,155
Add: Joint venturers' contributions	495,187	173,985	-	669,172	483,801
Less: Capital grants to be transferred to joint venture	409,525	139,658	-	549,183	787,878
		(252,581)		(252,581)	
Surplus prior to reallocation at end of year	3,174,461	863,984	98,724	4,137,169	3,182,834
Town of Qualicum Beach contribution reallocated (note 4)	73,056	25,668	(98,724)	-	-
ACCUMULATED SURPLUS AT END OF YEAR (note 4)	\$ 3,247,517	\$ 889,652	\$ -	\$ 4,137,169	\$ 3,182,834

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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.

The costs of tangible capital assets, administrative expenses and maintenance expenses of the bulk water system are 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. GRANTS RECEIVABLE

	Cost	
	2013	2012
Aquifer storage and recovery grant	\$ 123,208	\$ 483,801
Water treatment facility grant	58,300	-
	<u>\$ 181,508</u>	<u>\$ 483,801</u>

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2. GRANTS RECEIVABLE (continued)

Aquifer storage and recovery grant:

The Union of British Columbia Municipalities (UBCM) has signed an agreement with the Regional District of Nanaimo to provide grant funding for the Aquifer Storage Reservoir project from the Strategic Priorities Fund and/or Innovations Fund Funding Agreement under the Federal Gas Tax program. The project is a study to evaluate aquifer storage potential for the Englishman River Water Service. The grant is not to exceed the lesser of \$1,334,230 and one hundred percent of the eligible costs incurred between April 27, 2011 and December 31, 2014. The eligible cost incurred to December 31, 2013 totalled \$1,094,672 (2012 - \$483,801).

Water treatment facility grant:

The Union of British Columbia Municipalities (UBCM) has signed an agreement with the City of Parksville to provide grant funding for the Water Treatment Plant project from the Regionally Significant Projects Fund under the Federal Gas Tax program. The project is for the detailed design of the Water Treatment Plant for the Englishman River Water Service. The grant is not to exceed the lesser of \$400,000 and one hundred percent of the eligible costs incurred between September 21, 2013 and March 30, 2016. The eligible cost incurred to December 31, 2013 totalled \$58,300.

3. TANGIBLE CAPITAL ASSETS

	Cost	
	2013	2012
General		
Land	\$ 1,233,798	\$ 1,222,595
Capital works in progress	2,721,863	1,476,438
	<u>\$ 3,955,661</u>	<u>\$ 2,699,033</u>

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4. 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	2013	2012
City of Parksville	\$ 2,826,004	\$ 73,056	\$ 348,457	\$ 3,247,517	\$ 2,351,270
Regional District of Nanaimo	1,030,933	25,668	(166,949)	889,652	831,564
	<u>\$ 3,856,937</u>	<u>\$ 98,724</u>	<u>\$ 181,508</u>	<u>\$ 4,137,169</u>	<u>\$ 3,182,834</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 Service 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.