



**ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE
MEETING OF THE MANAGEMENT BOARD**

*(Immediately following the Arrowsmith Water Service
Management Board Regular Meeting)*

**WEDNESDAY, May 3, 2017
10:30am – 11:30am**

***Parkville Community and Conference Centre
131 Jensen Avenue E.***

A G E N D A

PAGES

CALL TO ORDER

APPROVAL OF THE AGENDA

ADOPTION OF MINUTES

2-4 Englishman River Water Service Management Board Meeting - January 24, 2017.

DELEGATIONS

CORRESPONDENCE

UNFINISHED BUSINESS

REPORTS

Project Update. (verbal)

ERWS Revised 2017 – 2021 Financial Plan. (verbal/to be distributed)

Contract 2 Award– Springwood Reservoir Transmission Main. (verbal/to be distributed)

5-13 Audited Financial Statements. (verbal/report)

ADDENDUM

BUSINESS ARISING FROM DELEGATIONS

NEW BUSINESS

IN CAMERA

ADJOURNMENT

Distribution: J. Stanhope, B. Rogers, M. Lefebvre, S. Powell, M. Squire, B. Weir, R. Alexander

For Information: P. Carlyle, D. Comis, J. Marsh, C. Midgley, W. Idema, G. St. Pierre, V. Figueira, L. Butterworth,



**MINUTES OF THE REGULAR MEETING OF THE
ENGLISHMAN RIVER WATER SERVICE (ERWS) MANAGEMENT BOARD
HELD ON TUESDAY, JANUARY 24, 2017 AT 9:30AM
CITY OF PARKSVILLE FORUM**

Present:	Director J. Stanhope, Chair Director B. Rogers M. Lefebvre S. Powell	Regional District of Nanaimo Regional District of Nanaimo City of Parksville City of Parksville
Also Present:	M. Squire L. Butterworth D. Comis V. Figueira D. Tardiff B. Weir B. Luchtmeijer P. Carlyle C. Midgley R. Alexander G. St. Pierre R. Graves	City of Parksville City of Parksville City of Parksville City of Parksville City of Parksville Town of Qualicum Beach Town of Qualicum Beach Regional District of Nanaimo Regional District of Nanaimo Regional District of Nanaimo Regional District of Nanaimo Recording Secretary

CALL TO ORDER

The Chair called the meeting to order at 9:31 am.

DELEGATIONS

MINUTES

MOVED Director Lefebvre, SECONDED Director Rogers, that the minutes of the regular meeting of the Englishman River Water Service Management Board held November 1, 2016 be adopted.

CARRIED

BUSINESS ARISING FROM MINUTES

COMMUNICATIONS/CORRESPONDENCE

UNFINISHED BUSINESS

REPORTS

Project Update.

M. Squire gave a brief update on the project.

Contract 1 – Intake, Water Treatment Plant, and Top Bridge Reservoir Transmission Main Tender Award.

1. MOVED Director Lefebvre, SECONDED Director Rogers that the report from the Englishman River Water Service Management Committee dated January 20, 2017 entitled ERWS Project Implementation, Phase 6 – Construction Services be received;

CARRIED

2. MOVED Director Lefebvre, SECONDED Director Rogers that staff be authorized to award Contract 1: Intake, Water Treatment Plant and Transmission Main to Top Bridge Reservoir to Knappett Projects Inc., in the amount of \$21,181,194 (plus GST),

CARRIED

3. MOVED Director Lefebvre, SECONDED Director Rogers that staff be authorized to award the supply of membrane filtration equipment to H₂O Innovations, in the amount of \$3,720,298 (plus GST),

CARRIED

4. MOVED Director Lefebvre, SECONDED Director Powell that staff be directed to further engage and negotiate construction services work with CH2M Hill for the project providing satisfactory performance of CH2M Hill providing sufficient funds are available in the identified Financial Plan,

CARRIED

5. MOVED Director Lefebvre, SECONDED Director Rogers that staff be directed to manage the project with identified contingencies and entertain optional contract items as required providing they are within sufficient budgets identified in the Financial Plan.

CARRIED

ADDENDUM

BUSINESS ARISING FROM DELEGATIONS OR COMMUNICATIONS

NEW BUSINESS

OTHER

QUESTIONS

The Chair opened the floor to questions and comments, none received.

NEXT MEETING

To be announced.

ADJOURNMENT

MOVED Director Powell, SECONDED Director Rogers, that the meeting be adjourned.

Joe Stanhope, CHAIRPERSON

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 Englishman River Water Service Joint Venture

We have audited the accompanying financial statements of Englishman River Water Service Joint Venture, which comprise the statement of financial position as at December 31, 2016, the statement of operations and joint ventures' accumulated surplus for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting in Note 1 to the financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of these 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.

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 our 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, we consider internal control relevant to the entity's preparation 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, the financial statements as at and for the year ended December 31, 2016 are prepared, in all material respects, in accordance with the basis of accounting in Note 1 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. 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 report is intended solely for the Regional District of Nanaimo and City of Parksville and the Management Board of Englishman River Water Service Joint Venture and should not be used by parties other than the Regional District of Nanaimo and City of Parksville and the Management Board of Englishman River Water Service Joint Venture.

Chartered Professional Accountants

Date
Victoria, Canada

DRAFT

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
TANGIBLE CAPITAL ASSETS (note 3)	\$ <u>6,083,174</u>	\$ <u>4,453,531</u>
ACCUMULATED SURPLUS (note 4)		
City of Parksville	\$ 4,709,167	\$ 3,432,181
Regional District of Nanaimo	<u>1,374,007</u>	<u>1,021,350</u>
	\$ <u>6,083,174</u>	\$ <u>4,453,531</u>

Approved:

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

STATEMENT OF OPERATIONS AND JOINT VENTURERS' ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2016

	City of Parksville	Regional District of Nanaimo	Town of Qualicum Beach	2016 Total	2015 Total
ACCUMULATED SURPLUS PRIOR TO REALLOCATION AT BEGINNING OF YEAR	\$ 3,359,125	\$ 995,682	\$ 98,724	\$ 4,453,531	\$ 4,865,214
Expenses					
Administration	7,188	2,525	-	9,713	23,953
Add: Capital grant (note 2)	3,351,937	993,157	98,724	4,443,818	4,841,261
Add: Joint venturers' contributions	613,352	215,502	-	828,854	-
	2,412,686	460,468	-	2,873,154	633,451
Less: Capital grants not transferred to joint venture	(828,854)	-	-	(828,854)	(600,134)
Less: Transfer of Land to partners (note 3)	(913,010)	(320,788)	-	(1,233,798)	
Less: Writedown of ASR Work in Progress	-	-	-	-	(421,047)
Accumulated surplus prior to reallocation at end of year	4,636,111	1,348,339	98,724	6,083,174	4,453,531
Town of Qualicum Beach contribution reallocated (note 4)	73,056	25,668	(98,724)	-	-
ACCUMULATED SURPLUS AT END OF YEAR (Note 4)	\$ 4,709,167	\$ 1,374,007	\$ -	\$ 6,083,174	\$ 4,453,531

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 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. 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 due to or from Joint Venturers are presented as a component of accumulated surplus. Amounts payable by ERWS 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. During the periods presented, there are no tangible capital assets subject to amortization by the Joint Venture or Joint Venturers.

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, 2016

2. CAPITAL GRANT

In March 2016 the Province of BC signed an agreement with the City of Parksville to provide grant funding for the Water Treatment Plant project from the New Building Canada Fund-Small Communities Fund grant program. The funding is for the design and construction of a new Water Intake, Water Treatment Plant and other related works for the Englishman River Water Service. The grant is not to exceed the lesser of \$6,000,000 and two thirds of the eligible costs incurred between June 9, 2015 and March 31, 2020. In 2016, grant funding of \$828,854 was received under this grant program and has been recorded as an increase in accumulated surplus.

3. TANGIBLE CAPITAL ASSETS

	Cost	
	2016	2015
General		
Land	\$ -	\$ 1,233,798
Capital works in progress	6,083,174	3,219,733
	<u>\$ 6,083,174</u>	<u>\$ 4,453,531</u>

A writedown of capital works in progress was necessary in 2015 relating to a portion of the costs for the Aquifer Storage Reservoir project. The first test aquifer storage reservoir was abandoned due to poor results and all costs associated with testing that potential reservoir have been written off. The total writedown of costs in 2015 was \$421,047. There were no writedown's of capital in 2016.

In 2016, land owned by the joint venture was transferred to the joint venturers. No proceeds were received so the reduction in tangible capital assets was recorded with an equivalent reduction in accumulated surplus, apportioned on the same basis as the cost of tangible capital assets.

ENGLISHMAN RIVER WATER SERVICE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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	2016	2015
City of Parksville	\$ 4,522,572	\$ 73,056	\$ 113,539	\$ 4,709,167	\$ 3,432,181
Regional District of Nanaimo	1,461,878	25,668	(113,539)	1,374,007	1,021,350
	\$ 5,984,450	\$ 98,724	\$ -	\$ 6,083,174	\$ 4,453,531

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.