

The Manitoba
Water Services Board

La Commission des Services
d'approvisionnement en eau du Manitoba

**Annual Report
2011-2012**

**Rapport annuel
2011-2012**



September 7, 2012

His Honour the Honourable Philip S. Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

It is my pleasure to present to you The Manitoba Water Services Board Annual Report for the period extending from April 1, 2011 to March 31, 2012. This report records the activities of the Board for that period.

Sincerely,

Original signed by Ron Lemieux

Ron Lemieux
Minister



September 7, 2012

Honourable Ron Lemieux
Minister of Local Government
301 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I have the honour of presenting to you the 40th Annual Report of The Manitoba Water Services Board for the fiscal year ending March 31, 2012, together with the financial statements for the same period.

Sincerely,

Original signed by Linda McFadyen

Linda McFadyen
Chair



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The Manitoba Water Services Board

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Deputy Minister
Local Government

Doug McNeil, M.Eng., P.Eng. (Vice-Chair)
Deputy Minister
Infrastructure and Transportation

Doug Dobrowski
President
AMM

Joe Masi
Executive Director
AMM

MANAGEMENT

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Standing from Left: David Shwaluk, Doug McNeil, Linda McFadyen, Doug Dobrowski, Joe Masi

The Manitoba Water Services Board

Foreword

The Manitoba Water Services Board (Board) was established in July 1972 as a Crown Corporation, under *The Manitoba Water Services Board Act*, to assist in the provision of water and sewerage facilities for the residents of rural Manitoba. The Board replaced The Manitoba Water Supply Board (1959-1972), taking over all responsibilities of the former Board, owning and operating 38 water supply installations in the Province.

In August 1981, the head office of The Manitoba Water Services Board, formerly in Winnipeg, was transferred to Brandon, Manitoba. The Board's primary mandate is the delivery of a Sewer and Water Program, which provides for the installation or upgrading of sewer and water facilities in Manitoba communities.

In 1984, the Board assumed the responsibility of delivering a Water Development Program, which provides for the construction of agricultural area pipelines and farm water sources, with the primary objective being to provide a dependable, sustainable water supply in rural Manitoba.

The Board, made up of five persons appointed by the Lieutenant Governor in council chaired by the Deputy Minister of Manitoba Local Government, reports to the Legislature through the Minister of Local Government. The Board's activities are managed by a team headed by the General Manager.

The Board, under the authority of the Act, may enter into agreements with any organized area of the Province, including municipalities, local government districts, villages, towns and cities, excluding (a) the City of Winnipeg, (b) the areas under the jurisdiction of the Minister of Aboriginal and Northern Affairs, and (c) those areas of the Province under Federal Government jurisdiction.

Once an application for assistance or a resolution is received, the Board prioritizes the project and subject to availability of funds and approvals, makes the necessary physical and technical investigations, an offer (Agreement) is submitted to the municipality for the construction of new works, extensions and/or improvements to existing works. After the municipality has received the necessary Municipal Board approvals, the Agreement is executed and the Board enters into the necessary contracts for Engineering services and construction of the works. Generally, the Board provides

La Commission des services d'approvisionnement en eau du Manitoba

Avant-propos

La Commission des services d'approvisionnement en eau du Manitoba est une société d'État créée en juillet 1972 en vertu de la *Loi sur la Commission des services d'approvisionnement en eau du Manitoba*. Sa raison d'être est de faciliter l'approvisionnement en eau et l'installation de systèmes de traitement des eaux usées au bénéfice des résidents des régions rurales du Manitoba. La Commission a succédé à la Manitoba Water Supply Board (1959-1972), héritant de toutes ses responsabilités ainsi que des 38 stations d'approvisionnement en eau qu'elle gère dans l'ensemble de la province.

En août 1981, le siège social de la Commission des services d'approvisionnement en eau du Manitoba a été transféré de Winnipeg à Brandon, au Manitoba. La mission principale de la Commission consiste à mettre en œuvre le Programme de service d'eau et d'égouts qui s'occupe de l'installation et de l'amélioration des systèmes d'eau et d'égouts dans les communautés du Manitoba.

En 1984, la Commission a pris en charge la mise en œuvre du Programme pour l'amélioration des services d'approvisionnement en eau. Ce programme se consacre à la construction de canalisations d'eau dans les régions agricole et à la construction d'infrastructures d'approvisionnement des fermes en eau. L'objectif principal est de fournir aux régions rurales du Manitoba un approvisionnement en eau fiable et renouvelable.

La Commission est composée de 5 personnes nommées par le lieutenant-gouverneur qui siège au conseil. La commission est présidée par le vice-ministre du gouvernement du Manitoba qui se rapporte à l'Assemblée législative par l'intermédiaire du ministre du gouvernement local. Les activités de la Commission sont gérées par une équipe dirigée par le directeur –général.

En vertu de la *Loi*, la Commission peut conclure des ententes avec toutes les administrations locales de la province, notamment les municipalités, les districts d'administration locale, les villages et les villes, à l'exception a) de la ville de Winnipeg, b) des régions relevant du ministre des Affaires autochtones et du Nord et c) des régions de la province relevant du gouvernement fédéral.

Dès qu'elle reçoit une demande d'aide ou une résolution, la Commission détermine la priorité du projet. Puis, sous réserve d'acceptation et de fonds disponibles, elle effectue

Project Management, including interim financing and tendering of all construction contracts, for the projects undertaken.

les recherches physiques et techniques nécessaires. On présente alors à la municipalité une offre (entente) de construction des nouveaux ouvrages, ou d'extension ou d'amélioration des ouvrages existants. Dès que la municipalité obtient les approbations indispensables de son conseil municipal, l'entente est mise en œuvre et la Commission entame le processus nécessaire d'attribution des contrats de services d'ingénierie et de construction des ouvrages. En règle générale, la Commission assume la gestion du projet, y compris le financement provisoire et les appels d'offres pour tous les contrats de construction.

Objectives

The Manitoba Water Services Board has the following specific objectives:

- a) To assist municipalities with the construction of all plants and works necessary for obtaining, collecting, storing, treating, purifying and transmitting water.
- b) To assist municipalities in the transmission of water from a source of supply or a point of storage to a point of acceptance by the individual.
- c) To assist municipalities with the construction of works for the collection of sewage.
- d) To assist municipalities with the construction of works for the treatment and disposal of sewage.
- e) To assist agricultural communities with the upgrading of water supply/treatment facilities and/or sewage treatment systems.

Capital Programs

To meet its objectives, the Board enters into agreements with Municipalities and/or Water Cooperatives, to provide technical and financial assistance to construct and/or upgrade water and/or sewerage infrastructure works. The primary objective is to ensure that a safe and sustainable water supply is available and that the wastewater is treated and disposed of in an environmentally sustainable manner.

Generally, the Board's total annual expenditure for water and sewerage, including Municipal and Federal contribution, is approximately \$38.0M.

Objectifs

Voici les objectifs précis de la Commission des services d'approvisionnement en eau du Manitoba :

- a) aider les municipalités à construire les stations et ouvrages nécessaires pour se procurer l'eau, la recueillir, l'entreposer, la traiter, la purifier et l'acheminer;
- b) aider les municipalités à acheminer l'eau de sa source ou de son lieu d'entreposage jusqu'au point d'alimentation accepté par les particuliers;
- c) aider les municipalités à construire les ouvrages nécessaires à la collecte des eaux usées;
- d) aider les municipalités à construire les ouvrages nécessaires au traitement et à l'évacuation des eaux usées;
- e) aider les communautés agricoles à améliorer les installations d'approvisionnement et de traitement des eaux naturelles, ainsi que les systèmes de traitement des eaux usées.

Programmes 'immobilisations

Pour atteindre ses objectifs, la Commission conclut des ententes avec les municipalités ou les coopératives d'eau afin de fournir une aide technique et financière leur permettant de construire ou d'améliorer des infrastructures hydrauliques ou de traitement des eaux usées. L'objectif principal est de garantir un approvisionnement en eau sécuritaire et renouvelable, ainsi que le traitement et l'évacuation des eaux usées d'une façon renouvelable et respectueuse de l'environnement.

En général, les dépenses totales réalisées par la Commission en matière d'eau naturelle et d'eau usée sont d'environ 38 millions de dollars par an (ce qui inclut les contributions municipales et fédérales).

Message From The General Manager

The Year of Change...



In 2011-12 there has been a significant staff change at the Board with the retirement of Dick Menon, longtime General Manager. I have assumed the General Manager's position and Travis Parsons was promoted to Chief Engineer.

The Board was involved in over 50 projects in various stages in 2011-12. This included projects funded under Build Canada, Infrastructure Stimulus, and Canada-Manitoba Municipal Infrastructure Funds and project management services provide to municipalities and Manitoba Conservation (Parks Branch) in developing cost effective water and sewer infrastructure.

During the year, the Board continued to expand two (2) existing regional water systems; Southwest and Whitehead/Elton by distributing a potable water supply to more rural residents with poor water quality. The Cartier Regional water plant, which serves eight (8) municipalities, was upgraded to surface water membrane technology which meets current water regulations.

I would like to take this opportunity to express my appreciation to the team of dedicated and hard working staff that assisted in delivering another successful capital works program to our clients.

Dave Shwaluk, P. Eng.
A/General Manager



Neepawa RO Membrane Unit



Neepawa Pipeline

Activities Carried Out To Meet The Objectives

Water Treatment Plants

1.0 Previously Constructed Works

The Manitoba Water Services Board assumed responsibility for 38 water treatment plants constructed between 1961 and 1972, under the authority of *The Manitoba Water Supply Board Act*.

To meet the objectives of the Board and at the request of the municipalities, the Board has transferred the following water treatment plants:

Hartney, Town		January 1, 1979
Altona, Town (Gretna, Rhineland)		March 31, 1987
Letellier, (Montcalm, R.M.)		March 31, 1987
Winkler, Town		January 1, 1989
Holland, (Victoria, R.M.)		December 1, 1991
Gilbert Plains, Town		April 1, 1992
Dominion City, (Franklin, R.M.)		July 1, 1993
St. Jean Baptiste, (Montcalm, R.M.)		December 31, 1993
Ste. Rose du Lac, Village		December 31, 1993
Ste. Agathe, (Ritchot, R.M.)		April 1, 1994
Hamiota, Town		January 1, 1998
Erickson, Town		January 1, 1998
Cartwright, Village		January 1, 1998
Deloraine, Town		April 1, 1998
St. Claude, Village	April 1, 1998	
Kenton, (Woodworth, R.M.)		July 1, 1998
Angusville, (Silver Creek, R.M.)		January 1, 1999
Manitou, Town		April 1, 1999
Reston, (Pipestone, R.M.)		April 1, 1999
Russell, Town		April 1, 1999
Elie, (Cartier, R.M.)		June 1, 1999
Pilot Mound, Town		August 1, 1999
Benito, Village		April 1, 2000
Kelwood, (Rosedale, R.M.)		October 1, 2000
Rosburn, Town		November 1, 2000
McCreary, Village		April 1, 2002
Minitonas, Town	March 1, 2003	
Bowsman, Village	March 31, 2003	
Ethelbert, Village		March 31, 2003
Belmont, (Strathcona, R.M.)		April 1, 2003
Sandy Lake (Harrison, R.M.)		April 1, 2006
Somerset, Village		March 31, 2007
Winnipegosis, Village		April 1, 2009

The Manitoba Water Services Board Act requires the Board to set water rates for plants constructed prior to 1972 to recover all capital, operation and maintenance costs. The rates set by the Board are in accordance with a detailed water rate study conducted by the Board, indicating a return of full capital costs and operating deficits.

Effective April 1, 2012 water rates were increased at Baldur, Inglis, Oak River and Strathclair. The water rate for Notre Dame de Lourdes remained unchanged. Rates were based on the increases in the Consumer Price Index of 2.9%, plus increases to cover capital costs. The Manitoba Water Services Board will continue to operate the five (5) water treatment plants, until the deficits are fully recovered through water rates.

Water Treatment Plants (Previously Constructed Works)

Sale of Water Town or Municipality	Consumption 2011-12	Actual Cost of Production per 1,000 I.G.	April 1/12 Selling Price 1,000 I.G.	Type of Treatment
Argyle, (R.M.)(Baldur)	4,262,000	8.47	11.46	A,B,C,D
Blanshard, (R.M.)(Oak River)	3,669,900	17.92	12.00	B,C,D
Notre Dame de Lourdes, Village	22,217,700	3.17	5.48	B,C,D
Shellmouth-Boulton, (R.M.)(Inglis)	3,988,444	11.98	15.53	B,C,D
Strathclair,(R.M.)(Strathclair)	5,049,980	10.94	10.66	B,C,D

Type of Treatment:

A – Fluoridation

B - Green Sand Filtration

C – Chlorination

D – Membrane

2.0 Regional Water Systems

2.1 G3 Regional Water Co-op

In 2008-09, the Board signed agreements with the Towns of Grandview, Gilbert Plains and the R.M. of Gilbert Plains to develop the G3 Regional System. The system was operational at the end of 2009-10. The wholesale water rate for 2011-12 was set at \$6.15 per 1,000 imperial gallons.

Under separate agreements, the Board is also operating the water supply pumphouses in the Towns of Grandview and Gilbert Plains.

2.2 Yellowhead

In 2006-07, the Board began development of a Regional Water System in a water short area, west of the City of Portage la Prairie. The \$30.0M system is owned by the Yellowhead Regional Water Co-op Inc. and operated by the Board. The Yellowhead system supplies water to the Municipalities of Westbourne, North Norfolk, Lansdowne, as well as the Towns of Gladstone and MacGregor.

The Co-op, at their Annual General Meeting, requested that the water rate be increased from \$7.50 per 1,000 imperial gallons to \$7.65, effective April 1, 2012 and also increase 2% per year for the next three years to create a reserve for future improvements.

2.3 Cartier

In 1999, the Board entered into an agreement with CWP Ltd. Partnership of Winnipeg to develop the Cartier Regional System. The 20 year agreement with CWP was based on the B-O-O-T model (Build, Own, Operate, Transfer).

The Regional system was developed on behalf of the area municipalities to provide a safe, sustainable, drought resistant water supply. The municipalities in the area formed a co-operative called the Cartier Regional Water Co-operative Inc. and will take over the ownership at the end of the 20 year agreement.

The Board supplies water to residents in the Municipalities of Cartier, Headingley, Portage la Prairie, St. Francois Xavier, Grey, Rosser, Rockwood, Woodlands and the Headingley (men's) Correctional Centre.

The wholesale water rate for 2011-12 was set by the Board at \$8.44 per 1,000 imperial gallons, which represented a 2.9% increase from the previous year.

2.4 Whitehead Elton

In 2010-11, the Board signed agreements with the Municipalities of Whitehead and Elton to develop and operate the Whitehead Elton Regional System. The project was substantially completed in 2010-11 and the wholesale water rate was set at \$8.00 per 1,000 imperial gallons for 2010-11 and 2011-12. The Project cost approximately \$6.0M.

2.5 South West

In 2010-11, the Board signed agreements with the Municipalities of Brenda, Arthur and the Town of Melita to develop and operate the South West Regional System. The project cost approximately \$8.0M. The wholesale water rates for Arthur and Brenda were set at \$6.00 per 1,000 gallons. At the request of the Town, the wholesale water rate for Melita was set at \$9.00 per 1,000 imperial gallons, to allow for the replacement of aging watermains.

Sewer and Water Program

1.0 Capital Works

The Board enters into agreements with municipalities and/or registered Co-operatives, for projects that have been accepted for assistance. Under the terms of the agreement, the Board provides complete project management in the delivery of the project including:

- Conducting conceptual/feasibility studies to develop the best sustainable, cost effective option.
- Public consultation with local ratepayers, including open houses.
- Retaining of consulting engineering firms to undertake pre-design, functional design, detailed design, environmental impact assessments, construction supervision and post construction warranty services.
- Obtaining all easements and approvals.
- Public tendering of construction or design-build contracts and entering into contracts.
- Providing interim financing for the projects and billing municipalities for the local share of project costs.
- Providing a one year warranty after substantial completion of Construction.

In 1997, The Manitoba Water Services Board's grant formula was changed, wherein a 2-tier system was adopted. Details of the grant formulas are available at www.gov.mb.ca/ia/mwsb/.

Sewer and water activities, including feasibility studies, design and construction, resulted in a total expenditure of \$48.6M in 2011-12, of which \$10.8M was contributed by the Province. Project management and interim financing were provided to 18 substantially completed, 22 ongoing and 14 new projects during the year.

During 2011-12, the following major projects were substantially completed:

- St. Clements water supply and treatment, at a cost of \$13.0M
- Cartier Regional water supply and treatment, at a cost of \$12.0M
- Headingley Nutrient Removal Wastewater Plant, at a cost of \$14.0M
- Rural water pipelines in the R.M. of Portage la Prairie, at a cost of \$2.0M
- Rural water pipelines in the R.M. of North Norfolk, at a cost of \$2.0M
- Dorothy Lake wastewater lagoon for Parks, \$3.0M

Sewer and Water Projects Substantially Completed during 2011-12 were:

Project	*	Work Description	Project Costs	Provincial Grants
Brandon (6), City		Industrial Wastewater Treatment	\$ 969,000	\$ -
Brenda (4), R.M.	BCF	RM's of Brenda & Arthur Regional Water Lines	5,453,511	1,926,755
Crystal City (2), Village	ISF	Lagoon Upgrading and Expansion	1,039,817	-
Elton (8), R.M.		Whitehead/Elton Regional Water System	4,295,665	1,961,790
Grey (11), R.M.	MRIF	Low Pressure Sewer System	1,256,291	183,385
Kelsey (5), R.M.		Water System Evaluation	13,854	6,927
Killarney-Turtle Mountain (4), Mun.		Water Treatment Plant Functional Design	84,484	42,242
Louise (2), R.M.	ISF	Clearwater Water Treatment Upgrade	222,798	-
Minitonas (11), Town		Well complete with Mechanization	96,455	48,228
Minnedosa (4), Town		Water Treatment Plant Gensets	433,773	216,886
Shoal Lake (9), Municipality	ISF	Construction of Oakburn Lagoon	1,579,280	489,640
Snow Lake (9), Town	MLG	Wastewater Treatment Plant Design	280,402	-
The Pas (5), Town		Wastewater Treatment Study	33,493	16,746
Thompson (8), City		Water Meters	1,569,594	941,756
Waskada, Village		Water Supply & Treatment	1,540,735	785,086
Wawanesa (5), Village		Wastewater Treatment Study	45,500	22,750
West St. Paul (2), R.M.		West St. Paul & St. Andrews Pre-Design Study for Regional Wastewater System	440,980	220,490
Whitehead (5), R.M.		Whitehead/Elton Regional Water System	4,040,275	1,711,377
			Total	\$ 23,395,906
				\$ 8,574,060

*

BCF - Build Canada Fund

ISF - Infrastructure Stimulus Fund

MRIF - Canada-Manitoba Municipal Rural Infrastructure Fund

Sewer and Water Projects Under Design and/or Construction during 2011-12 were:

Project	*	Work Description	Agreement Estimate	Estimated Grants
Deloraine (8), Town		Water Treatment Plant Upgrading	\$ 4,000,000	\$ 2,000,000
Dunnottar (2), Village		Low Pressure Sewer system Predesign	400,000	200,000
Flin Flon (9), City		Water Supply Line	7,600,000	4,560,000
Gimli (11), R.M.		Outfall Line & Forcemain	6,250,000	3,125,000
Grand Rapids (2), Town		Water & Sewer System	9,700,000	1,100,000
Hanover (5), R.M.		Regional Wastewater Study	70,000	43,750
Harrison (6), R.M.		Sewer System feasibility study	75,000	37,500
Headingley (6), R.M.		Wastewater Treatment Plant	14,000,000	7,000,000
Killarney-Turtle Mountain (5), Mun.		Water Supply & Treatment	6,000,000	3,000,000
Lynn Lake (3), Town	MRIF	Water Treatment Phase 2	1,700,000	–
Minitonas (10), Town/R.M.		Lagoon Expansion	1,608,000	804,000
Neepawa (15), Town		Water Supply Wells and Mechanization	7,400,000	3,700,000
North Norfolk (4), R.M.		Rural Water Pipelines	2,000,000	666,667
Pipestone (6), R.M.		Water Treatment Plant Expansion & rural water lines	7,100,000	2,900,000
Portage (34), R.M.		Rural Water Lines	2,000,000	666,666
Powerview-Pine Falls (4), Town		Regional Water System Study	50,000	25,000
Rhineland (4), R.M.		Reservoir Expansion	1,800,000	900,000
St. Clements (2), R.M.	MRIF	Water Supply and Treatment	13,000,000	–
St. Francois Xavier (5), R.M.	ISF	Regional Water Supply and Treatment System	12,000,000	3,733,125
St. Francois Xavier (6), R.M.		Regional Reservoir Expansion	3,000,000	1,500,000
Shell River, R.M.	MRIF	Lagoon Design & Construction	912,000	–
Snow Lake (9), Town	MLG	Wastewater Treatment Plant Design	300,000	–
			Total	
			\$ 100,965,000	\$ 35,961,708

*

ISF - Infrastructure Stimulus Fund

MRIF - Canada-Manitoba Municipal Rural Infrastructure Fund

MLG - Manitoba Local Government

Sewer and Water Construction Agreements Signed during 2011-12 were:

Project (Agreement)	*	Work Description	Date Signed	Estimated Project Cost
Deloraine (8), Town		Water Treatment Plant Upgrading	December 14, 2011	4,000,000
Dunnottar (2), Village		Low Pressure Sewer Study and design	July 21, 2011	400,000
Dunnottar (3), Village		Sewer System	January 10, 2012	10,400,000
Grand Rapids (2), Town	MRIF	Water and Sewer System	May 13, 2011	9,700,000
Hanover (5), R.M.		Regional Wastewater Study	May 20, 2011	70,000
Harrison (6), Newdale		Sewer system feasibility study	August 4, 2011	75,000
Lawrence, R.M.		Wastewater Lagoon	May 6, 2011	1,500,000
Pinawa (2), R.M.		Supply & Install Water Meters	August 19, 2011	400,000
Pipestone (6), R.M.		Water Treatment Plant Expansion and Rural Water Lines	November 22, 2011	7,100,000
Portage (34) R.M.		Rural Water Lines	April 4, 2011	2,000,000
Powerview-Pine Falls (4) Town & Alexander		Regional Water System Study	September 15, 2011	50,000
Rockwood (4), R.M.		Water & Sewer Feasibility Study	August 25, 2011	25,000
Rhineland (4), R.M.		GNS Reservoir Expansion	May 20, 2011	1,800,000
Snow Lake (10), Town		Wastewater Treatment Plant	September 20, 2011	7,000,000

*

Total \$ 44,520,000

MRIF - Canada-Manitoba Municipal Rural Infrastructure Fund

Project Management Services during 2011-12 were:

Project (Agreement)	*	Work Description	Estimated Project Cost
Manitoba Conservation - Parks Branch			
15 Manitoba Provincial Parks		Public Water System Compliance/Action Plans	\$ 25,000
Birds Hill Park		Lift Station	350,000
Dorothy Lake		Lagoon	3,000,000
Grand Beach		Wastewater Treatment Plant Assessment	100,000
Grass River		Lagoon Assessment	50,000
Grindstone Park		Waste Transfer Station	530,000
Hnausa Beach		Water Treatment Plant	370,000
Otter Falls		Roadway and Drainage	60,000
St. Malo Park		RV Dump Station and Roadworks	375,000
Spruce Woods		Lagoon Assessment	100,000
Wellman Lake	ISF	Pumphouse Upgrade	140,000
West Hawk Lake		Lagoon Cell 2 Upgrade	700,000
West Hawk/Falcon Lake		Lagoon Assessment	30,000
White Lake	ISF	Wastewater Treatment Facility	800,000
Winnipeg Beach		RV Park Water Treatment Plant	900,000
Manitoba Infrastructure and Transportation			
Correctional Services - Milner Ridge		Lagoon Expansion	Delayed
			Total \$ 7,530,000

*

ISF - Infrastructure Stimulus Fund

2.0 Project Management

The Board has 50 plus years of experience in Project Managing the development of water and wastewater infrastructure. The Board, when requested and subject to availability of staff resources, agrees to act as Project Manager for other Provincial Departments and/or Municipalities. A memorandum of understanding (MOU) is signed with the requesting agency. All the project costs, including MWSB technical staff costs are recovered from the requesting agency.

2.1 Manitoba Conservation – Parks Branch

A complete list is shown on the previous page.

2.2 Manitoba Infrastructure and Transportation (MIT) – Accommodation Services Division

During 2011-12 the Board provided project management for expansion of the water and wastewater infrastructure at the Milner Ridge Correctional Centre.

2.3 Federal Provincial Programs

During the year, Canada and Manitoba entered into cost sharing arrangements on a number of water and wastewater projects to be funded from the Infrastructure Stimulus Fund (ISF) and the Build Canada Fund (BCF).

Many of the municipalities receiving either ISF or BCF funding have requested project management assistance from The Manitoba Water Services Board. The Manitoba Water Services Board has signed a number of agreements as indicated on the previous pages. In total these projects will exceed \$80.0M when completed.

3.0 Sustainable Development

On July 1, 1998, the Province proclaimed *The Sustainable Development Act*. The Act requires all Crown Corporations to:

- prepare and adopt a code of practice by July 2003
- prepare and adopt procurement guidelines and goals by December 2002, and
- prepare and adopt financial management guidelines by July 2003

The Board presently has policy guidelines, which deal with all of the requirements of the Act.

The Board considers wastewater and water infrastructure as a basic amenity required to safeguard public health and to provide economic development opportunities for the sustainability of Manitoba's communities.



The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

Original signed by D. Shwaluk

Original signed by C. Brigden

David Shwaluk, P.Eng.
A/General Manager

C. Brigden
Chief Financial Officer

September 7, 2012



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Water Services Board

We have audited the accompanying financial statements of Manitoba Water Services Board, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the statements of operations, change in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Water Services Board as at March 31, 2012, March 31, 2011, and April 1, 2010, and its results of operations, its changes in net debt and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Basis of Presentation

Without modifying our opinion, we draw attention to Note 2(b) to the financial statements, which described that Manitoba Water Services Board adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements.

Original signed by the
Office of the Auditor General

Office of the Auditor General
September 7, 2012
Winnipeg, Manitoba

THE MANITOBA WATER SERVICES BOARD

Statements of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010

	March 31, 2012	March 31, 2011	April 1, 2010
Financial assets			
Cash	\$ 2,214,663	\$ 969,371	\$ 2,483,044
Accounts receivable	4,250,527	10,417,304	2,248,801
Accrued interest	3,074	1,770	976
	<hr/> 6,468,264	<hr/> 11,388,445	<hr/> 4,732,821
Liabilities			
Accounts payable and accrued charges	6,205,561	7,829,386	5,376,274
Advances from the Province of Manitoba payable on demand (note 13)	7,800,000	10,900,000	6,450,800
	<hr/> 14,005,561	<hr/> 18,729,386	<hr/> 11,827,074
Net debt	(7,537,297)	(7,340,941)	(7,094,253)
Non-financial assets			
Construction in progress (note 4)	7,888,321	7,319,536	7,030,501
Tangible capital assets (note 5)	10,494	10,494	10,494
Prepaid supplies	62,770	67,307	67,159
	<hr/> 7,961,585	<hr/> \$ 7,397,337	<hr/> 7,108,154
Accumulated surplus (note 6)	\$ 424,288	\$ 56,396	\$ 13,901

Commitments (note 9)
Contingencies (note 10)

See accompanying notes to financial statements.

On behalf of the Board:

Original signed by

Linda McFadyen

Chair

THE MANITOBA WATER SERVICES BOARD

Statements of Operations

Years ended March 31, 2012 and 2011

	Budget (Unaudited - note 14)	2012	2011
Revenues:			
Sale of water	\$ 3,500,000	\$ 3,940,076	\$ 3,255,200
Administrative expenses paid by the Province of Manitoba (note 8)	2,454,000	2,263,000	2,023,662
Interest	2,500	1,304	3,325
	<u>5,956,500</u>	<u>6,204,380</u>	<u>5,282,187</u>
Expenses:			
Direct expenses for water supply plants:			
Interest expense	150,000	192,000	271,319
Interest allocated to new construction	(275,000)	(267,941)	(352,718)
	<u>(125,000)</u>	<u>(75,941)</u>	<u>(81,399)</u>
Chemicals	285,000	316,784	230,444
Heat, telephone, light and power	750,000	780,340	728,231
Professional services	700,000	745,062	660,481
Salaries and benefits	775,000	806,952	735,069
Repairs and maintenance	490,000	717,203	450,467
Administrative (note 8)	2,454,000	2,263,000	2,023,662
	<u>5,329,000</u>	<u>5,553,400</u>	<u>4,746,955</u>
Annual surplus	627,500	650,980	535,232
Accumulated surplus, beginning of year	56,396	56,396	13,901
Disposition of surplus (note 6)	(200,000)	(283,088)	(492,737)
Accumulated surplus, end of year	<u>\$ 483,896</u>	<u>\$ 424,288</u>	<u>\$ 56,396</u>

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statements of Change in Net Debt

Years ended March 31, 2012 and 2011

	Budget (Unaudited - note 14)	2012	2011
Annual surplus	\$ 627,500	\$ 650,980	\$ 535,232
New construction costs	(45,100,000)	(48,619,630)	(50,875,799)
Funds recovered from:			
Province of Manitoba	10,813,000	10,634,908	10,615,365
Municipalities	34,287,000	37,415,937	39,971,399
	-	(568,785)	(289,035)
Decrease (increase) in prepaid supplies	1,000	4,537	(148)
Disposition of surplus	(200,000)	(283,088)	(492,737)
Increase in net debt	428,500	(196,356)	(246,688)
Net debt, beginning of year	(7,340,941)	(7,340,941)	(7,094,253)
Net debt, end of year	\$ (6,912,441)	\$ (7,537,297)	\$ (7,340,941)

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Statements of Cash Flows

Years ended March 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 650,980	\$ 535,232
Change in non-cash operating working capital:		
Accounts receivable	6,166,777	(8,168,503)
Prepaid supplies	4,537	(148)
Accounts payable and accrued charges	(1,623,825)	2,453,112
Accrued interest	(1,304)	(794)
Cash provided by (used in) operating activities	5,197,165	(5,181,101)
Financing activities:		
Advances received	8,800,000	16,300,000
Advances repaid	(11,900,000)	(11,850,800)
Cash provided by (used in) financing activities	(3,100,000)	4,449,200
Capital activities:		
New construction costs	(48,619,630)	(50,875,799)
Funding recovered from:		
Province of Manitoba	10,634,908	10,615,365
Municipalities	37,415,937	39,971,399
Increase in construction in progress	(568,785)	(289,035)
Net plant surplus transferred to municipalities	(283,088)	(492,737)
Cash used in capital activities	(851,873)	(781,772)
Increase (decrease) in cash	1,245,292	(1,513,673)
Cash, beginning of year	969,371	2,483,044
Cash, end of year	\$ 2,214,663	\$ 969,371

See accompanying notes to financial statements.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

1. Nature of operations:

The Manitoba Water Services Board (the Board) was established in July 1972 under The *Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board assists municipalities with the development of sustainable water and wastewater works, including; water supply, treatment, storage and distribution; collection and treatment of sewage; the disposal of treated effluent and waste sludge in an environmentally sustainable manner and the provision of drought resistant, safe water supplies to rural residents for domestic and livestock needs.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared using Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(b) Conversion to Public Sector Accounting Standards:

Commencing with the 2011/12 fiscal year, the Board has adopted Canadian public sector accounting standards. These financial statements are the first financial statements that the Board has applied Canadian public sector accounting standards. The Board has early adopted the accounting standards contained in section PS 1201 - *Financial statement presentation*, section PS 3410 - *Government transfers*, section PS 2601 - *Foreign currency translation*, and section PS 3450 - *Financial instruments* in the preparation of these financial statements.

There is no impact on the opening balances as at April 1, 2010 or the balances for the year ended March 31, 2011, as previously reported, as a result of the conversion to Canadian public sector accounting standards.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

2. Significant accounting policies (continued):

(c) Tangible capital assets and construction in progress:

Tangible capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Asset	Term
Plants constructed prior to January 1, 1972:	
Equipment	18 years
Buildings	35 years
Plants constructed after January 1, 1972:	
Equipment	20 years
Buildings	20 years

Tangible capital assets which are constructed by the Board are recorded as construction in progress until the capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the construction in progress amounts.

(d) Revenue recognition:

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(e) Administrative expenses paid by the Province of Manitoba:

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(f) Pension costs and obligations:

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable and tangible capital assets. Actual results could differ from those estimates.

3. Financial instruments and financial risk management:

(a) Classification and measurement of financial instruments:

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Board records its financial assets at cost or amortized cost, which include cash and cash equivalents, accounts receivable and accrued interest. The Board also records its financial liabilities at cost or amortized cost, which include accounts payable and accrued charges and advances from the province of Manitoba.

The financial assets and liabilities of the Board are classified and measured as follows:

Financial asset/liability	Category	Subsequent measurement
Cash	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accrued interest	Loans and receivables	Amortized cost
Accounts payable and accrued charges	Other financial liabilities	Amortized cost
Advances from Province of Manitoba	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest method.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

3. Financial instruments and financial risk management (continued):

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Board did not incur any remeasurement gains and losses during the year (2011 - nil).

(b) Financial risk management - overview:

The Board has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk, and
- Foreign currency risk

The Board manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Board's Directors have the overall responsibility for the establishment and oversight of the Board's objectives, policies and procedures for measuring, monitoring and managing these risks.

The Board has exposure to the following risks associated with its financial instruments:

Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Board to credit risk consist principally of accounts receivable and accrued interest.

The maximum exposure of the Board's credit risk is as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Cash	\$ 2,214,663	\$ 969,371	\$ 2,483,044
Accounts receivable	4,250,527	10,417,304	2,248,801
Accrued interest	3,074	1,770	976
	<u>\$ 6,468,264</u>	<u>\$ 11,388,445</u>	<u>\$ 4,732,821</u>

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

3. Financial instruments and financial risk management (continued):

Cash: The Board is not exposed to significant credit risk as the cash is primarily held with a large reputable financial institution.

Accounts receivable: The Board is not exposed to significant credit risk as the receivables are with Municipal and other government entities and payment in full is typically collected when it is due. Credit evaluations are done for each Rural Municipality.

The aging of accounts receivable are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Current	\$ 2,084,236	\$ 2,441,397	\$ 1,803,007
30-60 days past billing date	1,043,050	4,702,989	16,028
60-90 days past billing date	760,603	3,272,918	429,766
90-120 days past billing date	362,638	-	-
	\$ 4,250,527	\$ 10,417,304	\$ 2,248,801

Accrued Interest: The Board is not exposed to significant credit risk as the accrued interest relates to one receivable with a town for ongoing construction and payment is anticipated at the completion of the work.

Liquidity risk:

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they come due. The Board manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances as required. The Board prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified capital supply requirements are reviewed and approved by the Minister of Finance to ensure adequate funding will be available to meet the Board's obligations utilizing bridge financing through The *Loan Act*. The Board continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to accounts receivable, accrued interest, accounts payable and accrued charges, and advances from the Province of Manitoba.

The interest rate risk on the above exposures is considered to be low because of their short-term nature.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

4. Construction in progress:

	March 31, 2012	March 31, 2011	April 1, 2010
Balance, beginning of year	\$ 7,319,536	\$ 7,030,501	\$ 1,187,164
New construction costs	48,619,631	50,875,799	38,244,542
	55,939,167	57,906,300	39,431,706
Funding recovered from:			
Municipalities	37,415,937	39,971,399	20,866,996
Province of Manitoba	10,634,909	10,615,365	11,534,209
	48,050,846	50,586,764	32,401,205
Construction in progress	\$ 7,888,321	\$ 7,319,536	\$ 7,030,501

5. Tangible capital assets:

March 31, 2012	Cost	Accumulated amortization	Net book value
Land and easements	\$ 10,494	\$ -	\$ 10,494
Buildings	526,032	526,032	-
Equipment	132,628	132,628	-
	\$ 669,154	\$ 658,660	\$ 10,494

March 31, 2011	Cost	Accumulated amortization	Net book value
Land and easements	\$ 10,494	\$ -	\$ 10,494
Buildings	526,032	526,032	-
Equipment	132,628	132,628	-
	\$ 669,154	\$ 658,660	\$ 10,494

April 1, 2010	Cost	Accumulated amortization	Net book value
Land and easements	\$ 10,494	\$ -	\$ 10,494
Buildings	526,032	526,032	-
Equipment	132,628	132,628	-
	\$ 669,154	\$ 658,660	\$ 10,494

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

6. Accumulated surplus:

Accumulated surplus consist of accumulated excess revenues over expenses pertaining to the water supply plants operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities. Net plant surplus transferred to municipalities during the year amount to \$283,088 (2011 - \$492,737).

	No.	March 31, 2012	No.	March 31, 2011	No.	April 1, 2010
Plants operated by the Board:						
Plants with a deficit	5	\$ (2,728,289)	6	\$ (3,150,396)	5	\$ (806,142)
Plants with a surplus	5	3,052,577	4	3,106,792	2	720,043
Total funds retained (deficit), water supply plants	10	324,288	10	(43,604)	7	(86,099)
Interest and adjustment fund account (note 7)		100,000		100,000		100,000
		\$ 424,288		\$ 56,396		\$ 13,901

Net plant surplus (deficit) transactions during 2011/2012 include capital works approved by the Board for the Baldur water treatment plant and regional systems operated by the Board including, Cartier Regional, G3 Regional and the Southwest Regional Water Co-operatives.

7. Interest and adjustment fund account:

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest costs incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of \$100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

8. Administrative expenses paid by the Province of Manitoba:

Administrative expenses paid by the Province of Manitoba and included in expenses are as follows:

	2012	2011
Professional services	\$ 13,088	\$ 8,737
Salaries and benefits	1,982,644	1,742,837
Telephone and utilities	14,884	15,330
Travel	981	2,177
Rental for office premises	149,908	150,999
Other administrative	101,495	103,582
	\$ 2,263,000	\$ 2,023,662

9. Commitments:

The Board has commitments as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives	\$ 46,198,000	\$ 58,203,900	\$ 59,459,000

These commitments are expected to be funded as follows:

Subsidization of construction costs - Province of Manitoba	\$ 18,807,200	\$ 18,690,900	\$ 18,679,200
Recovery of construction costs - municipalities and cooperatives	27,390,800	39,513,000	40,779,800
	\$ 46,198,000	\$ 58,203,900	\$ 59,459,000

10. Contingencies:

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

THE MANITOBA WATER SERVICES BOARD

Notes to Financial Statements

Years ended March 31, 2012 and 2011

11. Related party transactions:

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions with these entities in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Economic dependency:

The Board is economically dependent on the Province of Manitoba.

13. Unfixed advances from the Province of Manitoba:

The Board finances construction in progress by borrowing advances from the Province through The *Loan Act*. The Board pays interest on these unfixed advances. Interest payable is set at Prime less 0.75 percent. During 2011/2012 the rate of interest charged was 2.50 percent on a quarterly basis. These advances are repaid once funding is received from the municipalities and cooperatives and the Province for their share of the eligible project costs.

As at March 31, 2012, the Province had unused authority of \$60,339,000 under The *Loan Act* - 2011 to provide future financing to the Board for construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

14. Budgeted figures:

The unaudited budgeted figures presented in these financial statements have been derived from the estimates approved by the Board.



Whitehead/Elton Regional Co-op
Water Pipeline Installation



Rhineland Reservoir Pumps



Cartier Regional Water Co-op



R.M. of Whitehead Reservoir



Fannystelle Lagoon



Killarney Water Treatment Plant
New Reservoir