

The Manitoba
Water Services Board

La Commission des Services
d'approvisionnement en eau du Manitoba

**Annual Report
2010-2011**

**Rapport annuel
2010-2011**



September 9, 2011

The Honourable Philip S. Lee
Lieutenant Governor of Manitoba
Government House
200 Kennedy Street
Winnipeg MB R3C 1S4

Your Honour:

It is my pleasure to present to you The Manitoba Water Services Board Annual Report for the period extending from April 1, 2010 to March 31, 2011. This report records the activities of the Board for that period.

Sincerely,

Original signed by Steve Ashton

Steve Ashton
Minister of Infrastructure and Transportation



September 9, 2011

Honourable Steve Ashton
Minister of Infrastructure and Transportation
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I have the honour of presenting to you the 39th Annual Report of The Manitoba Water Services Board for the fiscal year ending March 31, 2011, together with the financial statements for the same period.

Yours sincerely,

Original signed by Doug McNeil

Doug McNeil
Chairman

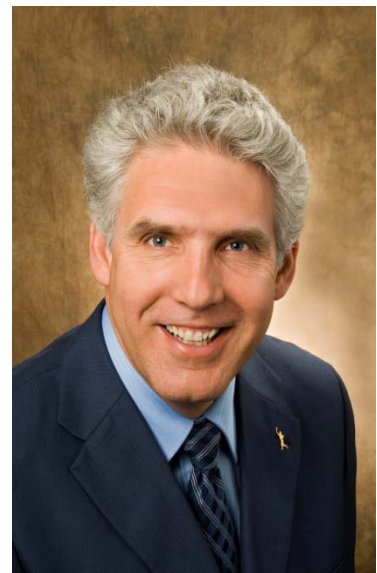


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The Manitoba Water Services Board

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Linda McFadyen
Deputy Minister
Local Government

Don Norquay
Deputy Minister
Water Stewardship

Doug Dobrowolski
President
AMM

Joe Masi
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Standing from Left: Joe Masi, Doug Dobrowolski, Linda McFadyen, Don Norquay
Seated from Left: Doug McNeil, Dick Menon

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 has also been involved in a number of partnership agreements with the Government of Canada, the most recent one being the Partnership Agreement on Municipal Water Infrastructure (PAMWI).

In 1994, the Board assumed responsibility for managing the Conservation Districts Program. Although the Board is no longer responsible for the Conservation Districts Program activities, it continued to provide banking functions for the capital grants to the Districts until March 31, 2007.

The Board, made up of five persons appointed by the Lieutenant Governor in council chaired by the Deputy Minister of Manitoba Infrastructure and Transportation, reports to the Legislature through the Minister of Infrastructure and Transportation. 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.

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. Bien que la Commission des services d'approvisionnement en eau du Manitoba ne soit plus responsable des activités du Programme des districts de conservation, elle continue de fournir des services bancaires pour les subventions d'immobilisation accordées aux districts.

En 1994, la Commission a pris en charge la gestion du Programme des districts de conservation. Bien que la Commission des services d'approvisionnement en eau du Manitoba ne soit plus responsable des activités du Programme des districts de conservation, elle a continué de fournir des services bancaires pour les subventions d'immobilisation accordées aux districts jusqu'au 31 mars 2007.

La Commission formée de cinq particuliers nommés par le lieutenant-gouverneur sous-ministre d'Infrastructure et Transports Manitoba, rend compte à l'Assemblée législative par l'intermédiaire du ministre de l'Infrastructure et des Transports. Les activités de la Commission sont gérées par une équipe dirigée par le

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

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 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 CEO

The Year of the Stimulus!



2010-11 will be remembered as the year of the stimulus. Projects funded under the Canada-Manitoba Infrastructure Stimulus Fund (ISF) had to be completed by March 31, 2011. Although the completion date was changed late in the year, there was a push to have them completed by March.

MWSB project managed a substantial amount of ISF projects, on behalf of the Municipalities and MB Conservation (Parks Branch) in 2010-11. Thanks to the dedication and timeless efforts of the staff, we were able to complete these works, in addition to our regular Capital program.

In the midst of a busy year, we were also able to develop two (2) more Regional Water Systems; Whitehead Elton and Southwest. Both of these Regional systems are in areas that are drought prone and with poor quality water sources. At times, staff may have felt that they are being “over worked” and “underappreciated”. I do want to take this opportunity to express my appreciation to the staff for a job well done.

Dick Menon, M. Eng., FEC, P. Eng.
General Manager/CEO



Elton Pumphouse



Grandview Reservoir Expansion

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, R.M. (Montcalm,)	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, 2010 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 0.8%, 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 2010-11	Actual Cost of Production per 1,000 I.G.	April 1/11 Selling Price 1,000 I.G.	Type of Treatment
Argyle, (R.M.)(Baldur)	4,359,120	6.96	11.14	A,B,C,D
Blanshard, (R.M.)(Oak River)	3,697,100	11.50	11.44	B,C,D
Notre Dame de Lourdes, Village	22,649,600	4.34	5.48	B,C,D
Shellmouth-Boulton, (R.M.)(Inglis)	3,790,510	14.20	15.09	B,C,D
Strathclair,(R.M.)(Strathclair)	5,663,600	10.28	10.36	B,C,D

Type of Treatment:

A – Fluoridation

B - Green Sand Filtration

C – Chlorination

D – Membrane

2.0 Regional Water Systems

2.1 Cartier

In 1999, the Board entered into a Public Private Partnership (P3) 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 P3 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 2010-11 was set by the Board at \$8.13 per 1,000 imperial gallons, which represented a 0.8% increase from the previous year.

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.

In reviewing the water rates for 2010-11, it was determined that a rate increase was not necessary. Therefore, the rates for 2010-11 remained at \$7.50 per 1,000 imperial gallons.

2.3 G3

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 2010-11 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.

2.4 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.

2.6 Planning for New Regional Systems

Construction is underway to develop a regional wastewater treatment system to serve the R.M. of Headingley, the Headingley Correctional Centre and the proposed Headingley Women's Correctional Centre. MWSB will be operating the facility and setting wholesale sewer rates.

MWSB is also in planning stages for developing Regional systems in Deloraine, Manitou and Powerview-Pine Falls and R.M. of Alexander.

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/mit/mwsb/.

Sewer and water activities, including feasibility studies, design and construction, resulted in a total expenditure of \$50.6M in 2010-11, of which \$10.8M was contributed by the Province. Project management and interim financing were provided to 20 substantially completed, 23 ongoing and 29 new projects during the year.

During 2010-11, the following major projects were substantially completed:

- South West Regional Water System at a cost of \$6.0M
- Whitehead Elton Regional Water System at a cost of \$6.0M
- Water Treatment Plant in Roblin, at a cost of \$5.0M
- Ground water supply for Neepawa, at a cost of \$5.0M
- Rural water pipelines in Wallace, totalling \$6.0M
- Lagoon upgrading in Crystal City, \$1.0M
- Headingley Regional Wastewater System, \$15.0M

Sewer and Water Projects Substantially Completed during 2010-11 were:

Project	*	Work Description	Project Costs	Provincial Grants
Arborg (11), Town	BCF	Watermain Renewals	\$ 901,471	\$ -
Cartier (15), R.M.		St. Eustache/Springstein Sewer System Study	120,730	60,365
Cartier (17), R.M.	MRIF	St. Eustache Low Pressure Sewer System	1,102,015	-
G3 Regional Water Co-op		Regional Water Treatment Plant	4,303,906	2,285,827
Gilbert Plains (12), Town	ISF	Water Supply Pipeline and Water Plant retrofit	1,895,101	622,035
Gimli (10), R.M.		Sewage Treatment Plant	10,526,336	3,435,477
Gladstone (6), Town		Watermain Renewals	654,885	196,465
Grandview (11), Town	ISF	Water Supply Pipeline and Water Plant retrofit	2,209,263	706,814
Hanover (4), R.M.		Regional Wastewater System	70,675	35,337
MacDonald (10), R.M.		Water System Disinfection By-Product Study	5,055	2,527
Portage (33), R.M.		Water Supply Pipeline	1,417,845	333,000
Roblin (11), Town	BCF	Water Treatment Plant Upgrade	4,866,711	-
Rosser (4), R.M.		Water Supply Lines	510,760	255,380
Ste. Rose (11), R.M.	BCF	Rural Water Lines	390,925	-
Stanley (11), R.M.	ISF	Water Reservoir Expansion	844,074	-
Stanley (12), R.M.		Water Supply Pipeline	722,604	357,708
Wallace (11), R.M.	BCF	Water Supply Pipeline	5,959,866	-
Whitemouth (7), R.M.	BCF	Construction of a Water Treatment Plant	3,736,464	-
Whitemouth (8), R.M.		Elma Sewer and Water Feasibility Study	85,336	42,668
Woodlands (4), R.M.		Water and Wastewater System Upgrades	1,017,696	256,335
		Total	\$ 41,341,718	\$ 8,589,938

*

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 2010-11 were:

Project	*	Work Description	Agreement Estimate	Estimated Grants
Brandon (6), City		Industrial Wastewater Treatment	\$ 969,000	\$ 969,000
Brenda (4), R.M.	BCF	RM's of Brenda & Arthur Regional Water Lines	5,400,000	2,000,000
Crystal City (2), Village	ISF	Lagoon Upgrading and Expansion	1,030,000	–
Elton (8), R.M.		Whitehead/Elton Regional Water System	2,600,000	1,235,000
Flin Flon (9), City		Water Supply Line & Water Meters	7,600,000	4,560,000
Gimli (11), R.M.		Outfall Line & Forcemain	6,250,000	3,125,000
Headingley (6), R.M.		Wastewater Treatment Plant	14,000,000	7,000,000
Kelsey (5), R.M.		Water System Evaluation	30,000	15,000
Killarney-Turtle Mountain (4), R.M.		Water Treatment Plant Functional Design	150,000	75,000
Louise (2), R.M.	ISF	Clearwater Water Treatment Upgrade	240,000	–
Minitonas (10), Town/R.M.		Lagoon Expansion	1,608,000	804,000
Minitonas (11), Town		Well Complete with Mechanization	120,000	60,000
Neepawa (15), Town		Water Supply Wells and Mechanization	7,400,000	3,700,000
Shoal Lake (9), R.M.	ISF	Construction of Oakburn Lagoon	500,000	–
Springfield (4), R.M.		Lagoon Decommissioning & Water System	1,000,000	500,000
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	9,000,000	2,229,167
The Pas (5), Town		Wastewater Treatment Study	100,000	50,000
Thompson (8), City		Water Meters	3,500,000	2,100,000
Waskada, Village		Water Supply and Treatment	1,476,000	738,000
West St. Paul (2), R.M.		West St. Paul & St. Andrews Pre-Design Study for Regional Wastewater System	480,000	240,000
Whitehead (5), R.M.		Whitehead/Elton Regional Water System	3,100,000	1,310,000
Whitemouth (9), R.M.	ISF	Elma Water and Sewer System	4,000,000	–
		Total	\$ 83,553,000	\$ 30,710,167

*

BCF - Build Canada Fund

ISF - Infrastructure Stimulus Fund

MRIF - Canada-Manitoba Municipal Rural Infrastructure Fund

Sewer and Water Construction Agreements Signed during 2010-11 were:

Project (Agreement)	*	Work Description	Date Signed	Estimated Project Cost
Brandon (6), City		Industrial Wastewater Treatment		
		Facility Staff Building	August 30, 2010	\$ 969,000
Killarney-Turtle Mountain (5), R.M.		Water Supply & Treatment	November 3, 2010	6,000,000
Louise (2), R.M.	ISF	Clearwater Water Treatment Upgrade	June 17, 2010	240,000
Lynn Lake (3), Town	MRIF	Water Treatment (Phase 2)	November 9, 2010	1,700,000
Minitonas (10), Town/R.M.	MRIF	Lagoon Expansion	April 23, 2010	1,608,000
Minitonas (11), Town		Well Complete with Mechanization	May 20, 2010	120,000
Minnedosa (4), Town		Water Treatment Plant Gensets	November 16, 2010	400,000
North Norfolk (4), R.M.		Rural Water Pipelines	October 22, 2010	2,000,000
St. Clements (2), R.M.	MRIF	Water Supply and Treatment	November 4, 2010	13,000,000
St. Francois Xavier (6), R.M.		Regional Reservoir Expansion	March 22, 2011	3,000,000
Ste. Rose (11), R.M.	BCF	Rural Water Lines	April 23, 2010	390,000
Shell River, R.M.	MRIF	Lagoon Design and Construction	October 18, 2010	912,000
Snow Lake (9), Town	MLG	Wastewater Treatment Plant Design	August 30, 2010	300,000
Waskada, Village		Water Supply and Treatment	October 22, 2010	1,476,000
Wawanesa (5), Village		Wastewater Treatment Study	March 22, 2011	40,000
Whitemouth (9), R.M. Elma	ISF	Sewer and Water System	June 3, 2010	4,000,000
			Total	\$ 36,155,000

*

BCF - Build Canada Fund

ISF - Infrastructure Stimulus Fund

MRIF - Canada-Manitoba Municipal Rural Infrastructure Fund

MLG - Manitoba Local Government

Project Management Services during 2010-11 were:

Project (Agreement)	*	Work Description	Estimated Project Cost
Manitoba Conservation - Parks Branch			
41 Manitoba Provincial Parks		Public Water System Assessments	\$ 200,000
Birds Hill Park		Lift Station	350,000
Birds Hill Park		South Pumphouse Well Connection	50,000
Birds Hill Park		Emergency Well	50,000
Dorothy Lake		Lagoon	3,000,000
Grand Beach		Lagoon Assessment	100,000
Hnausa Beach		Water Distribution	80,000
Hnausa Beach		Water Treatment Plant	370,000
Otter Falls		Shoreline Remediation	520,000
Spruce Woods		Lagoon Assessment	100,000
Watchorn Beach Park		Water Distribution	160,000
Wellman Lake	ISF	Pumphouse Upgrade	140,000
White Lake Park	ISF	Wastewater Treatment Facility	800,000
Winnipeg Beach		RV Park Water Treatment Plant	900,000
Manitoba Infrastructure and Transportation			
Correctional Services - Milner Ridge		Modular Unit Servicing	1,000,000
			Total \$ 7,820,000

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 2010-11 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.

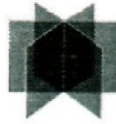
Original signed by R. Menon

Original signed by C. Brigden

R. Menon, M. Eng, FEC, P.Eng.
General Manager

C. Brigden
Chief Financial Officer

June 29, 2011



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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 balance sheet as at March 31, 2011, and the statements of operating revenues and expenses and cash flows 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 generally accepted accounting principles 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 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 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 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by the
Office of the Auditor General

Office of the Auditor General
June 29, 2011
Winnipeg, Manitoba

Balance Sheet

as at March 31, 2011, with comparative figures for 2010

ASSETS	2011	2010
Current assets		
Cash	\$ 969,371	\$ 2,483,044
Accounts receivable	10,417,304	2,248,801
Prepaid supplies	67,307	67,159
Accrued interest	1,770	976
Current portion, construction in progress (Note 5)	6,697,262	4,066,008
	<u>18,153,014</u>	<u>8,865,988</u>
Long-term construction in progress (Note 5)	622,274	2,964,493
Property plant and equipment (Note 6)	10,494	10,494
	<u>\$ 18,785,782</u>	<u>\$ 11,840,975</u>
LIABILITIES	2011	2010
Current liabilities		
Accounts payable and accrued charges	\$ 7,829,386	\$ 5,376,274
Advances from the Province of Manitoba payable on demand (Note 15)	10,900,000	6,450,800
	<u>18,729,386</u>	<u>11,827,074</u>
Funds retained (deficit) (Notes 7 and 14)	(43,604)	(86,099)
Interest adjustment fund account (Note 8)	100,000	100,000
	<u>56,396</u>	<u>13,901</u>
	<u>\$ 18,785,782</u>	<u>\$ 11,840,975</u>

Commitments - Note 10

Contingencies - Note 11

APPROVED BY THE BOARD

Original Signed by
Doug McNeil

Statement of Operating Revenues and Expenses

for the year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenues		
Sale of water	\$ 3,255,200	\$ 2,424,093
Administrative expenses paid by the Province of Manitoba (Note 9)	2,023,662	2,113,872
Interest	3,325	33,525
	<hr/>	<hr/>
Total revenues	5,282,187	4,571,490
	<hr/>	<hr/>
Expenses		
Direct expenses for water supply plants		
Interest - Advances payable on demand	271,319	64,093
Less: Interest allocated to new construction	(352,718)	(125,721)
	<hr/>	<hr/>
	(81,399)	(61,628)
Chemicals	230,444	126,034
Heat, telephone, light and power	728,231	589,335
Professional services	660,481	961,622
Salaries and benefits	735,069	275,955
Repairs and maintenance	450,467	197,314
Administrative expenses (Note 9)	2,023,662	2,113,872
	<hr/>	<hr/>
Total expenses	4,746,955	4,202,504
	<hr/>	<hr/>
Excess of operating revenues over expenses	535,232	368,986
Funds retained (deficit), beginning of year	(86,099)	(401,907)
Disposition of funds (Note 7)	(492,737)	(53,178)
	<hr/>	<hr/>
Funds retained (deficit), end of year (Note 7)	\$ (43,604)	\$ (86,099)
	<hr/> <hr/>	<hr/> <hr/>

The Manitoba Water Services Board
Statement of Cash Flows

Exhibit C

for the year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used for):		
Operating activities		
Excess of operating revenues over expenses	\$ 535,232	\$ 368,986
Change in accounts receivable	(8,168,503)	3,708,472
Change in prepaid supplies	(148)	(8,301)
Change in accounts payable and accrued charges	2,453,112	(247,819)
Change in accrued interest	(794)	3,743
Cash provided by operating activities	(5,181,101)	3,825,081
Financing activities		
Advances received	16,300,000	11,050,800
Advances repaid	(11,850,800)	(8,900,000)
Cash provided by (used for) financing activities	4,449,200	2,150,800
Investing activities		
New construction costs	(50,875,799)	(38,244,542)
Funding recovered from:		
Province of Manitoba	10,615,365	11,534,209
Municipalities	39,971,399	20,866,996
Decrease in construction in progress	(289,035)	(5,843,337)
Net plants surplus(deficit) transferred to municipalities	(492,737)	(50,368)
Cash provided by (used for) investing activities	(781,772)	(5,893,705)
Increase (decrease) in cash	(1,513,673)	82,176
Cash, beginning of the year	2,483,044	2,400,868
Cash, end of the year	\$ 969,371	\$ 2,483,044

Interest paid during the year ended March 31, 2011 amounted to \$271,319 (2010 - \$64,093)

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2011

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board (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 generally accepted accounting principles for profit-oriented enterprises (GAAP). Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the statement of Operating Revenue and Expenses. Separate equity accounts are maintained for each plant operated by the Board (Note 7).

(b) Capital assets

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:

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

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.

(c) Revenue recognition

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

(d) 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.

(e) 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.

(f) New Accounting Pronouncements

Effective April 1, 2011 The Manitoba Water Services Board will be adopting Public Sector Accounting Standards issued by the Public Sector Accounting Board. The Manitoba Water Services Board is currently in the process of quantifying the impact these changes will have on its financial position.

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2011

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

- (a) Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

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

<u>Financial Asset/Liability</u>	<u>Category</u>	<u>Subsequent Measurement</u>
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.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operating revenues and expenses in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operating revenues and expenses for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in other comprehensive income until realized, at which time they are recorded in the statement of operating revenues and expenses.

(b) **Fair value of financial instruments**

Due to the redeemable nature of cash its carrying value is considered to be fair value.

The fair values of accounts receivable, accrued interest, accounts payable and accrued charges, and advances from the Province of Manitoba payable on demand approximates their carrying values due to their short-term maturity.

The Board does not establish an allowance for doubtful accounts as the potential for any receivables impairment is negligible.

The aging of accounts receivable are as follows:

	<u>2011</u>	<u>2010</u>
Current	\$ 2,441,397	\$1,803,007
30-60 days past billing date	4,702,989	16,028
60-90 days past billing date	<u>3,272,918</u>	<u>429,766</u>
Balance	<u>\$10,417,304</u>	<u>\$2,248,801</u>

Notes to Financial Statements

for the year ended March 31, 2011

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial instruments recognized at fair value on the balance sheet must be classified in one of the three fair value hierarchy levels:

Level 1 - measurement based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2 - measurement based on inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 - measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

The Board's only financial instrument, measured at fair value, was cash totalling \$969,371 using level 1.

(c) 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 cash, accounts receivable and accrued interest.

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

	<u>2011</u>	<u>2010</u>
Cash	\$ 969,371	\$2,483,044
Accounts receivable	10,417,304	2,248,801
Accrued interest	<u>1,770</u>	<u>976</u>
	<u>\$11,388,445</u>	<u>\$4,732,821</u>

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

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.

Notes to Financial Statements

for the year ended March 31, 2011

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 cash, 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.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Board is not exposed to significant foreign currency risk as it does not have financial instruments denominated in foreign currency.

4. CAPITAL MANAGEMENT

The Board's objective when managing capital is to maintain sufficient capital to cover its costs of operation. The Board's capital consists of funds retained (deficit) provided from operations (\$43,604) [2010 (\$86,099)] and interest adjustment fund account \$100,000 [2010 - \$100,000] allocated from funds retained.

The Board's capital management policy is to: maintain sufficient capital to meet its objectives through its funds retained (deficit); meet short-term capital needs with working capital advances from the Province of Manitoba through *The Loan Act*; and meet long-term capital needs through long-term debt with the Province of Manitoba. Presently there is no long term debt.

The Board is subject to externally imposed capital requirements relating to the administration of the Board in accordance with The Manitoba Water Services Board Act and accompanying regulations.

There have been no changes in the Board's approach to capital management during this period.

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2011

5. CONSTRUCTION IN PROGRESS

	2011	2010
Balance, beginning of year	\$ 7,030,501	\$ 1,187,164
New construction costs	50,875,799	38,244,542
	<u>57,906,300</u>	<u>39,431,706</u>
Funding recovered from:		
Municipalities	39,971,399	20,866,996
Province of Manitoba	10,615,365	11,534,209
	<u>50,586,764</u>	<u>32,401,205</u>
Balance, end of year	7,319,536	7,030,501
Less: current portion	<u>6,697,262</u>	<u>4,066,008</u>
Long-term construction in progress	<u>\$ 622,274</u>	<u>\$ 2,964,493</u>

6. PROPERTY PLANT AND EQUIPMENT

	2011	2010
Land and easements	\$ <u>10,494</u>	\$ <u>10,494</u>
Buildings	526,032	526,032
Less: accumulated amortization	<u>526,032</u>	<u>526,032</u>
	<u>-</u>	<u>-</u>
Equipment	132,628	132,628
Less: accumulated amortization	<u>132,628</u>	<u>132,628</u>
Total property plant and equipment	<u>\$ 10,494</u>	<u>\$ 10,494</u>

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2011

7. FUNDS RETAINED (DEFICIT)

Funds retained (deficit) consist of accumulated excess revenues over expenses pertaining to the water supply plants owned and 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.

	No.	2011 Amount	No.	2010 Amount
Plants owned by the Board				
Plants with a deficit	6	\$ (3,150,396)	5	\$ (806,142)
Plants with a surplus	4	<u>3,106,792</u>	2	<u>720,043</u>
Total funds retained (deficit), water supply plants	<u>10</u>	<u>\$ (43,604)</u>	<u>7</u>	<u>\$ (86,099)</u>

Net plant surplus (deficit) transactions during 2010/2011 include capital works approved by the Board for the Baldur, Oak River and Strathclair water treatment plants and regional systems operated by the Board including Cartier Regional, G3 Regional, Southwest Regional and the Whitehead Regional Water Co-operatives.

8. INTEREST 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 cost 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
for the year ended March 31, 2011

9. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

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

	2011	2010
Professional services	\$ 8,737	\$ 8,634
Salaries and benefits	1,742,837	1,840,767
Telephone and utilities	15,330	16,794
Travel	2,177	2,246
Rental for office premises	150,999	153,003
Other administrative	103,582	92,428
	<u>\$ 2,023,662</u>	<u>\$ 2,113,872</u>

10. COMMITMENTS

The Board has commitments as follows:

Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.

\$ 58,203,900	\$ 59,459,000
<u>58,203,900</u>	<u>59,459,000</u>

These commitments are expected to be funded as follows:

Subsidization of construction costs -

Province of Manitoba

\$ 18,690,900	\$ 18,679,200
---------------	---------------

Recovery of construction costs -

Municipalities and Cooperatives

39,513,000	40,779,800
<u>58,203,900</u>	<u>59,459,000</u>

<u>\$ 58,203,900</u>	<u>\$ 59,459,000</u>
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Notes to Financial Statements

for the year ended March 31, 2011

11. 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.

12. 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 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.

13. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

15. 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%. During 2010/2011 the rate of interest charged was between 2.00% - 2.50% 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, 2011, the Province had unused authority of \$56,804,000 under *The Loan Act, 2010* to provide future financing to the Board for construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

G3 WATER TREATMENT PLANT

