

Consolidated Financial Statements

For the year ended December 31, 2010

**Comox Valley Regional District
Elected and Appointed Officials
December 31, 2010**

Board of Directors

Town of Comox	P. Ives
Town of Comox	P. Fletcher
City of Courtenay	G. Phelps (Chair until December 2010)
City of Courtenay	D. McRae/M. Presley
City of Courtenay	L. Jangula
Village of Cumberland	L. Baird
Area A - Baynes Sound/Denman-Hornby	B. Jolliffe
Area B - Lazo North	J. Gillis
Area C - Puntledge - Black Creek	E. Grieve (Chair effective December 2010)

Officials

Chief Administrative Officer	D. Oakman
General Manager, Community Services	I. Smith
General Manager, Property Services	K. Lorette
General Manager, Public Affairs and Information Systems	L. Carter
Executive Manager, Human Resources	G. Laflamme
Executive Manager, Strategic and Long Range Planning	G. Garbutt
Corporate Legislative Officer	J. Warren
Corporate Financial Officer	B. Dunlop

**Comox Valley Regional District
Consolidated Financial Statements
December 31, 2010**

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Auditors' Report

Consolidated Financial Statements

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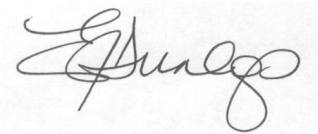
Management's Responsibility for Financial Reporting

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for British Columbia local governments and are outlined under "Significant Accounting Policies" in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary statements and schedules.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management also maintains a program of proper business compliance.

The board of directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

Meyers Norris Penny LLP, Chartered Accountants, the regional district's independent auditors, have conducted an examination of the financial statements in accordance with generally accepted auditing standards and have expressed their opinion in a report accompanying this statement.



E.J. Dunlop, CGA
Officer responsible for Financial Administration,
pursuant to Section 199 of the Local Government Act



Auditors' Report

MEYERS NORRIS PENNY LLP

To the Board of Directors of the Comox Valley Regional District:

We have audited the consolidated statement of financial position of the Comox Valley Regional District as at December 31, 2010 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies, schedules and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2010 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Campbell River, British Columbia

March 29, 2011

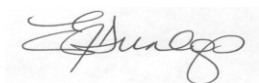
Meyers Norris Penny LLP

Chartered Accountants

Comox Valley Regional District
Consolidated Statement of Financial Position
As at December 31, 2010

	December 31, 2010	December 31, 2009
Financial Assets		
Cash and Temporary Investments (Note 3)	\$ 57,461,066	\$ 51,863,037
Receivables (Note 4)	3,317,082	6,045,926
Debt Recoverable from Member Municipalities (Note 5)	20,933,861	21,852,261
Total Financial Assets	81,712,009	79,761,224
Liabilities		
Accounts Payable and accrued liabilities (Note 6)	5,009,429	4,330,964
Deferred revenue (Notes 7, 8)	10,151,834	7,806,935
Short-term debt (Note 9)	300,000	1,890,000
Long-term debt		
Member municipalities (Note 5)	20,933,861	21,852,261
Regional District (Note 10)	33,852,954	34,139,748
Other liabilities	550,651	500,416
Provision for Landfill Closure and Post Closure (Note 11)	4,401,077	3,377,235
Total Liabilities	75,199,806	73,897,559
Net Financial Assets	6,512,203	5,863,665
Non-Financial Assets		
Prepaid expenses	58,580	75,066
Inventory of supplies	76,517	77,604
Tangible capital assets (Schedule 3)	92,917,153	87,463,085
Total Non-Financial Assets	93,052,250	87,615,755
Accumulated Surplus (Note 12)	\$ 99,564,453	\$ 93,479,420

Contingent Liabilities (Note 13)



E.J. Dunlop, CGA
Officer responsible for Financial Administration,
pursuant to Section 199 of the Local Government Act

The accompanying notes and schedules are an integral part of these financial statements.

**Comox Valley Regional District
Consolidated Statement of Operations
Year ended December 31, 2010**

Statement II

	December 31, 2010 Actual	December 31, 2010 Budget (Unaudited-Note 21)	December 31, 2009 Actual
Revenue			
Frontage and parcel taxes	\$ 417,280	\$ 416,077	\$ 181,464
Grants in lieu of taxes	424,736	291,174	400,436
Grants	1,459,470	3,079,809	3,310,343
Tax requisition	18,367,222	18,367,222	17,299,119
Sales of services	8,970,667	8,939,838	9,240,071
Other	6,378,006	5,687,284	5,669,218
Capital contributions from others	408,361	-	1,353,820
Investment income	593,094	-	861,297
Gain on disposal of tangible capital assets	-	-	8,000
Transfers from others	-	-	13,920
Actuarial adjustment of debenture debt (Schedule 4)	700,924	-	635,650
Total Revenue	37,719,760	36,781,404	38,973,338
Expenses			
General government services	3,575,879	4,508,858	3,452,036
Protective services	2,597,218	2,685,208	2,553,266
Transportation services	2,003,671	2,268,702	1,767,979
Environmental health services	15,420,012	14,495,000	11,376,783
Public health and welfare services	131,944	226,671	66,352
Environmental development services	2,508,051	3,521,912	3,304,546
Recreation and cultural services	7,834,411	7,958,563	7,726,572
Total Expenses	34,071,186	35,664,914	30,247,534
Annual Surplus	3,648,574	1,116,490	8,725,804
Acquisition of equity from Royston Improvement District (Note 20)	2,436,459	-	-
Accumulated Surplus, beginning of year	93,479,420	93,479,420	84,753,616
Accumulated Surplus, end of year	\$ 99,564,453	\$ 94,595,910	\$ 93,479,420

The accompanying notes and schedules are an integral part of these financial statements.

Comox Valley Regional District
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2010

	December 31, 2010 Actual	December 31, 2010 Budget (Unaudited-Note 21)	December 31, 2009 Actual
Annual Surplus	\$ 3,648,574	\$ 1,116,490	\$ 8,725,804
Amortization of tangible capital assets	2,957,997	-	2,793,781
Acquisition of tangible capital assets	(6,253,475)	(13,168,612)	(7,110,093)
Net book value of tangible capital assets acquired from Royston Improvement District	(2,229,816)	-	-
Acquisition of prepaid expenses	16,486	-	(44,551)
Acquisition of inventory of supplies	1,087	-	(12,246)
(Gain)/loss on disposal of tangible capital assets	57,276	-	(8,000)
Proceeds on disposal of tangible capital assets	13,950	-	8,000
Acquisition of equity from Royston Improvement District	2,436,459	-	-
Increase in Net Financial Assets	648,538	(12,052,122)	4,352,695
Net Financial Assets, beginning of year	5,863,665	5,863,665	1,510,970
Net Financial Assets, end of year	\$ 6,512,203	\$ (6,188,457)	\$ 5,863,665

The accompanying notes and schedules are an integral part of these financial statements.

**Comox Valley Regional District
Consolidated Statement of Cash Flows
Year ended December 31, 2010**

Statement IV

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Operating Activities:		
Annual Surplus	\$ 3,648,574	\$ 8,725,804
Items not affecting operating activities:		
Actuarial adjustment of debenture debt	(700,924)	(635,650)
Amortization of tangible capital assets	2,957,997	2,793,781
Change in prepaid expenses	16,486	(44,551)
Change in inventory of supplies	1,087	(12,246)
(Gain)/loss on disposal of tangible capital assets	57,276	(8,000)
Receivables	2,728,844	(78,102)
Accounts payable and accrued liabilities	678,465	(266,276)
Other liabilities	50,235	328,741
Landfill closure and Post closure costs	1,023,842	413,864
Deferred revenue	2,344,899	1,346,024
Short-term debt	300,000	1,890,000
Acquisition of equity from Royston Improvement District	2,436,459	-
Cash Provided by Operating Activities	<u>15,543,240</u>	<u>14,453,389</u>
Capital Activities		
Acquisition of tangible capital assets	(6,253,475)	(7,110,093)
Net book value of tangible capital assets acquired from Royston Improvement District	(2,229,816)	-
Proceeds from disposal of tangible capital assets	13,950	8,000
Cash Applied to Capital Activities	<u>(8,469,341)</u>	<u>(7,102,093)</u>
Financing Activities		
Long-term debt issued	2,000,000	-
Long-term debt repayments	(1,585,870)	(1,585,533)
Short-term debt repayment	(1,890,000)	-
Cash Applied to Financing Activities	<u>(1,475,870)</u>	<u>(1,585,533)</u>
Change in Cash and Temporary Investments	5,598,029	5,765,763
Cash and Temporary Investments, beginning of year	<u>51,863,037</u>	<u>46,097,274</u>
Cash and Temporary Investments, end of year	<u><u>\$ 57,461,066</u></u>	<u><u>\$ 51,863,037</u></u>

The accompanying notes and schedules are an integral part of these financial statements.

**Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010**

1. Purpose

The Comox Valley Regional District (CVRD) was incorporated on February 15, 2008 by letters patent issued by the province of British Columbia. Its principal activities are the provision and coordination of local government services to the residents of three unincorporated electoral areas and three municipalities within its boundaries. These services include general government administration, bylaw enforcement, planning and development services, building inspection, fire protection and emergency disaster planning, public transportation, parks and recreation, water distribution and sewer collection, wastewater disposal, solid waste collection and disposal and street lighting.

2. Significant Accounting Policies

a) British Columbia Regional Districts

It is the policy of the regional district to follow generally accepted accounting principles for British Columbia local governments and to apply such principles consistently. As part of this policy, the resources and operations of the regional district are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the stewardship of the assets allocated to it.

The consolidated financial statements are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB). The consolidated financial statements include the financial position, financial operations, changes in net financial assets and cash flows of the one economic entity of the regional district. Interfund transactions and fund balances have been eliminated on consolidation.

b) Temporary Investments

Investments are comprised entirely of Municipal Finance Authority (MFA) pooled investments including money market, intermediate and bond funds. Regional district funds invested with MFA are pooled with other local governments and managed independently by Phillips, Hager & North Investment Management. The investments are carried at cost which approximates market value.

c) Inventory

Inventory of supplies are recorded at the lower of cost or replacement cost as a non-financial asset.

d) Financial Instruments

Financial instruments consist of cash and temporary investments, receivables, debt recoverable from member municipalities, accounts payable and accrued liabilities, other liabilities, provisions for landfill closure and post closure, short and long-term debt. Unless otherwise noted, it is management's opinion that the regional district is not exposed to significant interest, currency or credit risk arising from these financial instruments.

e) Tangible Capital Assets

Tangible capital assets are recorded at cost, net of tangible capital asset disposals, write-downs and amortization. The cost of the tangible capital assets, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, is amortized on a straight line basis over their estimated useful lives as follows:

Land improvements	10 - 60 years
Buildings	40 to 50 years
Building improvements	3 to 20 years
Machinery, equipment, vehicles and fixtures	5 – 20 years
Water infrastructure	
Undergrounds systems, pumping stations	40 to 100 years
Reservoirs	80 years
Aggregate water systems	50 years
Sewer infrastructure	
Mechanical, electrical and pump components	15 to 20 years
Aggregate system	30 years
Trunk and outfall network	45 to 80 years

**Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010**

One-half of the annual amortization is charged in the year of acquisition. Capital projects under construction are not amortized until the asset is put into use. Assets contributed to the regional district are recorded at fair value at the time of contribution.

f) Accrued Employee Benefits

Based on obligations as determined by collective agreements and contractual arrangements, employee benefit accruals, which include an allowance for sick leave and vacation entitlement, are recorded in the year in which they are earned.

g) Post Employment Benefits

The long-term, post employment benefit liability of the regional district will be met by the Municipal Pension Plan into which both employees and the regional district contribute. The regional district is only liable for the interim retirement benefits for early retirees, from the date of retirement to the effective start date of the Municipal Pension Plan. Any liability for these benefits is accrued when the event occurs and the obligation arises.

h) Revenue Recognition

Property tax revenues in the form of local government requisitions are recognized in the year they are levied. Interest and operating grants are recognized as earned. Capital grants are recognized when the related expenditure is incurred. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable. User fees, transit, tipping fees, garbage and recycling collection fees are recognized as revenue on an accrual basis according to rates set in various fees and charges bylaws. Permit fees are recognized once the permit has been approved and the fee collected. Development cost charges are recognized as revenue in the year the capital project is undertaken and an expenditure authorized by bylaw is adopted. Community works funds are recognized as revenue in the period in which the funds are used towards an eligible, approved project.

i) 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 the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates are the determination of employee benefit obligations, actuarial adjustments, landfill closure and post-closure costs, amortization and provisions for contingencies. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

j) Allocation of Assets and Liabilities from Prior Organization

In February 2008, the province of British Columbia issued an order in council repealing the letters patent for the Comox Strathcona Regional District and incorporating the Comox Valley Regional District and Strathcona Regional District by letters patent on February 15, 2008. The assets, liabilities and equity of the Comox Strathcona Regional District at February 14, 2008 were allocated to the Comox Valley and Strathcona regional districts based on management's interpretation of the letters patent. The Ministry of Community and Rural Development has been asked to confirm the province's intent relating to the allocation of the assets and liabilities of the former regional district to the two new regional districts and any variance from the allocations used in these financial statements will be reported retroactively once known.

3. Temporary Investments

Included in cash and temporary investments is \$33,999,102 (2009 - \$16,111,480) of temporary investments held with the Municipal Finance Authority in money market, intermediate and bond funds. These investments are carried at market value which approximates cost.

Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010

4. Receivables

	December 31, 2010	December 31, 2009
Government of Canada	\$758,195	\$ 510,076
Province of British Columbia	403,207	2,559,454
Regional and local governments	1,026,542	1,643,013
Developer DCC instalments	98,752	445,567
Other trade receivables	1,030,386	887,816
	\$3,317,082	\$6,045,926

5. Debt Recoverable from Member Municipalities

Pursuant to the Local Government Act, the regional district acts as the agency through which its member municipalities borrow funds from the Municipal Finance Authority (MFA). The annual cost of servicing this municipal debt is recovered entirely from the borrowing member municipality. However, in the event of default the regional district is contingently liable to the MFA for this debt.

	December 31, 2010	December 31, 2009
City of Courtenay	\$17,080,984	\$17,590,226
Town of Comox	2,970,349	3,354,297
Village of Cumberland	882,528	907,738
	\$20,933,861	\$21,852,261

6. Accounts Payable and Accrued Liabilities

	December 31, 2010	December 31, 2009
Government of Canada	\$ 66,023	\$ 134,268
Province of British Columbia	494,317	406,109
Regional and local governments	950,427	190,705
Accrued interest on long-term debenture debt	479,325	465,467
Other trade payables	3,019,337	3,134,415
	\$5,009,429	\$4,330,964

Included in other trade payables is an allowance for employee benefit obligations of \$1,145,342 (2009 - \$1,136,837).

7. Developer Contributions

The regional district receives contributions from developers for the development of the water and sewer infrastructure. These restricted contributions are recognized as revenue in the years in which the capital projects are undertaken. Developer contributions paid in advance of infrastructure works are recorded as Deferred Revenue. The following balances are included in the totals reported for Deferred Revenue.

	December 31, 2010	December 31, 2009
Developer contributions opening balance	\$5,495,219	\$5,030,552
Developer contributions during the year	1,337,952	358,548
Interest earned on developer contributions	81,779	106,119
Expended on capital projects during the year	(42,000)	-
	\$6,872,950	\$5,495,219

Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010

8. Community Works Funds

Community Works Funds are a component of the Gas Tax Agreement funding provided by the Government of Canada, through the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. Unspent funds and the applicable interest earned are recorded as Deferred Revenue. The following balances are included in the totals reported for Deferred Revenue.

	December 31, 2010	December 31, 2009
Community Works Funds, opening balance	\$2,311,716	\$ 1,430,359
Add: Amounts received during the year	929,140	942,827
Interest earned on funds	38,028	43,640
Less: Amounts allocated to projects during the year	-	(105,110)
Closing balance of unspent funds	\$3,278,884	\$2,311,716

9. Short-Term Debt

Short-term debt consists of temporary borrowing from the Municipal Finance Authority for the purpose of funding the acquisition of land for an emergency shelter or supportive housing facility. In 2009, short-term debt consisted of temporary borrowing for the construction of the Black Creek Oyster Bay water system improvements which was completed in 2009.

Interest on short term debt recorded in the Consolidated Statement of Operations in 2010 is \$20,176 (2009 – \$8,512).

10. Long-Term Debt

Details of long-term debt, including maturity dates, interest rates and outstanding amounts, are summarized on Schedule 4 – Consolidated Schedule of Long Term Debt.

Payments of principal on issued debt of the regional district, not including municipal debt, for the next five years are:

2011	\$1,569,951
2012	1,569,951
2013	1,569,951
2014	1,547,532
2015	1,547,532
Total	\$ 7,804,917

Interest on long-term debt recorded in the Consolidated Statement of Operations in 2010 is \$2,674,262 (2009 - \$2,666,307).

**Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010**

11. Landfill Future Closure and Post-Closure Care Costs

The provincial Waste Management Act, as well as the B.C. Landfill Criteria for Municipal Solid Waste, sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. The Comox Valley Regional District is committed to ensuring that its landfills are managed in a fiscally responsible manner, which includes ensuring that there are adequate funds available to pay for landfill closure and post-closure activities. Landfill closure and post-closure requirements have been defined in accordance with industry standards and include final covering of the site, groundwater and surface water monitoring, maintenance of the drainage structure, site inspection and environmental monitoring. Post-closure care is estimated to continue for a period of approximately 30 years.

This requirement is being provided for based on a number of factors including the percentage of landfill capacity already filled, usage based on tipping fees, the probable closure date, the regulated monitoring period, the estimated annual management costs and a present value discount rate. As at December 31, 2010, the regional district has estimated its liability for these costs at \$4,401,077 (2009 - \$3,377,235) and has established reserves to fund future landfill closure and post closure care costs. The balance of these reserves (which is in excess of the liability accrued) is \$7,117,277 at December 31, 2010 (2009 - \$7,015,082).

The Campbell River and Comox Valley waste management centres are the largest of the five landfills managed by the Comox Valley Regional District with the members of the boards of the Comox Valley and Strathcona Regional Districts participating in the decision-making regarding the provision of services. In the 2002 Solid Waste Management Plan, the Campbell River site was estimated to be at 61.3% capacity, with a projection of twelve years to closure, and the Comox Valley site was estimated at 28.1% capacity with a projection of thirty years to closure. An update to the Solid Waste Management plan commenced in 2009, with a projected completion in 2011, and will determine if the 2002 projections remain valid. Any revisions to the projections will be reflected in the future financial statements of the Comox Valley Regional District.

12. Accumulated Surplus

	December 31, 2010	December 31, 2009
Equity in tangible capital assets	\$62,413,492	\$55,400,134
Revenue Fund	3,298,510	4,505,943
Capital Fund	(517,500)	(374,703)
Reserve Fund	31,188,530	29,818,803
Reserves for future expenditures	3,181,421	4,129,243
Accumulated Surplus, end of year	\$99,564,453	\$ 93,479,420

13. Contingent Liabilities

As at December 31, 2010, there existed outstanding claims against the regional district. These claims have been referred to legal counsel and to the regional district's liability insurers. It is not possible to determine the regional district's potential liability, if any, with respect to these matters.

14. Pension Liability

The regional district and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Comox Valley Regional District paid \$564,303 for employer contributions to the plan in fiscal 2010 (2009 - \$538,424).

**Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010**

15. Municipal Finance Authority Debt Reserve Fund

The regional district secures its long-term borrowing through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is retained by MFA as a debt reserve fund. As at December 31, 2010, the regional district had debt reserve funds of \$2,536,958 (2009 - \$2,493,636).

16. North Island 9-1-1 Corporation

The 9-1-1 emergency answering and fire dispatch services are provided by the North Island 9-1-1 Corporation which is owned by the regional districts of Alberni-Clayoquot, Comox Valley, Mount Waddington, Nanaimo, Powell River and Strathcona. The shares in the corporation are owned as follows:

Alberni-Clayoquot	3 shares
Comox Valley	6 shares
Mount Waddington	1 share
Nanaimo	5 shares
Powell River	2 shares
Strathcona	4 shares

The Comox Valley Regional District's investment in shares of the North Island 9-1-1 Corporation is recorded at cost. During the year, administrative support services supplied to the North Island 9-1-1 Corporation by the Comox Valley Regional District totaled \$125,438 (2009 - \$121,784).

17. Environmental Regulations

The regional district makes every effort to comply with all environmental regulations which apply to its operations. These regulations may require future expenditures to meet applicable standards. Amounts required to meet these obligations will be charged to operations when incurred or set aside as future reserves when they can be reasonably estimated.

18. Segmented Information

The Comox Valley Regional District is a diversified local government providing a wide range of services to almost 60,000 residents, including parks, recreation centres, community halls, fire protection, water and sewer services. As a requirement of the Local Government Act, separate financial records must be kept for each service providing detailed allocations of assets and liabilities, revenues and expenses, information concerning reserve funds and other pertinent financial details. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and also amounts that are allocated on a reasonable basis.

Segmentation has been determined on a functional basis with consideration to service delivery and departmental accountabilities. The following is a description of the types of services included in each of the main service segments of the regional district's financial statements. A detailed summary of the 2010 revenues and expenses can be found in Schedule 1 of the accompanying financial statements. Schedule 2 contains comparative figures for the year ended December 31, 2009.

General Government

General government is comprised of member municipality and electoral area governance, general administration which includes legislative services, finance, human resources and information systems, feasibility studies and grants in aid.

Protective Services

Protective services include volunteer fire departments, search and rescue, emergency programs, 911 emergency answering service, building inspection and various bylaw compliance services.

Transportation

Transportation services include the Comox Valley transit service - an agreement between the regional district, the service provider and BC Transit Authority. Streetlighting and drainage services and a contribution service to the Comox Valley airport are also supported.

**Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010**

Environmental Health

The environmental health service is responsible for regional solid waste for both the Comox Valley and Strathcona Regional Districts through waste reduction and education programs and operation of the regional district's waste management centres. Other services include refuse collection, pesticide awareness education and liquid waste management planning for the electoral areas of the regional district.

Public Health and Welfare

Public health and welfare consists of a grant to the City of Courtenay for assistance in the operations of the cemetery. In 2010, a parcel of land was acquired for the site of a future emergency shelter or supportive housing.

Environmental Development

Environmental development service consists of rural land use planning, economic development, geographic information systems, heritage conservation and house numbering. A variety of regional strategies providing long-term planning in the areas of growth, sustainability, water and sewer services are also included in this category.

Recreation and Cultural

Recreation and cultural services consists of full-service recreation facilities offering fitness, ice and aquatic programs, community parks and trail networks, exhibition grounds to foster the agricultural roots of the community and contributions towards community halls, the art gallery and the Vancouver Island regional library.

Water

The regional district manages and operates both water supply and water distributions systems. The bulk water supply system provides treated water to the City of Courtenay, the Town of Comox and five local service areas within the electoral areas. The regional district distributes water to the residents of a total of eight water local service areas.

Sewer

The regional district operates a secondary wastewater treatment facility on behalf of the City of Courtenay and the Town of Comox. This service also operates the bio-solids composting facility, which retails a soil amendment named Skyrocket, as well as manages a sewerage system for a local service area within the regional district.

19. Comox-Strathcona Regional Hospital District

The board members of the Comox Valley Regional District sit on the board of the Comox-Strathcona Regional Hospital District (CSRHD) together with the board members of the Strathcona Regional District. The regional district and the hospital district are separate legal entities as defined by separate letters patent and authorized by separate legislation.

During the year, administrative support services supplied to the hospital district by the Comox Valley Regional District totaled \$395,688 (2009 - \$395,688).

20. Acquisition of Equity from Royston Improvement District

On January 1, 2010, as per Order in Council #626 issued by the province of British Columbia, the Royston Improvement District was dissolved and the assets and liabilities of the improvement district, which provided water, refuse collection and streetlighting services, were transferred to the Comox Valley Regional District at book value as follows:

Cash and temporary investments	\$ 274,159
Accounts receivable	87,303
Inventory of supplies	31,568
Accounts payable	(186,387)
Tangible capital assets (water infrastructure and equipment)	2,929,648
Less: Accumulated amortization	(699,832)
Total acquisition of Equity from Royston Improvement District	<u><u>\$2,436,459</u></u>

Comox Valley Regional District
Notes to Consolidated Financial Statements
Year ended December 31, 2010

21. Restatement of 2010 Budget

The budget amounts presented throughout these financial statements are unaudited and represent the five year financial plan bylaw approved by the regional district board on March 30, 2010, and subsequently amended on November 23, 2010.

The financial plan anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues. Another significant variance is that the financial plan anticipated capital expenditures rather than amortization expense.

The summary below reconciles the 2010 adopted financial plan to the Consolidated Statement of Operations.

Adjustments to the 2010 budgeted annual surplus (deficit):

Consolidated deficit, as approved November 23, 2010, net of surplus from prior year applied to current year's operations	
Add:	(10,754,915)
Capital acquisitions	13,168,612
Debt principal	3,569,826
Transfers to reserves	4,021,590
Less:	
Debt proceeds	(4,846,833)
Transfers from reserves	<u>(4,041,790)</u>
Budgeted Annual Surplus	<u>\$1,116,490</u>

22. Comparative Figures

The comparative figures have been reclassified where applicable to conform to the current year's presentation.

Comox Valley Regional District
Consolidated Schedule of Segment Disclosure by Service
Year ended December 31, 2010

	General Revenue Fund							Water Fund	Sewer Fund	Consolidated Actual December 31, 2010	Consolidated Budget December 31, 2010 (Unaudited -Note 21)
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,214,896	\$ 2,561,223	\$ 1,868,097	\$ 357,926	\$ 316,443	\$ 2,306,721	\$ 6,899,615	\$ 405,855	\$ 3,278,462	\$ 19,209,238	\$ 19,074,473
Government grants and transfers	158,815	-	-	5,156	-	151,872	566,213	576,352	1,062	1,459,470	3,079,809
Sales of services and other revenue	280,164	394,955	544,873	5,516,053	19	282,525	1,872,024	6,000,904	457,156	15,348,673	14,627,122
Capital contributions from others	-	10,000	-	-	-	-	346,517	51,844	-	408,361	-
Investment earnings	150,708	13,462	3,153	184,415	877	495	46,192	92,703	101,089	593,094	-
Actuarial adjustment	-	15,140	41,874	-	-	-	307,209	189,952	146,749	700,924	-
Total Revenue	1,804,583	2,994,780	2,457,997	6,063,550	317,339	2,741,613	10,037,770	7,317,610	3,984,518	37,719,760	36,781,404
Expenses											
Personnel costs	2,154,168	538,535	38,667	1,136,872	-	971,365	3,151,211	769,813	884,696	9,645,327	11,150,264
Grants	147,760	1,318,445	-	646,209	109,497	916,325	1,357,308	-	-	4,495,544	4,759,349
General goods and services	1,180,188	482,786	1,758,209	3,139,000	21,543	603,765	1,869,508	1,142,490	950,306	11,147,795	15,451,869
Debt charges	-	76,705	194,402	-	904	-	806,360	937,690	710,380	2,726,441	2,971,469
Transfer to other local government	-	-	-	-	-	-	-	2,016,964	-	2,016,964	1,331,964
Amortization of tangible capital assets	93,763	180,747	12,393	174,842	-	16,596	650,024	972,799	856,833	2,957,997	-
(Gain)/loss on disposal of tangible capital assets	-	-	-	(4,995)	-	-	-	71,226	(8,955)	57,276	-
Landfill closure/post closure allowance	-	-	-	1,023,842	-	-	-	-	-	1,023,842	-
Total Expenses	3,575,879	2,597,218	2,003,671	6,115,770	131,944	2,508,051	7,834,411	5,910,982	3,393,260	34,071,186	35,664,914
Annual Surplus (Deficit)	\$ (1,771,296)	\$ 397,562	\$ 454,326	\$ (52,220)	\$ 185,395	\$ 233,562	\$ 2,203,359	\$ 1,406,628	\$ 591,258	\$ 3,648,574	\$ 1,116,490

The accompanying notes and schedules are an integral part of these financial statements.

Comox Valley Regional District
Consolidated Schedule of Segment Disclosure by Service
Year ended December 31, 2009

	General Revenue Fund							Water Fund	Sewer Fund	Consolidated Actual December 31, 2009	Consolidated Budget December 31, 2009 (Unaudited)
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,201,111	\$ 2,459,761	\$ 1,814,353	\$ 313,406	\$ 52,621	\$ 1,994,790	\$ 6,457,856	\$ 170,039	\$ 3,417,082	\$ 17,881,019	\$ 17,798,072
Government grants and transfers	384,922	52,522	500	2,000	-	880,057	36,358	1,953,984	-	3,310,343	5,345,478
Sales of services and other revenue	790,141	459,164	516,824	4,716,371	-	637,051	1,979,917	5,240,760	577,061	14,917,289	14,276,328
Capital contributions from others	-	7,367	40,000	-	-	-	1,301,121	5,332	-	1,353,820	33,680
Investment earnings	134,988	22,338	5,208	303,160	1,495	771	76,159	149,885	167,293	861,297	120,000
Other transfers	9,880	-	-	-	-	-	-	4,040	-	13,920	-
Actuarial adjustment	37,300	11,717	34,018	-	-	-	272,695	159,449	120,471	635,650	-
Total Revenue	2,558,342	3,012,869	2,410,903	5,334,937	54,116	3,512,669	10,124,106	7,683,489	4,281,907	38,973,338	37,573,558
Expenses											
Personnel costs	2,009,729	619,374	19,761	1,097,143	-	1,108,226	3,144,245	647,083	811,780	9,457,341	11,012,134
Grants	233,530	1,276,895	-	494,131	64,516	857,916	1,241,001	-	-	4,167,989	4,573,603
General goods and services	1,090,316	415,934	1,542,423	2,766,023	1,836	1,312,927	1,915,690	722,045	972,546	10,739,740	15,564,587
Debt charges	4,305	76,705	194,402	-	-	-	810,129	878,897	710,381	2,674,819	2,797,946
Amortization of tangible capital assets	114,156	164,358	11,393	171,497	-	25,477	615,507	853,291	838,102	2,793,781	-
Landfill closure and post closure allowance	-	-	-	413,864	-	-	-	-	-	413,864	-
Total Expenses	3,452,036	2,553,266	1,767,979	4,942,658	66,352	3,304,546	7,726,572	3,101,316	3,332,809	30,247,534	33,948,270
Annual Surplus (Deficit)	\$ (893,694)	\$ 459,603	\$ 642,924	\$ 392,279	\$ (12,236)	\$ 208,123	\$ 2,397,534	\$ 4,582,173	\$ 949,098	\$ 8,725,804	\$ 3,625,288

The accompanying notes and schedules are an integral part of these financial statements.

Comox Valley Regional District
Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2010

	Land and Improvements	Buildings and Improvements	Machinery Equipment Vehicles Fixtures	Water Infrastructure	Sewer Infrastructure	Capital Projects in progress	December 31, 2010	December 31, 2009
Cost								
Balance, beginning	\$ 11,396,009	\$ 30,628,395	\$ 6,171,620	\$ 47,454,745	\$ 40,753,914	\$ 3,808,075	\$ 140,212,758	\$ 133,130,748
Add:								
Transfers-Royston (Note 20)	1,150	60,933	51,641	2,815,924	-	-	2,929,648	-
Additions	1,472,894	1,592,004	436,947	4,328,123	499,471	(2,075,964)	6,253,475	7,110,093
Less:								
Disposals	-	-	(89,084)	(197,851)	-	-	(286,935)	(28,083)
Balance, ending	12,870,053	32,281,332	6,571,124	54,400,941	41,253,385	1,732,111	149,108,946	140,212,758
Accumulated Amortization								
Balance, beginning	939,398	11,550,732	3,748,048	13,233,605	23,277,890	-	52,749,673	49,983,975
Add:								
Amortization-Royston (Note 20)	-	17,518	32,942	649,372	-	-	699,832	-
Amortization	101,128	810,533	493,997	897,169	655,170	-	2,957,997	2,793,781
Less:								
Accumulated Amortization on disposals	-	-	(89,084)	(126,625)	-	-	(215,709)	(28,083)
Balance, ending	1,040,526	12,378,783	4,185,903	14,653,521	23,933,060	-	56,191,793	52,749,673
Net Book Value of Tangible Capital Assets	\$ 11,829,527	\$ 19,902,549	\$ 2,385,221	\$ 39,747,420	\$ 17,320,325	\$ 1,732,111	\$ 92,917,153	\$ 87,463,085

The accompanying notes and schedules are an integral part of these financial statements.

Comox Valley Regional District
Consolidated Schedule of Long Term Debenture Debt
December 31, 2010

Issue #	Maturity Date	Rate	Beginning Balance	Principal Payments	Actuarial Additions	Ending Balance	Interest Payments	Accrued Interest	Accrued Actuarial
General Capital Fund									
Black Creek/Oyster Bay Fire									
MFA 95	10/13/25	4.80%	1,129,620	44,245	7,515	1,077,860	\$ 63,240	\$ 13,688	\$ 2,075
CV Aquatic Centre/Ice Arena									
MFA 65	04/24/17	6.60%	5,504,144	301,611	274,793	4,927,740	726,000	135,255	208,786
MFA 75	12/01/21	5.69%	265,729	11,300	5,395	249,034	21,259	1,747	512
Hornby Island Fire									
MFA 80	10/03/13	4.78%	129,492	22,419	7,625	99,448	13,465	3,283	2,225
Total General Capital Fund			7,028,985	379,575	295,328	6,354,082	823,964	153,973	213,598
General Revenue Fund									
CV Airport Service									
MFA 80	10/03/23	4.78%	3,233,761	123,125	41,874	3,068,762	194,402	47,402	12,222
CV Track & Fields									
MFA 78	12/03/17	5.37%	271,486	20,206	8,225	243,055	23,413	1,796	740
MFA 85	12/02/19	4.98%	202,845	12,636	3,491	186,718	13,565	1,078	341
MFA 99	04/19/22	4.43%	161,509	9,556	1,193	150,760	8,476	1,695	325
Comox Valley Art Gallery									
MFA 95	10/13/10	3.87%	97,194	83,082	14,112	-	13,646	-	-
Total General Revenue Fund			3,966,795	248,605	68,895	3,649,295	253,502	51,971	13,628
Water Capital Fund									
Black Creek/Oyster Bay Water									
MFA 112	10/06/30	3.73%	-	-	-	2,000,000	17,626	17,626	-
England Rd Water									
MFA 72	06/01/20	5.25%	76,945	3,827	1,732	71,386	3,636	299	1,157
Greaves Cres Water									
MFA 63	06/01/16	7.75%	7,800	508	450	6,842	960	79	291
Regional Water									
MFA 61	12/01/15	7.29%	1,140,403	84,679	82,980	972,744	204,120	16,777	7,509
MFA 75	12/01/21	5.69%	2,560,357	108,873	51,983	2,399,501	204,840	16,836	4,934
MFA 85	12/02/24	4.98%	1,898,990	68,953	19,050	1,810,987	113,430	9,012	1,863
MFA 95	10/13/25	4.80%	2,094,619	82,040	13,935	1,998,644	117,264	25,380	3,847
MFA 99	04/19/27	4.43%	4,231,643	158,747	19,822	4,053,074	224,541	44,908	5,393
Total Water Capital Fund			12,010,757	507,627	189,952	13,313,178	886,417	130,917	24,994
Sewer Capital Fund									
Regional Sewer									
MFA 64	09/25/16	7.22%	580,253	37,794	33,473	508,986	90,228	23,979	9,842
MFA 66	11/05/17	5.85%	657,254	38,326	30,502	588,426	60,323	9,255	5,208
MFA 80	10/03/23	4.78%	4,368,609	166,334	56,570	4,145,705	262,625	64,037	16,511
MFA 95	10/13/25	4.80%	2,572,188	100,745	17,112	2,454,331	144,000	31,167	4,724
MFA 99	04/19/27	4.43%	229,163	8,597	1,073	219,493	12,160	2,432	292
MFA 102	12/01/27	4.82%	2,725,744	98,267	8,019	2,619,458	141,043	11,593	1,009
Total Sewer Capital Fund			11,133,211	450,063	146,749	10,536,399	710,379	142,463	37,586
Regional District Debenture Debt			\$ 34,139,748	\$ 1,585,870	\$ 700,924	\$ 33,852,954	\$ 2,674,262	\$ 479,324	\$ 289,806

The accompanying notes and schedules are an integral part of these financial statements.