

Financial Statements

For the year ended December 31, 2015

**Comox Valley Regional District
Elected and Appointed Officials
2015**

Board of Directors

Town of Comox	K. Grant
Town of Comox	B. Price
City of Courtenay	E. Eriksson
City of Courtenay	L. Jangula
City of Courtenay	E. Theos
City of Courtenay	B. Wells
Village of Cumberland	G. Sproule
Area A - Baynes Sound/Denman-Hornby	B. Jolliffe (Chair)
Area B - Lazo North	R. Nichol
Area C - Puntledge - Black Creek	E. Grieve

Officials

Chief Administrative Officer	D. Oakman
General Manager, Community Services	I. Smith
General Manager, Engineering Services	M. Rutten
General Manager, Public Affairs and Information Systems	L. Carter
General Manager, Planning and Development Services	A. MacDonald
Executive Manager, Human Resources	J. Bradley
Corporate Legislative Officer	J. Warren
Corporate Financial Officer	B. Dunlop

**Comox Valley Regional District
Financial Statements
December 31, 2015**

Statement of Management's Responsibility for Financial Reporting

Independent Auditor's Report

Financial Statements

- I Statement of Financial Position
- II Statement of Operations
- III Statement of Change in Net Financial Assets
- IV Statement of Cash Flows

Summary of Significant Accounting Policies

Notes to the Financial Statements

Supporting Schedules

- 1 Schedule of Segment Disclosure by Service 2015
- 2 Schedule of Segment Disclosure by Service 2014
- 3 Schedule of Tangible Capital Assets
- 4 Schedule of Long-Term Debt

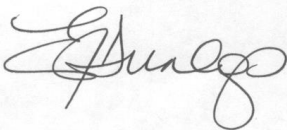
Management's Responsibility for Financial Reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards 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.

BDO Canada LLP, Chartered Professional Accountants, the regional district's independent auditor, has conducted an examination of the financial statements in accordance with Canadian generally accepted auditing standards and has expressed their opinion in a report accompanying this statement.



E.J. Dunlop, CPA, CGA
Officer responsible for Financial Administration,
pursuant to Section 237 of the Local Government Act

March 24, 2016



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the Board of Directors Comox Valley Regional District

We have audited the accompanying financial statements of the Comox Valley Regional District, which comprise the Statement of Financial Position as at December 31, 2015, and the Statements of Operations, Change in Net Debt 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the 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 the Comox Valley Regional District as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

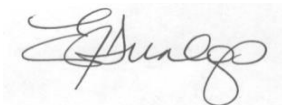
Chartered Professional Accountants

Vancouver, British Columbia
March 24, 2016

**Comox Valley Regional District
Statement of Financial Position
As at December 31, 2015**

	<u>2015</u>	<u>2014</u>
Financial Assets		
Cash and temporary investments (Note 1)	\$ 77,201,880	\$ 67,288,881
Receivables (Note 2)	3,518,186	3,234,830
Debt recoverable from member municipalities (Note 3)	<u>19,115,849</u>	<u>21,403,520</u>
Total Financial Assets	<u>99,835,915</u>	<u>91,927,231</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	4,642,970	4,475,976
Restricted revenue (Note 5)	14,046,841	10,814,712
Short-term debt (Note 6)	8,212,339	964,790
Long-term debt		
Member municipalities (Note 3)	19,115,849	21,403,520
Regional district - capital (Note 7 and Schedule 4)	19,194,024	21,104,303
Regional district - non-capital (Note 7 and Schedule 4)	2,372,917	2,653,448
Other liabilities	69,852	93,252
Provision for landfill closure and post closure (Note 8)	<u>29,659,980</u>	<u>36,702,691</u>
Total Liabilities	<u>97,314,772</u>	<u>98,212,692</u>
Net Financial Assets (Net Debt)	<u>2,521,143</u>	<u>(6,285,461)</u>
Non-Financial Assets		
Prepaid expenses	198,204	146,641
Inventory of supplies	68,869	67,185
Tangible capital assets (Schedule 3)	<u>96,961,752</u>	<u>96,172,092</u>
Total Non-Financial Assets	<u>97,228,825</u>	<u>96,385,918</u>
Accumulated Surplus (Note 9)	<u>\$ 99,749,968</u>	<u>\$ 90,100,457</u>

Contingent Liabilities (Note 10)



E.J. Dunlop, CPA, CGA
Officer responsible for Financial Administration,
pursuant to Section 237 of the Local Government Act (RSBC 2015)



B. Jolliffe
Chair of the Board

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

**Comox Valley Regional District
Statement of Operations
Year ended December 31, 2015**

Statement II

	2015 Budget (Note 17)	2015 Actual	2014 Actual
Revenue			
Frontage and parcel taxes	\$ 626,091	\$ 626,090	\$ 598,721
Grants in lieu of taxes	198,524	407,408	394,137
Government transfers (Note 19)	1,784,680	1,246,115	6,419,837
Tax requisition	23,646,051	23,646,051	22,078,584
Sales of services	9,235,419	9,476,045	10,158,213
Solid waste fees and other revenue	9,401,194	9,190,466	8,325,601
Capital contributions from others	706,069	834,839	730,955
Investment income	70,000	851,712	1,019,871
Gain on disposal of tangible capital assets	-	30,000	-
Total Revenue	45,668,028	46,308,726	49,725,919
Expenses			
General government services	5,380,179	4,483,106	4,237,156
Protective services	3,445,126	3,233,624	3,057,050
Transportation services	2,752,955	2,529,069	2,319,890
Environmental health services (Note 8)	18,703,290	14,628,849	32,918,737
Public health and welfare services	160,288	90,793	118,312
Environmental development services	3,081,390	2,775,562	2,857,331
Recreation and cultural services	9,013,115	8,918,212	10,080,248
Total Expenses	42,536,343	36,659,215	55,588,724
Annual Surplus (Deficit)	3,131,685	9,649,511	(5,862,805)
Accumulated Surplus, beginning of year	90,100,457	90,100,457	95,963,262
Accumulated Surplus, end of year	\$ 93,232,142	\$ 99,749,968	\$ 90,100,457

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

**Comox Valley Regional District
Statement of Change in Net Financial Assets
Year Ended December 31, 2015**

Statement III

	2015 Budget <small>(Note 17)</small>	2015 Actual	2014 Actual
Annual Surplus (Deficit)	\$ 3,131,685	\$ 9,649,511	\$ (5,862,805)
Amortization of tangible capital assets	-	3,723,147	3,640,775
Acquisition of tangible capital assets	(24,478,766)	(4,544,183)	(3,540,272)
Change in prepaid expenses	-	(51,563)	(14,272)
Change in inventory of supplies	-	(1,684)	(10,999)
Disposal of tangible capital assets	-	31,376	140,980
(Increase) decrease in Net Debt	(21,347,081)	8,806,604	(5,646,593)
Net Debt, beginning of year	(6,285,461)	(6,285,461)	(638,868)
Net Financial Assets (Net Debt), end of year	\$ (27,632,542)	\$ 2,521,143	\$ (6,285,461)

**Comox Valley Regional District
Statement of Cash Flows
Year ended December 31, 2015**

Statement IV

	2015	2014
Operating Transactions		
Annual Surplus (Deficit)	\$ 9,649,511	\$ (5,862,805)
Changes in non-cash operating balances		
Prepaid expenses	(51,563)	(14,272)
Inventory of supplies	(1,684)	(10,999)
Receivables	(283,356)	(97,196)
Accounts payable and accrued liabilities	166,994	(865,150)
Other liabilities	(23,400)	(53,586)
Restricted revenue	3,232,129	1,641,651
Deferred government transfers	-	(5,191,080)
Items not utilizing cash		
Amortization of tangible capital assets	3,723,147	3,640,775
(Gain)/loss on disposal of tangible capital assets	(10,624)	30,461
Landfill closure and post closure allowance (Note 8)	(7,042,711)	13,189,314
Actuarial adjustment of debenture debt	(1,253,034)	(1,126,785)
Transfer of tangible capital assets from others	(72,788)	(530,874)
Transfer of tangible capital assets from other local government	-	(33,022)
Cash Provided by Operating Transactions	8,032,621	4,716,432
Capital Transactions		
Acquisition of tangible capital assets	(4,471,395)	(2,976,376)
Proceeds from disposal of tangible capital assets	42,000	110,520
Cash Applied to Capital Transactions	(4,429,395)	(2,865,856)
Financing Transactions		
Long-term debt issued	609,756	-
Long-term debt repayments	(1,547,532)	(1,547,532)
Short-term debt issued	8,075,264	262,790
Short-term debt repayment	(827,715)	(285,555)
Cash Provided by (Applied to) Financing Transactions	6,309,773	(1,570,297)
Change in Cash and Temporary Investments	9,912,999	280,279
Cash and Temporary Investments, beginning of year	67,288,881	67,008,602
Cash and Temporary Investments, end of year	\$ 77,201,880	\$ 67,288,881

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

Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2015

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 supply and distribution, wastewater disposal, solid waste collection and disposal and street lighting.

a) British Columbia Regional Districts

It is the policy of the regional district to follow Canadian public sector accounting standards and to apply such standards 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 financial statements are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada. The financial statements include the financial position, operations, changes in net debt 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 Ltd. and CIBC Mellon Trust. The investments are carried at market value which approximates cost.

c) Inventory

Inventory of supplies are recorded at cost as a non-financial asset. Inventory for resale is recorded at the lower of cost or net realizable value as a 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 and short and long-term debt. Unless otherwise noted, it is management's opinion that the regional district is not exposed to significant interest rate, currency or credit risk arising from these financial instruments.

e) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of business.

f) Liability for Contaminated Sites

On January 1, 2015, the regional district adopted PS3260 Liability for Contaminated Sites. The adoption of this standard has not resulted in any charge to the financial statements of the regional district.

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Any liability will be recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the regional district:
 - is directly responsible; or
 - accepts responsibility; and
- iv. it is expected that future economic benefits will be given up; and
- iv. a reasonable estimate of the amount can be made.

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2015**

g) Tangible Capital Assets

Tangible capital assets are a special class of non-financial assets and are recorded at cost, net of disposals, write-downs and amortization and are classified according to their functional use. Cost of the tangible capital assets includes all amounts that are directly attributable to acquisition, construction including installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the contribution with a corresponding amount recorded as revenue. Amortization is recorded on a straight line basis over the estimated life of the tangible capital asset. Assets under construction are not amortized until the asset is put into use. Estimated useful lives are 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
Sewer infrastructure	
Mechanical, electrical and pump components	15 to 20 years
Aggregate system	30 years
Trunk and outfall network	45 to 80 years

h) Accrued Employee Benefits

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

i) 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.

j) Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

k) 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. 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 for which they were collected is undertaken.

l) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 tangible capital assets, their useful life, provisions for contingencies, liability for contaminated sites and closure and post closure costs of the regional district's landfills. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2015**

1. Cash and Temporary Investments

Included in cash and temporary investments is \$37,603,596 (2014 - \$36,912,631) invested with the Municipal Finance Authority (MFA) in money market, intermediate and bond funds, carried at market value which approximates cost. The net rate of return earned on the regional district's portfolio in 2015 was approximately 1.85% (2014-2.28%). The term of the investments in the MFA pooled investment fund range up to 7 years.

2. Receivables

	2015	2014
Government of Canada	\$ 431,878	\$ 367,956
Province of British Columbia	82,866	60,942
Regional and local governments	1,027,788	1,041,005
Development cost charge instalments	509,946	420,792
Other trade receivables	1,465,708	1,344,135
	\$3,518,186	\$3,234,830

3. 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 and the other member municipalities are contingently liable to the MFA for this debt.

	2015	2014
City of Courtenay	\$15,474,182	\$17,190,471
Town of Comox	1,417,397	1,892,237
Village of Cumberland	2,224,270	2,320,812
	\$19,115,849	\$21,403,520

4. Accounts Payable and Accrued Liabilities

	2015	2014
Government of Canada	\$ 85,507	\$ 2,989
Province of British Columbia	635,338	617,496
Regional and local governments	264,212	379,998
Accrued interest on long-term debenture debt	446,404	459,582
Other trade payables	3,211,509	3,015,911
	\$4,642,970	\$4,475,976

5. Restricted Revenue

The regional district receives contributions from developers for the development of the water, sewer and parks 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 on the financial statements as Restricted Revenue as follows:

	2015	2014
Developer contributions, opening balance	\$10,814,712	\$ 9,173,061
Developer contributions during the year	3,054,508	1,500,806
Interest earned on developer contributions	177,621	178,328
Expended on capital projects during the year	-	(37,483)
Closing balance of unspent developer contributions	\$14,046,841	\$10,814,712

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2015**

6. Short-Term Debt

Short-term debt consists of borrowing from the Municipal Finance Authority for the purpose of interim funding or for funding smaller projects. The debt bears interest at a variable rate which is paid monthly. The rate at December 31, 2015 was 1.38% (December 31, 2014 – 1.8%). Regular principal payments are not required but the loans must be repaid within five years of borrowing. Loan authorization bylaws are in place for short-term debt which provides the authority for them to be converted to debenture debt.

	<u>2015</u>	<u>2014</u>
Black Creek Oyster Bay Fire – due 2019	\$ 20,000	\$ 40,000
Comox Valley Exhibition Grounds	-	702,000
Comox Valley Recreation Complexes – due 2020	1,806,354	-
Hornby Island Refuse – due 2020	90,000	-
Regional Solid Waste – due 2019	222,790	222,790
Regional Solid Waste – due 2020	1,148,195	-
Regional Solid Waste – due 2020	4,925,000	-
	<u>\$8,212,339</u>	<u>\$964,790</u>

Interest on the above short term debt recorded in the Statement of Operations in 2015 is \$29,602 (2014 – \$16,146).

7. Long-Term Debt

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

Payments of principal and actuarial on the issued debt of the regional district, not including municipal debt, is as follows:

2016	\$ 2,775,513
2017	2,803,676
2018	1,939,000
2019	2,026,132
2020	2,090,963
Future years including actuarial	9,931,657
Total	<u><u>\$21,566,941</u></u>

Interest on long-term debt, net of actuarial adjustments, recorded in the various function areas of the Statement of Operations in 2015 is \$2,568,463 (2014 - \$2,578,911).

8. Landfill 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 the five active landfills in its care are managed in a fiscally responsible manner, which has included setting aside funds to pay for landfill closure and post-closure activities in accordance with the Solid Waste Management Plan which was updated in 2012. Landfill closure and post-closure requirements have been defined in accordance with industry standards and remediation activities 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 30 years after final closure of the landfill sites which are planned between 2018 and 2026. Based on current estimates, remaining capacity of the five active landfills is between .6% and 51% (2014 estimates – 6% and 32%).

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2015**

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 and consultant estimates, the projected closure dates, the regulated monitoring period, the estimated annual management costs and a present value discount rate. As at December 31, 2015, using the most recent closure plans and updated cost estimates for closure and post closure care, the regional district has estimated its liability for these costs at \$29,659,980 (2014 - \$36,702,691). The unspent reserves that were established towards funding the landfill closure and post closure care costs form part of the accumulated surplus and had a balance of \$868,175 at December 31, 2015 (2014 - \$941,535).

The estimate for closure and post closure liability in these financial statements has been calculated based on consultants' estimates in their preparation of the closure plans for each of the landfills and estimated timing of closure projects. This estimate has changed from the prior year as closure design and post closure care components are finalized and as closure activities are undertaken and as closure timing is revised. This estimate, plus the current costs incurred for closure works, has resulted in a net reduction to landfill expenses of \$1,951,155 (2014 increase - \$18,113,158). Landfill expenses are included in environmental health services expenses.

9. Accumulated Surplus

	2015	2014
Equity in tangible capital assets	\$70,226,159	\$73,604,211
Revenue Fund	5,343,948	3,442,943
Reserve Fund	20,893,540	9,782,598
Reserves for future expenditures	3,286,321	3,270,705
Accumulated Surplus, end of year	\$99,749,968	\$90,100,457

10. Contingent Liabilities

As at December 31, 2015, 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. However, at such time that a liability becomes known, it will be reflected in the regional district financial statements.

11. 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, 2015, the regional district had debt reserve funds of \$2,490,072 (2014 - \$2,631,330). Debt reserve funds are not recorded elsewhere in the financial statements.

12. North Island 9-1-1 Corporation

9-1-1 emergency answering and fire dispatch services for northern Vancouver Island and part of the Sunshine Coast area 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 Comox Valley Regional District owns six of the 21 issued shares in the corporation which are 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 \$130,000 (2014 - \$130,000).

13. 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 regional hospital district are separate legal entities as defined by separate letters patent and authorized by separate legislation.

During 2015, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2014 - \$151,000).

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2015**

14. Segmented Information

The Comox Valley Regional District is a diversified local government providing a wide range of services to approximately 63,500 residents, including parks, recreation centres, community halls, fire protection, water and wastewater 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 2015 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, 2014. Prior year figures may have been reclassified to conform to current presentation.

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 grants, emergency programs, 9-1-1 emergency answering service, building inspection and various bylaw compliance services.

Transportation

Transportation services include the Comox Valley transit service - a tri-party 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.

Environmental Health

Environmental health is responsible for 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 and transfer stations. Other services include road-side 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 as well as a land acquisition service for the purpose of an emergency shelter or supportive housing initiative.

Environmental Development

Environmental development consists of rural land use planning, long-term planning including the regional growth strategy, economic development, geographic information systems, heritage conservation and rural house numbering.

Recreation and Cultural

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

Water

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

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2015**

Sewer

The regional district operates a secondary wastewater treatment facility on behalf of the City of Courtenay and the Town of Comox, including the operations of a bio-solids composting facility that retails a soil amendment branded as Skyrocket. A rural sewerage system for a service area within the regional district is also operated.

15. Environmental Regulations

The regional district is subject to environmental regulations that apply to a number of its operations. These regulations may require future expenditures to meet applicable standards and subject the regional district to possible penalties for non-compliance. Amounts required to meet these obligations will be charged to operations when incurred and/or when they can be reasonably estimated.

16. Pension Liability

The regional district and its employees contribute to the Municipal Pension Plan, a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2014, the Plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments, and in 2015 included approximately 162 from the Comox Valley Regional District.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. The rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation for the Municipal Pension Plan, as of December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2015 with results available later in 2016.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

The regional district paid \$861,728 (2014 - \$772,162) to the plan in fiscal 2015 while employees contributed \$753,770 (2014 - \$677,365).

17. Budget

The budget amounts presented throughout these financial statements represent the five year financial plan bylaw #365 adopted by the regional district board on March 31, 2015.

The financial plan bylaw was prepared on a modified accrual basis while Canadian public sector accounting standards require financial statements to be prepared on a full accrual basis. The financial plan anticipated use of surpluses accumulated in prior years to reduce current year expenditures in excess of current year revenues. In addition, capital acquisitions were recognized as expenditures in the financial plan rather than including amortization expense.

The summary below reconciles the 2015 adopted financial plan to the financial statement budget figures:

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2015**

Financial plan bylaw, surplus for the year	\$ -
Add:	
Capital acquisitions (net of budgeted landfill closure expenditures)	24,478,766
Debt principal payments	2,783,598
Budgeted transfers to reserves	3,308,436
Less:	
Debt proceeds	(15,997,387)
Budgeted transfers from reserves	(5,642,884)
Budgeted transfers from prior years' operating surpluses	(5,798,844)
Budgeted Annual Deficit	<u><u>\$ 3,131,685</u></u>

18. Commitments

As at December 31, 2015, the regional district had the following significant commitments:

Archie Johnstone Plumbing and Heating Ltd. – for upgrades to the centrifuge dewatering facility at the Comox Valley water pollution control centre. The contract is expected to be completed in early 2016 and has a remaining commitment of \$217,432.

Associated Engineering BC Ltd. – for services relating to the liquid waste management plan for the rural areas of the CVRD, plus an environmental impact study for the south sewer area. The contract term has been extended to December 31, 2016 and has a remaining commitment of \$200,788.

BC Transit Corporation – remainder of the 2015/2016 annual transit operating agreement in the amount of \$370,914. This agreement, which forms part of the master operating agreement, expires March 31, 2016 at which time a new annual operating agreement will be negotiated.

Berry & Vale Contracting Ltd. – for the operations of the Campbell River waste management centre and hauling of waste to the Comox Valley waste management centre. The remaining commitment of the agreement, which expires July 1, 2019, is \$5,028,853.

City of Campbell River – solid waste host community agreement. This agreement, which expires June 30, 2018, commits to paying the City \$870,000 towards corridor repairs and upgrades associated with the Campbell River landfill access road by 2018. The agreement also commits to an annual host community payment of \$50,000 over the five year term.

Comox Valley Economic Development Society – for core economic development services and operations of the Vancouver Island visitor centre. This five year agreement, effective April 1, 2015, has a remaining commitment of \$4,911,232.

GHD Ltd. – (formerly Conestoga-Rovers and Associates Ltd.) for annual environmental reporting and water quality monitoring for five regional district landfills. The agreement which expires April 15, 2017 has a remaining commitment of \$408,112.

Hornby Island Resident and Ratepayers Association – a five year multi-service agreement for the provision of fire protection, waste management, community hall, comfort station and community parks maintenance. The agreement, which expires December 31, 2016, has a remaining commitment of approximately \$472,939.

Island Corridor Foundation – The regional district board committed to a \$392,000 contribution for bridge and trestle upgrades along the rail line between Victoria and Courtenay. The parties entered into an agreement in 2014 setting out the payment terms, however, no funds have been paid to the Foundation to date.

Mutsy Holdings Ltd. – for the lease of office and boardroom space. The remaining commitment on the lease, which has been renewed until August 31, 2017, is \$476,826.

Opus DaytonKnight Consultants Ltd. – for a Comox Lake water treatment options study. The contract which expires April 30, 2016 has a remaining commitment of \$311,861.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2015**

Oyster River Volunteer Fire Rescue Association – the five year agreement for the provision of administration services for fire protection services in the Black Creek Oyster Bay service area expires June 30, 2019 and has a remaining commitment of approximately \$993,562.

Pacific Wood Waste Inc. – a dirty and coated woodwaste diversion program was reintroduced at the Comox Valley and Campbell River waste management facilities in 2015. The three year contract expires June 30, 2018 and has a remaining commitment of approximately \$358,333.

PerfectMind Inc. – in November 2015, the board awarded a contract valued at approximately \$210,145 to PerfectMind Inc. for a recreation management software system.

Ridgeline Mechanical Ltd. – for the supply and construction of the Kelland reservoir project. The agreement which is projected to be completed by the end of March 2016, has a remaining commitment of \$752,996.

Tetra Tech EBA Inc. – for services remaining on the contract relating to the design of the engineered landfill and leachate treatment system for the Comox Valley waste management centre in the amount of \$159,128.

Village of Cumberland – solid waste host community agreement. This agreement, which expires December 31, 2032, provides for a \$3,000,000 contribution towards a road upgrade in the Village of Cumberland of which \$1,731,300 was remaining at the end of 2015. The agreement also provides for a community benefit payment of \$300,000 per year over the twenty year term of the agreement.

Wacor Holdings Ltd. – for phase 1 closure construction of the Comox Valley waste management centre. The contract, which has been extended to April 30, 2016, has a remaining commitment of \$1,555,015.

19. Community Works Funds

In 2014 the regional district entered into the Renewed Gas Tax Agreement that differed in several key ways from the previous agreement with the result that revenues under the community works fund portion of the program are recognized when allocated to the regional district.

The Renewed Gas Tax Agreement also provides that unspent amounts from the previous agreement will be brought forward to the new agreement. These amounts, that were previously recorded as deferred revenue, were recognized as revenue in 2014.

The regional district continues to track unspent community works funds in a reserve fund. The continuity of this fund is presented in the table below:

	2015	2014
Community Works Funds, opening balance	\$5,334,632	\$ -
Add: Transfer of Community Works Funds from 2013	-	5,191,080
Add: Amounts received during the year and included in 'Government Transfers' revenue	965,512	965,512
Interest earned on funds	89,657	105,906
Less: Amounts allocated to projects during the year	(896,853)	(927,866)
Closing balance of unspent funds	\$5,492,948	\$5,334,632

20. Comparative Figures

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

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2015

	General Revenue Fund							Water Fund	Sewer Fund	2015 Actual	2015 Budget (Note 17)
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,643,677	\$ 3,267,655	\$ 1,876,365	\$ 1,348,790	\$ 104,578	\$ 2,895,584	\$ 8,340,389	\$ 418,349	\$ 4,784,161	\$ 24,679,549	\$ 24,470,666
Government grants and transfers	833,764	12,500	-	23,216	-	9,601	87,119	273,522	6,393	1,246,115	1,784,680
Sales of services, fees and other revenue	330,833	398,239	682,082	8,451,321	22	81,622	1,955,385	6,064,687	702,321	18,666,511	18,636,613
Capital contributions from others	-	-	-	11,134	-	-	182,278	560,890	80,537	834,839	706,069
Investment earnings	237,004	30,174	17,379	88,826	2,616	5,311	51,949	266,871	151,582	851,712	70,000
Gain on disposal of tangible capital assets	-	14,000	-	9,000	-	-	7,000	-	-	30,000	-
Total Revenue	3,045,278	3,722,568	2,575,826	9,932,287	107,216	2,992,118	10,624,120	7,584,319	5,724,994	46,308,726	45,668,028
Expenses											
Personnel costs	2,542,502	839,914	108,239	2,017,709	-	1,245,495	3,929,440	1,075,456	1,096,335	12,855,090	13,838,253
Grants	187,200	1,716,076	-	1,999,242	90,532	1,249,900	1,623,632	-	-	6,866,582	7,904,425
General goods and services	1,694,946	425,584	2,274,219	4,331,499	261	262,540	2,135,489	1,448,644	1,218,209	13,791,391	17,671,711
Debt charges	-	44,970	134,218	15,941	-	-	162,884	547,239	449,535	1,354,787	3,121,954
Amortization of tangible capital assets	58,458	207,080	12,393	311,365	-	17,627	1,066,767	1,137,728	911,725	3,723,143	-
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	277	19,100	19,377	-
Landfill closure/post closure allowance	-	-	-	(1,951,155)	-	-	-	-	-	(1,951,155)	-
Total Expenses	4,483,106	3,233,624	2,529,069	6,724,601	90,793	2,775,562	8,918,212	4,209,344	3,694,904	36,659,215	42,536,343
Annual Surplus (Deficit)	\$ (1,437,828)	\$ 488,944	\$ 46,757	\$ 3,207,686	\$ 16,423	\$ 216,556	\$ 1,705,908	\$ 3,374,975	\$ 2,030,090	\$ 9,649,511	\$ 3,131,685

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2014

	General Revenue Fund							Water Fund	Sewer Fund	2014 Actual	2014 Budget
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,553,477	\$ 3,132,352	\$ 1,736,883	\$ 1,149,321	\$ 96,123	\$ 2,674,156	\$ 8,028,645	\$ 389,707	\$ 4,310,778	\$ 23,071,442	\$ 22,876,435
Government grants and transfers	5,963,736	12,500	-	113	-	193,941	147,138	32,775	69,634	6,419,837	3,338,804
Sales of services, fees and other revenue	337,077	366,754	640,732	7,167,865	29	85,540	3,117,726	6,255,381	512,710	18,483,814	18,142,390
Capital contributions from others	-	-	-	33,022	-	-	-	660,450	37,483	730,955	170,600
Investment earnings	266,693	34,940	20,906	171,368	3,260	6,034	59,782	284,494	172,394	1,019,871	70,000
Total Revenue	8,120,983	3,546,546	2,398,521	8,521,689	99,412	2,959,671	11,353,291	7,622,807	5,102,999	49,725,919	44,598,229
Expenses											
Personnel costs	2,349,677	783,172	78,695	1,717,748	-	1,215,827	3,768,363	1,060,916	1,004,336	11,978,734	13,021,744
Grants	271,650	1,614,675	-	966,418	118,066	1,148,350	2,771,650	-	-	6,890,809	7,302,914
General goods and services	1,567,967	410,576	2,084,556	4,217,835	246	480,336	2,326,776	1,218,770	1,159,452	13,466,514	18,570,169
Debt charges	-	47,511	144,246	31	-	-	196,523	597,424	482,537	1,468,272	2,646,688
Amortization of tangible capital assets	55,312	209,116	12,393	329,404	-	14,568	992,813	1,117,780	909,390	3,640,776	-
(Gain) loss on disposal of tangible capital asset	(7,450)	(8,000)	-	(10,548)	-	(1,750)	24,123	(483)	34,569	30,461	-
Landfill closure/post closure allowance	-	-	-	18,113,158	-	-	-	-	-	18,113,158	4,768,677
Total Expenses	4,237,156	3,057,050	2,319,890	25,334,046	118,312	2,857,331	10,080,248	3,994,407	3,590,284	55,588,724	46,310,192
Annual Surplus (Deficit)	\$ 3,883,827	\$ 489,496	\$ 78,631	\$ (16,812,357)	\$ (18,900)	\$ 102,340	\$ 1,273,043	\$ 3,628,400	\$ 1,512,715	\$ (5,862,805)	\$ (1,711,963)

Comox Valley Regional District
Schedule of Tangible Capital Assets
Year ended December 31, 2015

	Land and Improvements	Buildings and Improvements	Machinery Equipment Vehicles Fixtures	Water Infrastructure	Sewer Infrastructure	Capital Assets under Construction	2015	2014
Cost								
Balance, beginning	\$ 17,815,583	\$ 34,141,271	\$ 8,422,614	\$ 60,259,163	\$ 42,327,683	\$ 1,113,102	\$ 164,079,416	\$ 161,156,322
Add:								-
Additions	570,515	2,086,154	686,307	458,384	67,579	675,244	4,544,183	3,540,272
Less:								
Disposals	-	-	(292,578)	(8,861)	(26,344)	-	(327,783)	(617,178)
Balance, ending	18,386,098	36,227,425	8,816,343	60,708,686	42,368,918	1,788,346	168,295,816	164,079,416
Accumulated Amortization								
Balance, beginning	1,923,569	15,799,305	4,941,633	18,650,006	26,592,811	-	67,907,324	64,742,747
Add:								
Amortization	359,605	1,007,170	548,219	1,084,705	723,448	-	3,723,147	3,640,775
Less:								
Accumulated Amortization on disposals	-	-	(285,847)	(3,315)	(7,245)	-	(296,407)	(476,198)
Balance, ending	2,283,174	16,806,475	5,204,005	19,731,396	27,309,014	-	71,334,064	67,907,324
Net Book Value of Tangible Capital Assets	\$ 16,102,924	\$ 19,420,950	\$ 3,612,338	\$ 40,977,290	\$ 15,059,904	\$ 1,788,346	\$ 96,961,752	\$ 96,172,092

**Comox Valley Regional District
Schedule of Long Term Debt
December 31, 2015**

Issue #	Maturity Date	Rate	Beginning Balance	Principal Payments	Actuarial Additions	Ending Balance	Interest Charges
General Capital Fund							
Black Creek/Oyster Bay Fire							
MFA 95	10/13/25	4.80%	\$ 849,275	\$ 44,244	\$ 18,729	\$ 786,302	\$ 63,240
CV Sports/Aquatic Centre							
MFA 65	04/24/17	5.14%	2,319,250	301,611	434,043	1,583,596	564,850
MFA 75	12/01/21	5.35%	173,480	11,299	10,007	152,174	19,989
CV Exhibition Grounds							
MFA 133	10/02/23	2.40%	-	-	-	609,756	3,598
Total General Capital Fund			3,342,005	357,154	462,779	3,131,828	651,677
General Revenue Fund							
CV Airport Service							
MFA 80	10/03/23	5.45%	2,322,036	123,125	87,461	2,111,450	221,680
CV Track & Fields							
MFA 78	12/03/17	2.10%	114,389	20,205	16,080	78,104	9,156
MFA 85	12/02/19	2.00%	113,733	12,636	7,947	93,150	5,453
MFA 99	10/19/21	4.43%	103,290	9,556	3,521	90,213	8,476
Total General Revenue Fund			2,653,448	165,522	115,009	2,372,917	244,765
Water Capital Fund							
Black Creek/Oyster Bay Water							
MFA 112	10/06/30	3.73%	1,714,793	67,164	11,408	1,636,221	74,600
England Rd Water							
MFA 72	06/01/20	2.10%	46,532	3,827	3,101	39,604	2,424
Greaves Cres Water							
MFA 63	06/01/16	5.715%	2,506	508	714	1,284	960
Regional Water							
MFA 61	12/01/15	7.29%	213,981	84,679	129,302	-	187,343
MFA 75	12/01/21	5.35%	1,671,529	108,873	96,424	1,466,232	192,600
MFA 85	12/02/24	5.45%	1,412,715	68,953	43,364	1,300,398	125,058
MFA 95	10/13/25	4.80%	1,574,785	82,040	34,729	1,458,016	117,264
MFA 99	10/19/26	4.75%	3,264,455	158,748	58,509	3,047,198	224,542
Total Water Capital Fund			9,901,296	574,792	377,551	8,948,953	924,791
Sewer Capital Fund							
Regional Sewer							
MFA 64	09/25/16	7.22%	186,460	37,794	53,162	95,504	90,228
MFA 66	11/05/17	4.76%	276,931	38,327	49,518	189,086	60,324
MFA 80	10/03/23	5.45%	3,136,925	166,334	118,154	2,852,437	299,475
MFA 95	10/13/25	4.80%	1,933,834	100,745	42,647	1,790,442	144,000
MFA 99	10/19/26	4.75%	176,785	8,597	3,168	165,020	12,160
MFA 102	12/01/27	4.82%	2,150,066	98,267	31,046	2,020,753	141,043
Total Sewer Capital Fund			7,861,001	450,064	297,695	7,113,242	747,230
Regional District Debenture Debt			\$ 23,757,751	\$ 1,547,532	\$ 1,253,034	\$ 21,566,941	\$ 2,568,463