

Financial Statements

Year ended December 31, 2018



Comox Valley
REGIONAL DISTRICT

comoxvalleyrd.ca



**Comox Valley Regional District
Elected and Appointed Officials
2018**

Board of Directors

(Up to November 19, 2018)

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

Board of Directors

(Effective November 20, 2018)

Town of Comox	K. Grant
Town of Comox	M. Swift
City of Courtenay	D. Frisch
City of Courtenay	D. Hillian
City of Courtenay	W. Morin
City of Courtenay	B. Wells (Chair)
Village of Cumberland	J. Ketler
Area A - Baynes Sound/Denman-Hornby	D. Arbour
Area B - Lazo North	A. Hamir
Area C - Puntledge - Black Creek	E. Grieve

Officials

Chief Administrative Officer	R. Dyson
General Manager, Community Services	I. Smith
General Manager, Corporate Services	J. Warren
General Manager, Engineering Services	M. Rutten
General Manager, Planning and Development Services	S. Smith
Executive Manager, Human Resources	J. Bradley
Corporate Financial Officer	B. Dunlop

**Comox Valley Regional District
Financial Statements
December 31, 2018**

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 2018 |
| 2 | Schedule of Segment Disclosure by Service 2017 |
| 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.

MNP 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.

"B. Dunlop"

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

March 21, 2019

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Comox Valley Regional District (the "Regional District"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Regional District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Regional District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Courtenay, British Columbia

March 21, 2019

MNP LLP

Chartered Professional Accountants

**Comox Valley Regional District
Statement of Financial Position
As at December 31, 2018**

Statement I

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash	\$ 34,918,442	\$ 60,268,990
Portfolio investments (Note 1)	58,941,283	38,257,983
Receivables (Note 2)	6,743,986	3,745,717
Security deposits	618,814	3,459
Debt recoverable from member municipalities (Note 3)	13,564,744	15,299,179
Total Financial Assets	<u>114,787,269</u>	<u>117,575,328</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	7,991,923	7,545,021
Restricted revenue (Note 5)	13,316,061	15,534,226
Deferred government transfers (Note 6)	2,400,558	2,498,249
Short-term debt (Note 7)	23,161,427	25,329,607
Long-term debt		
Member municipalities (Note 3)	13,564,744	15,299,179
Regional district - capital (Note 8 and Schedule 4)	12,542,313	14,203,940
Regional district - non-capital (Note 8 and Schedule 4)	1,487,161	1,769,477
Other liabilities	173,807	199,209
Provision for landfill closure and post closure (Note 9)	25,337,253	23,966,159
Total Liabilities	<u>99,975,247</u>	<u>106,345,067</u>
Net Financial Assets	<u>14,812,022</u>	<u>11,230,261</u>
Non-Financial Assets		
Prepaid expenses	795,608	798,470
Inventory of supplies	259,113	260,367
Tangible capital assets (Schedule 3)	138,787,942	122,335,638
Total Non-Financial Assets	<u>139,842,663</u>	<u>123,394,475</u>
Accumulated Surplus (Note 10)	<u>\$ 154,654,685</u>	<u>\$ 134,624,736</u>

Contingent Liabilities (Note 11)

Commitments (Note 19)

"B. Dunlop"

E.J. Dunlop, CPA, CGA

Officer responsible for Financial Administration,

pursuant to Section 237 of the Local Government Act (RSBC 2015)

"B. Wells"

B. Wells

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, 2018**

Statement II

	2018 Budget (Note 18)	2018 Actual	2017 Actual
Revenue			
Property taxes	\$ 32,194,270	\$ 32,150,764	\$ 30,344,621
Sales of services	11,516,057	11,926,079	11,365,517
Solid waste fees and other revenue	10,584,577	11,651,231	11,661,119
Contributions from others (Note 5 and 21)	-	7,960,650	3,823,431
Grants in lieu of taxes	271,537	519,656	490,227
Government transfers (Note 20)	10,654,735	2,761,113	2,686,337
Investment income	75,000	1,472,068	616,550
Loss on disposal/write down of tangible capital assets	-	(551,655)	(129,477)
Total Revenue	<u>65,296,176</u>	<u>67,889,906</u>	<u>60,858,325</u>
Expenses			
General government services	7,218,687	4,771,638	4,415,931
Protective services	4,458,584	4,309,338	3,878,162
Transportation services	2,992,157	2,799,800	2,017,454
Environmental health services (Note 9)	22,279,911	22,630,218	19,070,606
Public health and welfare services	693,297	626,339	140,151
Environmental development services	3,222,999	3,051,763	2,873,763
Recreation and cultural services	9,294,451	9,670,861	9,262,573
Total Expenses	<u>50,160,086</u>	<u>47,859,957</u>	<u>41,658,640</u>
Annual Surplus	15,136,090	20,029,949	19,199,685
Accumulated Surplus, beginning of year	<u>134,624,736</u>	<u>134,624,736</u>	<u>115,425,051</u>
Accumulated Surplus, end of year	<u><u>\$ 149,760,826</u></u>	<u><u>\$ 154,654,685</u></u>	<u><u>\$ 134,624,736</u></u>

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, 2018

	2018 Budget (Note 18)	2018 Actual	2017 Actual
Annual Surplus	\$ 15,136,090	\$ 20,029,949	\$ 19,199,685
Amortization of tangible capital assets	-	5,926,210	4,681,499
Acquisition of tangible capital assets	(47,727,407)	(22,957,169)	(20,146,747)
Change in prepaid expenses	-	2,862	(585,900)
Change in inventory of supplies	-	1,254	(181,049)
Disposal/write down of tangible capital assets	-	578,655	221,185
(Increase) decrease in Net Financial Assets	(32,591,317)	3,581,761	3,188,673
Net Financial Assets, beginning of year	11,230,261	11,230,261	8,041,588
Net Financial Assets (Net Debt), end of year	<u>\$ (21,361,056)</u>	<u>\$ 14,812,022</u>	<u>\$ 11,230,261</u>

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

**Comox Valley Regional District
Statement of Cash Flows
Year ended December 31, 2018**

Statement IV

	<u>2018</u>	<u>2017</u>
Operating Transactions		
Annual Surplus	\$ 20,029,949	\$ 19,199,685
Changes in non-cash operating balances		
Prepaid expenses	2,862	(585,900)
Inventory of supplies	1,254	(181,049)
Receivables	(2,998,269)	(372,896)
Security deposits	(615,355)	-
Accounts payable and accrued liabilities	446,902	874,531
Other liabilities	(25,402)	111,147
Restricted revenue	(2,218,165)	(230,784)
Deferred government transfers	(97,691)	2,498,249
Change in items not utilizing cash		
Amortization of tangible capital assets	5,926,210	4,681,499
Loss on disposal/write down of tangible capital assets	551,655	129,477
Landfill closure and post closure allowance (Note 9)	1,371,094	(1,246,020)
Actuarial adjustment of debenture debt	(790,674)	(1,296,728)
Transfer of tangible capital assets from others	(390,450)	(65,543)
Cash Provided by Operating Transactions	<u>21,193,920</u>	<u>23,515,668</u>
Capital Transactions		
Acquisition of tangible capital assets	(22,566,717)	(20,081,204)
Proceeds from disposal of tangible capital assets	27,000	91,703
Cash Applied to Capital Transactions	<u>(22,539,717)</u>	<u>(19,989,501)</u>
Investment Transactions		
Cash Applied to Investment Transactions	<u>(20,683,300)</u>	<u>(27,078)</u>
Financing Transactions		
Long-term debt repayments	(1,153,271)	(1,513,413)
Short-term debt issued	-	9,600,000
Short-term debt repayment	(2,168,180)	(764,810)
Cash Provided by Financing Transactions	<u>(3,321,451)</u>	<u>7,321,777</u>
Change in Cash	<u>(25,350,548)</u>	<u>10,820,866</u>
Cash, beginning of year	<u>60,268,990</u>	<u>49,448,124</u>
Cash, end of year	<u><u>\$ 34,918,442</u></u>	<u><u>\$ 60,268,990</u></u>

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, 2018**

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 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) Portfolio Investments

Investments are comprised of guaranteed investment certificates held by the Royal Bank of Canada and 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 cost which approximates market value.

c) Inventory

Inventory of supplies are recorded at cost as a non-financial asset.

d) Financial Instruments

Financial instruments consist of cash and portfolio 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

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. A liability for remediation of contaminated sites is to be 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.

As a result of a review of regional district sites, no liability has been recorded in these financial statements. If a liability is determined, it will be recorded net of any expected recoveries.

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2018**

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	15 to 50 years
Building improvements	3 to 20 years
Machinery, equipment, vehicles and fixtures	5 – 35 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.

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2018**

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.

m) Related Parties

Effective January 1, 2018, the regional district adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the financial statements of adopting the new Sections.

n) Assets, Contingent Assets and Contractual Rights

Effective January 1, 2018, the regional district adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2018**

1. Portfolio Investments

Portfolio investments include funds invested in guaranteed investment certificates with the Royal Bank of Canada as well as with the Municipal Finance Authority (MFA) in money market, intermediate and bond funds. The investments are carried at market value which approximates cost. The net rate of return earned on the regional district's portfolio in 2018 was approximately 1.8 per cent (2017-.04 per cent). The term of the investments in the MFA pooled investment fund range up to 7 years.

2. Receivables

	2018	2017
Government of Canada	\$ 915,020	\$ 582,558
Province of British Columbia	1,320,446	188,615
Regional and local governments	2,505,756	1,091,929
Other trade receivables	2,002,764	1,882,615
	\$6,743,986	\$3,745,717

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.

	2018	2017
City of Courtenay	\$11,458,119	\$12,851,766
Town of Comox	185,388	428,261
Village of Cumberland	1,921,237	2,019,152
	\$13,564,744	\$15,299,179

4. Accounts Payable and Accrued Liabilities

	2018	2017
Government of Canada	\$ 7,040	\$ 106,525
Province of British Columbia	706,331	1,044,201
Regional and local governments	352,920	452,906
Accrued interest on long-term debenture debt	299,960	299,959
Other trade payables	6,625,672	5,641,430
	\$7,991,923	\$7,545,021

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:

	2018	2017
Developer contributions, opening balance	\$15,534,226	\$15,765,011
Contributions received during the year	4,352,080	1,024,350
Interest earned on developer contributions	307,821	117,832
Expended on capital projects during the year	(6,878,066)	(1,372,967)
Closing balance of unspent developer contributions	\$13,316,061	\$15,534,226

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2018**

6. Deferred Government Transfers

The regional district has received advance payments under two government grant programs of which the following remained unspent as at December 31:

	<u>2018</u>	<u>2017</u>
Clean Water Wastewater Fund		
Black Creek Oyster Bay water supply security project	\$ 127,642	\$ 154,980
New Build Canada Fund		
Comox Strathcona Waste Management, regional organics facility	\$2,272,916	\$2,343,269
	<u><u>\$2,400,558</u></u>	<u><u>\$2,498,249</u></u>

7. 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, 2018 was 2.80 per cent (December 31, 2017 – 1.94 per cent). Regular principal payments are not required but the loans must be repaid within five years of borrowing. Loan authorization bylaws are in place for some of the short-term debt which provides the authority for them to be converted to debenture debt.

	<u>2018</u>	<u>2017</u>
Black Creek Oyster Bay Fire – due 2020	\$ 92,960	\$ 121,765
Comox Valley Exhibition Grounds – due 2021	413,546	548,698
Comox Valley Recreation Complexes – due 2019	996,238	1,102,796
Fanny Bay Fire – due 2022	80,840	100,000
Hornby Island Refuse – due 2019	17,843	36,348
Hornby Island Fire – due 2021	1,240,000	1,600,000
Solid Waste – Comox Valley closure – due 2020	6,045,000	6,545,000
Solid Waste – Comox Valley engineered landfill – due 2022	-	1,000,000
Solid Waste – Comox Valley engineered landfill - due 2021	14,275,000	14,275,000
	<u><u>\$23,161,427</u></u>	<u><u>\$25,329,607</u></u>

Interest on the above short term debt recorded in the Statement of Operations in 2018 is \$572,418 (2017 – \$285,858).

8. 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:

2019	\$2,029,428
2020	2,092,485
2021	2,175,494
2022	1,935,182
2023	2,018,610
Future years including actuarial	3,778,275
Total	<u><u>\$14,029,474</u></u>

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2018**

8. Long-Term Debt (continued)

Interest on long-term debt recorded in the various function areas of the Statement of Operations in 2018 is \$1,586,307 (2017 - \$1,892,044) before consideration of actuarial adjustments.

9. 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 six 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 2019 and 2027. Based on current estimates, remaining capacity of the six active landfills is between .35 per cent and 92.5 per cent (2017 estimates – 1.4 per cent and 98.7 per cent).

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, 2018, 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 \$25,337,253 (2017 - \$23,966,159). 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 \$493,188 at December 31, 2018 (2017 - \$877,823).

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. The 2018 increase in estimate of \$1,371,094, plus the current costs incurred \$485,300 for closure works, has resulted in a total increase to landfill expenses of \$1,856,394 (2017 net decrease \$1,122,689). Landfill expenses are included in environmental health services expenses.

10. Accumulated Surplus

	2018	2017
Equity in tangible capital assets	\$102,477,648	\$ 82,902,394
Revenue Fund	5,373,514	6,908,771
Reserve Fund	43,964,267	41,797,693
Reserves for future expenditures	2,839,256	3,015,878
Accumulated Surplus, end of year	\$154,654,685	\$134,624,736

11. Contingent Liabilities

As at December 31, 2018, 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.

12. 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, 2018, the cash balance of the regional district's debt reserve funds was \$532,847 (2017 - \$521,501). Debt reserve funds are not recorded elsewhere in the financial statements.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2018**

13. North Island 9-1-1 Corporation

9-1-1 emergency answering and fire dispatch services for northern Vancouver Island, part of the Sunshine Coast 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, qathet 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 \$132,600 (2017 - \$132,600).

14. 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 2018, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2017 - \$151,000).

15. Segmented Information

The Comox Valley Regional District is a diversified local government providing a wide range of services to approximately 66,527 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 2018 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, 2017. 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 - an agreement between the regional district 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, a homelessness supports service as well as a land acquisition service for the purpose of an emergency shelter or supportive housing initiative.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2018**

15. Segmented Information (continued)

Environmental Development

Environmental development consists of rural land use planning, long-term planning including the regional growth strategy, economic development, geographic information systems 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, heritage conservation 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 six water service areas within the electoral areas of the regional district. The regional district distributes water to the residents of a total of nine rural water service areas.

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. Two rural sewerage systems for service areas within the regional district are also operated.

16. 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.

17. 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 are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 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. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan, as of December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 billion was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remain unchanged.

The regional district paid \$1,072,546 (2017 - \$1,003,190) for employer contributions while employees contributed \$950,079 (2017 - \$883,383) to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018 with results available in 2019.

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.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2018**

18. Budget

The budget amounts presented throughout these financial statements represent the five year financial plan bylaw #523 adopted by the regional district board on March 29, 2018.

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 2018 adopted financial plan to the financial statement budget figures:

Financial plan bylaw, surplus for the year	\$ -
Add:	
Capital acquisitions	47,727,407
Debt principal payments	3,121,598
Budgeted transfers to reserves	14,473,234
Less:	
Debt proceeds	(8,546,503)
Budgeted transfers from reserves	(32,721,314)
Budgeted transfers from prior years' operating surpluses	(8,918,332)
Budgeted Annual Surplus	<u>\$ 15,136,090</u>

19. Commitments

As at December 31, 2018, the regional district had the following significant commitments:

Village of Cumberland – solid waste host community agreement. This agreement, which expires December 31, 2032, provides for a community benefit payment of \$300,000 per year over the twenty year term of the agreement.

Knappett Projects Inc. – a contract awarded for the construction of a regional district office building, scheduled for completion in late 2019. At December 31, 2018, the remaining commitment on the construction contract was \$8,448,653.

Knappett Industries (2006) Ltd. – a contract awarded for the biosolids composting facility expansion project, scheduled for completion in 2019. At December 31, 2018, the remaining commitment on the construction contract was \$3,422,353.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2018**

20. Community Works Funds

Revenues received under the Community Works Fund portion of the federal Gas Tax program, are recognized when allocated to the regional district.

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

	2018	2017
Community Works Funds, opening balance	\$ 5,646,007	\$5,285,661
Add: Amounts received during the year and included in ‘Government Transfers’ revenue	1,045,507	1,011,166
Interest earned on funds	116,790	45,275
Amounts recovered from other organizations	-	316,561
Less: Amounts allocated to projects during the year	(657,214)	(1,012,656)
Closing balance of unspent funds	\$6,151,090	\$5,646,007

21. Acquisition of King Coho Wastewater System

On October 1, 2018, the wastewater assets and operations of the Owners, Strata Plan VIS5699 were assigned to the Comox Valley Regional District. The regional district assumed responsibility for upgrading the system to Ministry of Environment standards and for providing ongoing wastewater services to the strata plan residents. The resulting asset transfer has been handled as a restructure transaction and included as follows in these financial statements:

Tangible capital assets (sewer infrastructure)	\$ 561,534
Less: Accumulated amortization	(171,084)
Contributions from Others revenue on the Statement of Operations	\$ 390,450

22. 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, 2018

	General Revenue Fund							Water Fund	Sewer Fund	2018 Actual	2018 Budget (Note 18)
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,912,953	\$ 4,140,272	\$ 2,250,779	\$ 4,817,264	\$ 283,386	\$ 3,141,752	\$ 9,183,675	\$ 1,278,383	\$ 5,661,956	\$ 32,670,420	\$ 32,465,807
Sales of services, fees and other revenue	338,254	635,598	765,236	10,618,380	-	134,839	2,280,607	7,737,939	1,066,457	23,577,310	22,100,634
Government grants and transfers	723,509	123,370	-	75,580	-	225	229,535	1,536,193	72,701	2,761,113	10,654,735
Contributions from others	-	134,835	-	-	-	-	-	683,610	7,142,205	7,960,650	-
Investment earnings	448,822	36,462	16,491	191,372	4,299	8,088	89,810	439,153	237,571	1,472,068	75,000
Gain/(loss) on disposal of capital assets	-	-	-	(17,433)	-	9,000	(22,491)	(7,526)	(513,205)	(551,655)	-
Total Revenue	3,423,538	5,070,537	3,032,506	15,685,163	287,685	3,293,904	11,761,136	11,667,752	13,667,685	67,889,906	65,296,176
Expenses											
Personnel costs	3,025,657	1,293,249	114,915	2,308,265	-	1,446,809	4,440,681	1,284,809	1,400,757	15,315,142	16,798,443
Grants	159,200	2,108,641	-	1,805,428	619,604	1,284,310	1,831,037	-	-	7,808,220	7,984,964
General goods and services	1,484,998	495,352	2,571,467	5,097,532	6,735	303,522	2,248,282	2,003,685	1,595,863	15,807,436	21,953,447
Debt charges	-	79,653	101,025	496,530	-	-	45,024	392,375	253,444	1,368,051	2,220,632
Transfer to other local government	-	-	-	-	-	-	-	-	-	-	112,600
Amortization of tangible capital assets	101,783	332,443	12,393	1,813,886	-	17,122	1,105,837	1,251,730	1,119,933	5,755,127	-
Landfill closure/post closure allowance	-	-	-	1,805,981	-	-	-	-	-	1,805,981	1,090,000
Total Expenses	4,771,638	4,309,338	2,799,800	13,327,622	626,339	3,051,763	9,670,861	4,932,599	4,369,997	47,859,957	50,160,086
Annual Surplus (Deficit)	\$ (1,348,100)	\$ 761,199	\$ 232,706	\$ 2,357,541	\$ (338,654)	\$ 242,141	\$ 2,090,275	\$ 6,735,153	\$ 9,297,688	\$ 20,029,949	\$ 15,136,090

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2017

	General Revenue Fund							Water Fund	Sewer Fund	2017 Actual	2017 Budget
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,859,780	\$ 3,862,571	\$ 2,069,867	\$ 4,839,987	\$ 282,981	\$ 3,092,942	\$ 9,002,421	\$ 443,653	\$ 5,380,646	\$ 30,834,848	\$ 30,442,738
Sales of services, fees and other revenue	174,514	571,108	699,808	9,950,307	250,000	154,222	2,755,365	7,607,235	864,077	23,026,636	20,799,256
Government grants and transfers	291,559	50,788	-	16,324	-	5,321	510,829	1,811,516	-	2,686,337	3,033,026
Capital contributions from others	204,261	420,605	-	-	-	-	199,417	763,806	2,235,342	3,823,431	2,157,365
Investment earnings	279,548	12,152	8,058	45,107	1,350	2,537	28,437	157,658	81,703	616,550	70,000
Gain/(loss) on disposal of capital assets	-	10,000	-	51,359	-	-	5,350	(205,388)	9,202	(129,477)	-
Total Revenue	2,809,662	4,927,224	2,777,733	14,903,084	534,331	3,255,022	12,501,819	10,578,480	8,570,970	60,858,325	56,502,385
Expenses											
Personnel costs	2,980,069	1,160,895	115,344	2,131,863	-	1,431,928	4,356,157	1,234,223	1,396,595	14,807,074	15,645,481
Grants	149,315	1,890,369	-	2,467,976	133,870	1,259,481	1,804,555	-	-	7,705,566	7,817,717
General goods and services	1,206,822	505,751	1,777,084	4,913,355	6,281	162,858	2,240,457	1,697,844	2,269,618	14,780,070	22,054,801
Debt charges	-	65,331	112,633	227,921	-	-	(294,563)	427,525	342,327	881,174	2,958,185
Amortization of tangible capital assets	79,725	255,816	12,393	1,000,291	-	19,496	1,155,967	1,196,549	941,436	4,661,673	-
Landfill closure/post closure allowance	-	-	-	(1,176,917)	-	-	-	-	-	(1,176,917)	-
Total Expenses	4,415,931	3,878,162	2,017,454	9,564,489	140,151	2,873,763	9,262,573	4,556,141	4,949,976	41,658,640	48,476,184
Annual Surplus (Deficit)	\$ (1,606,269)	\$ 1,049,062	\$ 760,279	\$ 5,338,595	\$ 394,180	\$ 381,259	\$ 3,239,246	\$ 6,022,339	\$ 3,620,994	\$ 19,199,685	\$ 8,026,201

Comox Valley Regional District
Schedule of Tangible Capital Assets
Year ended December 31, 2018

	Land and Improvements	Buildings and Improvements	Machinery Equipment Vehicles Fixtures	Water Infrastructure	Sewer Infrastructure	Capital Assets under Construction	2018	2017
Cost								
Balance, beginning	\$ 29,133,467	\$ 39,614,207	\$ 11,647,619	\$ 63,336,850	\$ 44,278,779	\$ 14,808,758	\$ 202,819,680	\$ 183,563,055
Add:								-
Additions	7,107,818	1,583,882	4,382,926	1,242,365	10,717,101	9,566,264	34,600,356	28,319,453
Less:								
Disposals / Write downs	(89,966)	-	(375,798)	(32,918)	-	(530,857)	(1,029,539)	(890,122)
Projects completed in year	-	-	-	-	-	(11,643,187)	(11,643,187)	(8,172,706)
Balance, ending	36,151,319	41,198,089	15,654,747	64,546,297	54,995,880	12,200,978	224,747,310	202,819,680
Accumulated Amortization								
Balance, beginning	3,590,497	18,975,712	5,989,065	23,210,963	28,717,805	-	80,484,042	76,471,480
Add:								
Amortization	1,770,704	1,068,831	874,428	1,149,550	1,062,697	-	5,926,210	4,681,499
Less:								
Accumulated Amortization on disposals	(67,475)	-	(353,123)	(30,286)	-	-	(450,884)	(668,937)
Balance, ending	5,293,726	20,044,543	6,510,370	24,330,227	29,780,502	-	85,959,368	80,484,042
Net Book Value of Tangible Capital Assets	\$ 30,857,593	\$ 21,153,546	\$ 9,144,377	\$ 40,216,070	\$ 25,215,378	\$ 12,200,978	\$ 138,787,942	\$ 122,335,638

Comox Valley Regional District
Schedule of Long Term Debt
December 31, 2018

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%	\$ 649,905	\$ 48,434	\$ 23,366	\$ 578,105	\$ 63,240
CV Sports/Aquatic Centre							
MFA 75	12/01/21	5.35%	106,311	11,300	13,366	81,645	19,989
CV Exhibition Grounds							
MFA 133	10/2/2023	2.40%	472,671	67,364	4,798	400,509	14,634
Total General Capital Fund			1,228,887	127,098	41,530	1,060,259	97,863
General Revenue Fund							
CV Airport Service							
MFA 80	10/03/23	5.45%	1,658,164	123,125	120,654	1,414,385	221,680
CV Track & Fields							
MFA 85	12/02/19	2.00%	48,845	12,636	11,191	25,018	5,453
MFA 99	10/19/21	1.75%	62,467	9,556	5,155	47,756	3,348
Total General Revenue Fund			1,769,476	145,317	137,000	1,487,159	230,481
Water Capital Fund							
Black Creek/Oyster Bay Water							
MFA 112	10/06/30	3.73%	1,469,523	67,163	21,219	1,381,141	74,600
England Rd Water							
MFA 72	06/01/20	2.10%	24,800	3,827	4,079	16,894	2,424
Regional Water							
MFA 75	12/01/21	5.35%	1,024,331	108,873	128,783	786,675	192,600
MFA 85	12/02/24	5.45%	1,058,635	68,953	61,068	928,614	125,058
MFA 95	10/13/25	4.80%	1,205,100	89,809	43,327	1,071,964	117,264
MFA 99	10/19/26	4.75%	2,586,267	158,747	85,637	2,341,883	224,542
Total Water Capital Fund			7,368,656	497,372	344,113	6,527,171	736,488
Sewer Capital Fund							
Regional Sewer							
MFA 80	10/03/23	5.45%	2,240,077	166,334	162,996	1,910,747	299,475
MFA 95	10/13/25	4.80%	1,479,861	110,285	53,205	1,316,371	144,000
MFA 99	10/19/26	4.75%	140,059	8,597	4,638	126,824	12,160
MFA 102	12/01/27	2.25%	1,746,402	98,268	47,192	1,600,942	65,840
Total Sewer Capital Fund			5,606,399	383,484	268,031	4,954,884	521,475
Regional District Debenture Debt			\$ 15,973,417	\$ 1,153,271	\$ 790,674	\$ 14,029,474	\$ 1,586,307