

Financial Statements

For the year ended December 31, 2012

**Comox Valley Regional District
Elected and Appointed Officials
2012**

Board of Directors

Town of Comox	P. Fletcher
Town of Comox	T. Grant
City of Courtenay	J. Ambler
City of Courtenay	B. Anglin (December 2012)
City of Courtenay	M. Theos
City of Courtenay	S. Winchester
Village of Cumberland	G. Sproule
Area A - Baynes Sound/Denman-Hornby	B. Jolliffe
Area B - Lazo North	J. Gillis
Area C - Puntledge - Black Creek	E. Grieve (Chair)

Officials

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

**Comox Valley Regional District
Financial Statements
December 31, 2012**

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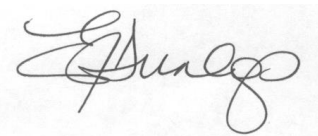
Management's Responsibility for Financial Reporting

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



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



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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, 2012, and the Statements of Operations, Change in Net Financial 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

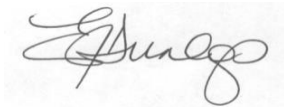
Chartered Accountants

Vancouver, British Columbia
March 26, 2013

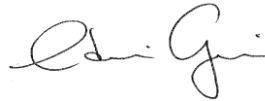
**Comox Valley Regional District
Statement of Financial Position
As at December 31, 2012**

	<u>2012</u>	<u>2011</u>
Financial Assets		
Cash and temporary investments (Note 1)	\$ 65,070,143	\$ 61,614,705
Receivables (Note 2)	2,682,708	3,306,808
Inventory for resale	6,405	15,135
Debt Recoverable from member municipalities (Note 3)	<u>25,942,863</u>	<u>22,051,692</u>
Total Financial Assets	<u>93,702,119</u>	<u>86,988,340</u>
 Liabilities		
Accounts payable and accrued liabilities (Note 4)	4,350,532	3,919,560
Restricted revenue (Notes 5, 6)	13,097,068	12,134,162
Short-term debt (Note 7)	1,353,100	1,564,800
Long-term debt		
Member municipalities (Note 3)	25,942,863	22,051,692
Regional district (Note 8)	29,020,554	31,492,447
Other liabilities	644,853	416,340
Provision for landfill closure and post closure (Note 9)	<u>20,442,794</u>	<u>15,831,783</u>
Total Liabilities	<u>94,851,764</u>	<u>87,410,784</u>
 Net Debt	<u>(1,149,645)</u>	<u>(422,444)</u>
 Non-Financial Assets		
Prepaid expenses	113,465	119,954
Inventory of supplies	72,240	69,110
Tangible capital assets (Schedule 3)	<u>97,520,791</u>	<u>95,024,066</u>
Total Non-Financial Assets	<u>97,706,496</u>	<u>95,213,130</u>
 Accumulated Surplus (Note 10)	<u>\$ 96,556,851</u>	<u>\$ 94,790,686</u>

Contingent Liabilities (Note 11)



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



E. Grieve
Chair of the Board

**Comox Valley Regional District
Statement of Operations
Year ended December 31, 2012**

Statement II

	2012 Budget (Note 18)	2012 Actual	2011 Actual
Revenue			
Frontage and parcel taxes	\$ 418,453	\$ 418,653	\$ 419,180
Grants in lieu of taxes	184,524	382,964	446,925
Grants	3,888,669	1,108,107	1,127,125
Tax requisition	19,767,322	19,767,322	19,294,665
Sales of services	8,810,462	9,143,692	8,747,421
Other	6,834,565	6,913,614	5,632,078
Capital contributions from others	-	771,883	397,892
Investment income	70,000	766,871	945,408
Gain on disposal of tangible capital assets	11,000	28,738	-
Total Revenue	39,984,995	39,301,844	37,010,694
Expenses			
General government services	6,316,968	3,508,744	3,959,999
Protective services	2,900,484	2,876,852	2,837,957
Transportation services	2,562,260	2,185,633	2,036,458
Environmental health services	14,046,657	18,348,532	23,750,840
Public health and welfare services	116,797	62,976	49,967
Environmental development services	3,132,514	2,515,196	2,396,153
Recreation and cultural services	8,634,176	8,037,746	7,782,526
Total Expenses	37,709,856	37,535,679	42,813,900
Annual Surplus (Deficit)	2,275,139	1,766,165	(5,803,206)
Acquisition of deficit from improvement district	-	-	(33,410)
	2,275,139	1,766,165	(5,836,616)
Accumulated Surplus, beginning of year	94,790,686	94,790,686	100,627,302
Accumulated Surplus, end of year	\$ 97,065,825	\$ 96,556,851	\$ 94,790,686

**Comox Valley Regional District
Statement of Change in Net Debt
Year Ended December 31, 2012**

	2012 Budget (Note 18)	2012 Actual	2011 Actual
Annual Surplus (Deficit)	\$ 2,275,139	\$ 1,766,165	\$ (5,803,206)
Amortization of tangible capital assets	-	3,228,702	3,108,889
Acquisition of tangible capital assets	(15,245,437)	(5,727,298)	(5,174,610)
Change in prepaid expenses	-	6,489	(61,374)
Consumption of inventory of supplies	-	(3,130)	7,407
(Gain)/Loss on disposal of tangible capital assets	-	(28,738)	10,029
Proceeds from disposal of tangible capital assets	11,000	30,609	11,789
Acquisition of deficit from improvement district	-	-	(33,410)
(Increase) decrease in Net Debt	(12,959,298)	(727,201)	(7,934,486)
Net Debt, beginning of year	(422,444)	(422,444)	7,512,042
Net Debt, end of year	<u>\$ (13,381,742)</u>	<u>\$ (1,149,645)</u>	<u>\$ (422,444)</u>

**Comox Valley Regional District
Statement of Cash Flows
Year ended December 31, 2012**

Statement IV

	2012	2011
Operating Transactions		
Annual Surplus (Deficit)	\$ 1,766,165	\$ (5,803,206)
Changes in non-cash operating balances		
Prepaid expenses	6,489	(61,374)
Inventory of supplies	(3,130)	7,407
Receivables	624,100	10,274
Inventory for resale	8,730	(15,135)
Accounts payable and accrued liabilities	430,972	(90,030)
Other liabilities	228,513	(134,311)
Restricted revenue	962,906	1,982,328
Items not utilizing cash		
Amortization of tangible capital assets	3,228,702	3,108,889
(Gain)/loss on disposal of tangible capital assets	(28,738)	10,029
Landfill closure and post closure allowance	4,611,011	11,430,706
Actuarial adjustment of debenture debt	(901,943)	(790,556)
Other items	-	(33,410)
Cash Provided by Operating Transactions	10,933,777	9,621,611
Capital Transactions		
Acquisition of tangible capital assets	(5,727,298)	(5,174,610)
Proceeds from disposal of tangible capital assets	30,610	11,789
Cash Applied to Capital Transactions	(5,696,688)	(5,162,821)
Financing Transactions		
Long-term debt repayments	(1,569,951)	(1,569,951)
Short-term debt issued	-	1,519,800
Short-term debt repayment	(211,700)	(255,000)
Cash Applied to Financing Transactions	(1,781,651)	(305,151)
Change in Cash and Temporary Investments	3,455,438	4,153,639
Cash and Temporary Investments, beginning of year	61,614,705	57,461,066
Cash and Temporary Investments, end of year	\$ 65,070,143	\$ 61,614,705

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2012**

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 Canadian Institute of Chartered Accountants. 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) Temporary Investments

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

Tangible capital assets are recorded at cost, net of tangible capital asset 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
Aggregate water systems	50 years
Sewer infrastructure	
Mechanical, electrical and pump components	15 to 20 years
Aggregate system	30 years
Trunk and outfall network	45 to 80 years

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2012**

f) 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.

g) Post Employment Benefits

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

h) Revenue Recognition

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

i) Use of Estimates

The preparation of financial statements in conformity with Canadian 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 and closure and post closure costs of the regional districts 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, 2012**

1. Cash and Temporary Investments

Included in cash and temporary investments is \$35,555,289 (2011 - \$34,902,788) 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 2012 was 1.86% (2011-2.66%). The term of the investments in the MFA pooled investment fund range up to 7 years.

2. Receivables

	2012	2011
Government of Canada	\$526,895	\$ 530,577
Province of British Columbia	58,873	127,193
Regional and local governments	769,754	1,297,717
Developer DCC instalments	135,249	198,901
Other trade receivables	1,191,937	1,152,420
	\$2,682,708	\$3,306,808

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 is contingently liable to the MFA for this debt.

	2012	2011
City of Courtenay	\$20,633,352	\$15,893,960
Town of Comox	2,806,864	3,569,498
Village of Cumberland	2,502,647	2,588,234
	\$25,942,863	\$22,051,692

4. Accounts Payable and Accrued Liabilities

	2012	2011
Government of Canada	\$ 78,833	\$ 68,890
Province of British Columbia	511,135	518,354
Regional and local governments	368,909	403,439
Accrued interest on long-term debenture debt	447,049	478,165
Other trade payables	2,944,606	2,450,712
	\$4,350,532	\$3,919,560

5. Developer Contributions

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

	2012	2011
Developer contributions, opening balance	\$8,286,647	\$6,872,950
Developer contributions during the year	807,761	1,567,142
Interest earned on developer contributions	143,701	165,237
Expended on capital projects during the year	(766,965)	(318,682)
Closing balance of unspent developer contributions	\$8,471,144	\$8,286,647

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2012**

6. Community Works Funds

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

	<u>2012</u>	2011
Community Works Funds, opening balance	\$3,847,515	\$3,278,884
Add: Amounts received during the year	929,037	929,037
Interest earned on funds	72,730	80,703
Less: Amounts allocated to projects during the year	(223,358)	(441,109)
Closing balance of unspent funds	<u>\$4,625,924</u>	<u>\$3,847,515</u>

7. Short-Term Debt

Short-term debt consist of interim borrowing from the Municipal Finance Authority for the purpose of funding three projects. The funds bear interest at approximately prime less 1.25% which is paid monthly. The prime rate at December 31, 2012 was 3.00% (December 31, 2011 – 3.00%). Regular principal payments are not required but the funds must be repaid within five years. Loan authorization bylaws are in place for this short-term debt providing authority for them to be converted to debenture debt.

Interest on short term debt is recorded in the Statement of Operations in 2012 is \$26,085 (2011 – \$5,522).

	<u>2012</u>	2011
Black Creek Oyster Bay Water – Macaulay reservoir	\$ 299,100	\$ 319,800
Comox Valley Exhibition Grounds – electrical/water upgrades	1,054,000	1,200,000
Emergency Shelter Land Acquisition – land purchase	-	45,000
	<u>\$1,353,100</u>	<u>\$1,564,800</u>

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:

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Future Years</u>	<u>Total</u>
\$2,588,586	\$2,674,317	\$2,800,566	\$2,708,149	\$2,708,149	\$15,515,082	<u>\$29,020,554</u>

Interest on long-term debt recorded in the Statement of Operations in 2012 is \$2,592,392 (2011 - \$2,709,678).

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2012**

9. Landfill Future Closure and Post-Closure Care Costs

The provincial Waste Management Act, as well as the B.C. Landfill Criteria for Municipal Solid Waste, sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. The Comox Valley Regional District is committed to ensuring that the five landfills in its care are managed in a fiscally responsible manner, which includes setting aside funds to pay for landfill closure and post-closure activities and engaging in an update to the Solid Waste Management Plan which was completed in 2012. Landfill closure and post-closure requirements have been defined in accordance with industry standards and include final covering of the site, groundwater and surface water monitoring, maintenance of the drainage structure, site inspection and environmental monitoring. Post-closure care is estimated to continue for a period of approximately 25 years.

This requirement is being provided for based on a number of factors including the percentage of landfill capacity already filled, usage based on tipping fees and consultant estimates, the probable closure date, the regulated monitoring period, the estimated annual management costs and a present value discount rate. As at December 31, 2012, as a result of the availability of updated cost estimates for closure and post closure care, the regional district has estimated its liability for these costs for the five landfills at \$20,442,794 (2011 - \$15,831,783) and has established reserves towards funding future landfill closure and post closure care costs. The balance of these reserves, which forms part of the accumulated surplus, is \$6,190,349 at December 31, 2012 (2011 - \$6,934,446).

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 five landfills. This has resulted in a current charge to environmental health services of \$4,611,011 (2011 - \$11,430,706).

10. Accumulated Surplus

	<u>2012</u>	<u>2011</u>
Equity in tangible capital assets	\$70,322,557	\$65,384,902
Revenue Fund	2,849,644	3,670,639
Capital Fund	(700,214)	(564,641)
Reserve Fund	21,248,629	23,346,947
Reserves for future expenditures	2,836,235	2,952,839
Accumulated Surplus, end of year	<u>\$96,556,851</u>	<u>\$94,790,686</u>

11. Contingent Liabilities

As at December 31, 2012, 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.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2012**

12. Pension Liability

The regional district and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

The Comox Valley Regional District paid \$672,173 for employer contributions to the plan in fiscal 2012 (2011 - \$627,884) while employees contributed \$588,533 (2011 - \$547,199) to the plan in fiscal 2012.

13. 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, 2012, the regional district had debt reserve funds of \$2,586,643 (2011 - \$2,562,883). Debt reserve funds are not recorded elsewhere in the financial statements.

14. North Island 9-1-1 Corporation

9-1-1 emergency answering and fire dispatch services for northern Vancouver Island 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 \$126,195 (2011 - \$128,927).

15. Environmental Regulations

The regional district is subject to environmental regulations which 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. 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 2012 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, 2011.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2012**

General Government

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

Protective Services

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

Transportation

Transportation services include the Comox Valley transit service - 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 curb-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, community parks and trail networks, exhibition grounds to foster the agricultural roots of the community and contributions towards community halls and the Vancouver Island regional library.

Water

The regional district manages and operates both water supply and water distributions systems. The bulk water supply system provides treated water to the City of Courtenay, the Town of Comox and five water service areas within the electoral areas. The regional district distributes water to the residents of a total of eight 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. A rural sewerage system for a service area within the regional district is also operated.

17. Comox-Strathcona Regional Hospital District

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

During 2012, administrative support services supplied to the hospital district by the Comox Valley Regional District totaled \$151,000 (2011 - \$150,636).

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2012**

18. Budget

The budget amounts presented throughout these financial statements represents the five year financial plan bylaw #210 approved by the regional district board on March 27, 2012.

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 2012 adopted financial plan to the financial statement budget figures:

Financial plan bylaw, surplus for the year	\$	-
Add:		
Capital acquisitions		15,245,437
Debt principal payments		3,134,750
Lease principal payments		26,437
Budgeted transfers to reserves		4,786,232
Less:		
Debt proceeds		(1,620,732)
Lease proceeds		(289,350)
Budgeted transfers from reserves		(12,297,249)
Budgeted transfers from prior year operating surpluses		(6,710,386)
		(6,710,386)
Budgeted Annual Surplus		\$2,275,139

19. Commitments

As at December 31, 2012, the regional district had the following significant commitments:

a) Operating agreements:

AECOM – for the detailed design and contract administration of the Courtenay pump station upgrade in the amount of \$214,974. This work is scheduled to be completed in 2013.

B&D Containers – for the hauling of solid waste for Comox Strathcona Waste management. This three year agreement, which expires March 31, 2015, has a remaining commitment of approximately \$322,000.

BC Transit Corporation – remainder of the 2012/2013 annual transit operating agreement in the amount of \$528,436. This agreement expires March 31, 2013 at which time a new annual operating agreement will be signed.

Berry & Vale Contracting Ltd. – for the operations of the Campbell River waste management centre. The remaining commitment on the 10 year agreement, which expires March 1, 2014, is \$943,347.

Comox Valley Economic Development Society – for core economic development services and operations of the Vancouver Island visitor centre. The remaining commitment on the five year agreement, which expires March 31, 2015, is \$2,082,750.

EBA Engineering – for the landfill closure plan for the Comox Valley waste management centre in the amount of \$206,871. This work is scheduled to be completed in 2013.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2012**

Hornby Island Resident and Ratepayers Association – a five year multiservice agreement for the provision of fire protection, waste management, community hall, comfort station and community parks maintenance. The remaining commitment to December 31, 2016 is \$1,801,865.

Oyster River Fire Rescue Association – for the provision of rural fire protection services. This contract has been extended to August 31, 2013 with a remaining commitment of \$186,906.

b) Office Lease:

Mutsy Holdings Ltd. – for the lease of office and boardroom space. The remaining commitment on the lease, which expires August 31, 2013, is \$184,973.

c) Capital:

Rocky Mountain Phoenix – for the purchase of two fire trucks for late 2013 delivery. The two contract commitments total \$548,854.

20. Subsequent Events

On March 1, 2013, three contiguous parcels of land purchased by the Comox Valley Regional District in 2010 for emergency shelter and supportive housing purposes were transferred to the City of Courtenay for a nominal fee. A covenant on the properties stipulates that the properties must either be used for emergency shelter or supportive housing purposes or any proceeds from the disposition of the properties must be directed towards emergency shelter or supportive housing initiatives.

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2012

	General Revenue Fund						Water Fund	Sewer Fund	2012 Actual	2012 Budget	
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development					Recreation & Culture
Revenue											
Taxation	\$ 1,301,894	\$ 2,894,006	\$ 1,849,483	\$ 394,754	\$ 169,594	\$ 2,576,432	\$ 7,471,452	\$ 405,628	\$ 3,505,696	\$ 20,568,939	\$ 20,370,299
Government grants and transfers	373,793	23,697	-	23,424	-	36,505	98,708	551,980	-	1,108,107	3,888,669
Sales of services and other revenue	339,754	334,897	650,241	6,113,107	85	229,960	1,901,054	5,958,112	558,834	16,086,044	15,656,027
Capital contributions from others	-	1,582	-	-	-	-	3,336	657,944	109,021	771,883	-
Investment earnings	162,660	22,504	12,660	227,817	1,159	1,475	56,672	149,621	132,303	766,871	70,000
Total Revenue	2,178,101	3,276,686	2,512,384	6,759,102	170,838	2,844,372	9,531,222	7,723,285	4,305,854	39,301,844	39,984,995
Expenses											
Personnel costs	2,214,014	637,617	64,606	1,434,769	-	1,063,653	3,452,737	842,313	912,284	10,621,993	11,386,249
Grants	249,500	1,527,770	-	394,667	60,064	1,124,468	1,466,300	-	-	4,822,769	5,401,859
General goods and services	986,185	462,792	1,973,019	4,757,684	2,463	318,904	2,053,499	789,751	1,190,373	12,534,670	18,171,688
Debt charges	-	54,262	135,615	-	449	-	340,631	678,231	507,345	1,716,533	2,750,060
Amortization of tangible capital assets	59,045	194,411	12,393	254,185	-	8,171	724,579	1,116,091	859,828	3,228,703	-
Landfill closure/post closure allowance	-	-	-	4,611,011	-	-	-	-	-	4,611,011	-
Total Expenses	3,508,744	2,876,852	2,185,633	11,452,316	62,976	2,515,196	8,037,746	3,426,386	3,469,830	37,535,679	37,709,856
Annual Surplus (Deficit)	\$ (1,330,643)	\$ 399,834	\$ 326,751	\$ (4,693,214)	\$ 107,862	\$ 329,176	\$ 1,493,476	\$ 4,296,899	\$ 836,024	\$ 1,766,165	\$ 2,275,139

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2011

	General Revenue Fund							Water Fund	Sewer Fund	2011 Actual	2011 Budget
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,216,372	\$ 2,708,876	\$ 1,876,217	\$ 355,606	\$ 360,373	\$ 2,494,203	\$ 7,332,906	\$ 406,155	\$ 3,410,062	\$ 20,160,770	\$ 19,908,369
Government grants and transfers	515,019	43,795	-	4,844	-	31,086	48,797	482,346	1,238	1,127,125	1,543,346
Sales of services and other revenue	251,984	368,827	634,548	4,988,794	86	221,602	1,874,193	5,558,136	481,329	14,379,499	13,745,815
Capital contributions from others	-	49,788	-	1,200	-	-	-	346,904	-	397,892	-
Investment earnings	187,686	25,069	11,782	305,918	1,279	936	69,865	170,672	172,201	945,408	70,000
Total Revenue	2,171,061	3,196,355	2,522,547	5,656,362	361,738	2,747,827	9,325,761	6,964,213	4,064,830	37,010,694	35,267,530
Expenses											
Personnel costs	2,209,495	607,438	59,515	1,263,061	-	1,105,217	3,377,675	786,782	931,185	10,340,368	11,228,088
Grants	266,937	1,426,579	-	420,355	43,729	993,300	1,364,297	-	-	4,515,197	5,025,504
General goods and services	1,384,254	555,678	1,801,476	3,457,401	2,454	290,667	1,899,371	1,075,148	998,772	11,465,221	15,635,038
Debt charges	-	57,993	144,278	-	3,784	-	467,069	715,441	536,129	1,924,694	2,915,585
Transfer to other local government	-	-	18,796	-	-	-	-	-	-	18,796	-
Amortization of tangible capital assets	99,313	190,269	12,393	475,319	-	6,969	680,614	974,735	669,277	3,108,889	-
(Gain) loss on disposal of tangible capital asset	-	-	-	(294)	-	-	(6,500)	16,823	-	10,029	-
Landfill closure/post closure allowance	-	-	-	11,430,706	-	-	-	-	-	11,430,706	-
Total Expenses	3,959,999	2,837,957	2,036,458	17,046,548	49,967	2,396,153	7,782,526	3,568,929	3,135,363	42,813,900	34,804,215
Annual Surplus (Deficit)	\$ (1,788,938)	\$ 358,398	\$ 486,089	\$(11,390,186)	\$ 311,771	\$ 351,674	\$ 1,543,235	\$ 3,395,284	\$ 929,467	\$ (5,803,206)	\$ 463,315

Comox Valley Regional District
Schedule of Tangible Capital Assets
Year ended December 31, 2012

	Land and Improvements	Buildings and Improvements	Machinery Equipment Vehicles Fixtures	Water Infrastructure	Sewer Infrastructure	Capital Projects in progress	2012	2011
Cost								
Balance, beginning	\$ 13,309,919	\$ 33,465,632	\$ 7,081,253	\$ 57,310,174	\$ 41,318,207	\$ 1,722,493	\$ 154,207,678	\$ 149,171,956
Add:								
Additions	2,743,198	828,471	758,589	1,454,055	244,381	(301,396)	5,727,298	5,174,610
Less:								
Disposals	-	-	(183,592)	-	-	-	(183,592)	(138,888)
Balance, ending	16,053,117	34,294,103	7,656,250	58,764,229	41,562,588	1,421,097	159,751,384	154,207,678
Accumulated Amortization								
Balance, beginning	1,162,153	13,241,977	4,587,674	15,589,471	24,602,337	-	59,183,612	56,191,793
Add:								
Amortization	179,731	861,392	482,014	1,028,558	677,007	-	3,228,702	3,108,889
Less:								
Accumulated Amortization on disposals	-	-	(181,721)	-	-	-	(181,721)	(117,070)
Balance, ending	1,341,884	14,103,369	4,887,967	16,618,029	25,279,344	-	62,230,593	59,183,612
Net Book Value of Tangible Capital Assets	\$ 14,711,233	\$ 20,190,734	\$ 2,768,283	\$ 42,146,200	\$ 16,283,244	\$ 1,421,097	\$ 97,520,791	\$ 95,024,066

Comox Valley Regional District
Schedule of Long Term Debenture Debt
December 31, 2012

Issue #	Maturity Date	Rate	Beginning Balance	Principal Payments	Actuarial Additions	Ending Balance	Interest Payments	Accrued Interest	Accrued Actuarial
General Capital Fund									
Black Creek/Oyster Bay Fire									
MFA 95	10/13/25	4.80%	\$ 1,024,031	\$ 44,244	\$ 11,739	\$ 968,048	\$ 63,240	\$ 13,688	\$ 3,025
CV Aquatic Centre/Ice Arena									
MFA 65	04/24/17	6.60%	4,322,517	301,611	333,874	3,687,032	645,425	105,232	251,377
MFA 75	12/01/21	5.35%	231,504	11,300	7,106	213,098	19,989	1,643	660
Hornby Island Fire									
MFA 80	10/03/13	4.78%	67,902	22,419	10,704	34,779	13,465	3,283	3,014
Total General Capital Fund			5,645,954	379,574	363,423	4,902,957	742,119	123,846	258,076
General Revenue Fund									
CV Airport Service									
MFA 80	10/03/23	4.78%	2,895,513	123,125	58,787	2,713,601	194,402	47,402	16,552
CV Track & Fields									
MFA 78	12/03/17	5.37%	213,203	20,205	11,140	181,858	23,413	702	975
MFA 85	12/02/19	4.98%	169,785	12,636	5,144	152,005	13,565	1,078	479
MFA 99	10/19/21	4.43%	139,582	9,556	2,070	127,956	8,476	1,695	507
Total General Revenue Fund			3,418,083	165,522	77,141	3,175,420	239,856	50,877	18,513
Water Capital Fund									
Black Creek/Oyster Bay Water									
MFA 112	10/06/30	3.73%	1,932,836	67,164	2,686	1,862,986	74,600	17,577	1,291
England Rd Water									
MFA 72	06/01/20	3.15%	65,576	3,827	2,244	59,505	3,636	299	1,469
Greaves Cres Water									
MFA 63	06/01/16	5.715%	5,836	508	548	4,780	960	79	351
Regional Water									
MFA 61	12/01/15	7.29%	796,702	84,679	100,165	611,858	204,120	16,777	8,992
MFA 75	12/01/21	5.35%	2,230,603	108,873	68,470	2,053,260	192,600	15,830	6,356
MFA 85	12/02/24	4.98%	1,718,583	68,953	28,071	1,621,559	113,430	9,012	2,616
MFA 95	10/13/25	4.80%	1,898,829	82,040	21,767	1,795,022	117,264	25,381	5,610
MFA 99	10/19/26	4.75%	3,867,362	158,747	34,393	3,674,222	224,542	44,908	8,424
Total Water Capital Fund			12,516,327	574,791	258,344	11,683,192	931,152	129,863	35,109
Sewer Capital Fund									
Regional Sewer									
MFA 64	09/25/16	7.22%	434,156	37,794	40,777	355,585	90,228	23,979	11,881
MFA 66	11/05/17	5.85%	516,155	38,327	37,557	440,271	60,324	9,255	6,344
MFA 80	10/03/23	4.78%	3,911,656	166,334	79,417	3,665,905	262,625	64,037	22,361
MFA 95	10/13/25	4.80%	2,331,759	100,745	26,730	2,204,284	144,000	31,167	6,889
MFA 99	10/19/26	4.75%	209,436	8,597	1,863	198,976	12,160	2,432	456
MFA 102	12/01/27	4.82%	2,508,921	98,267	16,691	2,393,963	141,043	11,593	1,750
Total Sewer Capital Fund			9,912,083	450,064	203,035	9,258,984	710,380	142,463	49,681
Regional District Debenture Debt			\$31,492,447	\$ 1,569,951	\$ 901,943	\$ 29,020,554	\$ 2,623,507	\$ 447,049	\$ 361,379