

Financial Statements

For the year ended December 31, 2014

**Comox Valley Regional District
Elected and Appointed Officials
2014**

Board of Directors

(Up to December 10, 2014)

Town of Comox	P. Fletcher
Town of Comox	T. Grant
City of Courtenay	J. Ambler
City of Courtenay	B. Anglin
City of Courtenay	E. 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)

Board of Directors

(Effective December 11, 2014)

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

Officials

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

**Comox Valley Regional District
Financial Statements
December 31, 2014**

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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

March 31, 2015



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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, 2014, and the Statements of Operations, Change in Net Debt and Cash Flows for the year then-ended, and a summary of significant accounting policies, and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Comox Valley Regional District as at December 31, 2014, 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 31, 2015

**Comox Valley Regional District
Statement of Financial Position
As at December 31, 2014**

	<u>2014</u>	<u>2013</u> (Restated, Note 20)
Financial Assets		
Cash and temporary investments (Note 1)	\$ 67,288,881	\$ 67,008,602
Receivables (Note 2)	3,234,830	3,137,634
Debt recoverable from member municipalities (Note 3)	<u>21,403,520</u>	<u>23,706,038</u>
Total Financial Assets	<u>91,927,231</u>	<u>93,852,274</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	4,475,976	5,341,126
Restricted revenue (Note 5)	10,814,712	9,173,061
Deferred government transfers (Note 6)	-	5,191,080
Short-term debt (Note 7)	964,790	987,555
Long-term debt		
Member municipalities (Note 3)	21,403,520	23,706,038
Regional district - capital (Note 8 and Schedule 4)	21,104,303	23,511,327
Regional district - non-capital (Note 8 and Schedule 4)	2,653,448	2,920,740
Other liabilities	93,252	146,838
Provision for landfill closure and post closure (Note 9)	<u>36,702,691</u>	<u>23,513,377</u>
Total Liabilities	<u>98,212,692</u>	<u>94,491,142</u>
Net Debt	<u>(6,285,461)</u>	<u>(638,868)</u>
Non-Financial Assets		
Prepaid expenses	146,641	132,369
Inventory of supplies	67,185	56,186
Tangible capital assets (Schedule 3)	<u>96,172,092</u>	<u>96,413,575</u>
Total Non-Financial Assets	<u>96,385,918</u>	<u>96,602,130</u>
Accumulated Surplus (Note 10)	<u>\$ 90,100,457</u>	<u>\$ 95,963,262</u>

Contingent Liabilities (Note 11)



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



B. Jolliffe
Chair of the Board

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

**Comox Valley Regional District
Statement of Operations
Year ended December 31, 2014**

Statement II

	2014 Budget (Note 18)	2014 Actual	2013 Actual (Restated, Note 20)
Revenue			
Frontage and parcel taxes	\$ 599,328	\$ 598,721	\$ 420,438
Grants in lieu of taxes	198,524	394,137	387,055
Government transfers (Note 6)	3,338,804	6,419,837	1,076,486
Tax requisition	22,078,583	22,078,584	21,153,880
Sales of services	9,969,072	10,158,213	9,285,565
Solid waste fees and other revenue	8,173,318	8,440,646	6,923,254
Capital contributions from others	170,600	615,910	682,655
Investment income	70,000	1,019,871	702,157
Total Revenue	44,598,229	49,725,919	40,631,490
Expenses			
General government services	6,567,297	4,237,156	3,777,756
Protective services	3,156,504	3,057,050	2,923,268
Transportation services	2,621,310	2,319,890	2,198,242
Environmental health services (Note 9)	20,447,113	32,918,737	19,231,059
Public health and welfare services	188,262	118,312	697,801
Environmental development services	3,237,428	2,857,331	2,600,572
Recreation and cultural services	10,092,278	10,080,248	8,917,242
Total Expenses	46,310,192	55,588,724	40,345,940
Annual Surplus (Deficit)	(1,711,963)	(5,862,805)	285,550
Accumulated Surplus, beginning of year, as previously stated	97,880,013	97,880,013	96,556,851
Less: Prior period adjustment (Note 20)	(1,916,751)	(1,916,751)	(879,139)
Accumulated Surplus, beginning of year, as restated	95,963,262	95,963,262	95,677,712
Accumulated Surplus, end of year	\$ 94,251,299	\$ 90,100,457	\$ 95,963,262

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

**Comox Valley Regional District
Statement of Change in Net Debt
Year Ended December 31, 2014**

	2014 Budget <u>(Note 18)</u>	2014 Actual <u></u>	2013 Actual <u>(Restated, Note 20)</u>
Annual Surplus (Deficit)	\$ (1,711,963)	\$ (5,862,805)	\$ 285,550
Amortization of tangible capital assets	-	3,640,775	3,486,694
Acquisition of tangible capital assets	(8,133,621)	(3,540,272)	(4,185,102)
Change in prepaid expenses	-	(14,272)	(18,904)
Consumption of inventory of supplies	-	(10,999)	16,054
Disposal of tangible capital assets	-	140,980	363,050
Transfer of tangible capital assets to other local government	-	-	563,435
	<u>(9,845,584)</u>	<u>(5,646,593)</u>	<u>510,777</u>
(Increase) decrease in Net Debt			
Net Debt, beginning of year	<u>(638,868)</u>	<u>(638,868)</u>	<u>(1,149,645)</u>
Net Debt, end of year	<u>\$ (10,484,452)</u>	<u>\$ (6,285,461)</u>	<u>\$ (638,868)</u>

**Comox Valley Regional District
Statement of Cash Flows
Year ended December 31, 2014**

Statement IV

	2014	2013
		(Restated, Note 20)
Operating Transactions		
Annual Surplus (Deficit)	\$ (5,862,805)	\$ 285,550
Changes in non-cash operating balances		
Prepaid expenses	(14,272)	(18,904)
Inventory of supplies	(10,999)	16,054
Receivables	(97,196)	(454,927)
Inventory for resale	-	6,405
Accounts payable and accrued liabilities	(865,150)	990,594
Other liabilities	(53,586)	(498,015)
Restricted revenue	1,641,651	701,917
Deferred government transfers	(5,191,080)	565,156
Items not utilizing cash		
Amortization of tangible capital assets	3,640,775	3,486,694
Loss on disposal of tangible capital assets	30,461	285,803
Landfill closure and post closure allowance	13,189,314	3,070,583
Actuarial adjustment of debenture debt	(1,126,785)	(1,018,535)
Transfer of tangible capital assets from others	(530,874)	-
Transfer of tangible capital assets to (from) other local government	(33,022)	563,435
Cash Provided by Operating Transactions	4,716,432	7,981,810
Capital Transactions		
Acquisition of tangible capital assets	(2,976,376)	(4,185,102)
Proceeds from disposal of tangible capital assets	110,520	77,247
Cash Applied to Capital Transactions	(2,865,856)	(4,107,855)
Financing Transactions		
Long-term debt repayments	(1,547,532)	(1,569,951)
Short-term debt issued	262,790	-
Short-term debt repayment	(285,555)	(365,545)
Cash Applied to Financing Transactions	(1,570,297)	(1,935,496)
Change in Cash and Temporary Investments	280,279	1,938,459
Cash and Temporary Investments, beginning of year	67,008,602	65,070,143
Cash and Temporary Investments, end of year	\$ 67,288,881	\$ 67,008,602

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, 2014**

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

a) British Columbia Regional Districts

It is the policy of the regional district to follow Canadian public sector accounting standards and to apply such standards consistently. As part of this policy, the resources and operations of the regional district are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the stewardship of the assets allocated to it.

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

b) Temporary Investments

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

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

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

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2014**

g) 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.

h) 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.

i) 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.

j) 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.

k) 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 district's landfills. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

1. Cash and Temporary Investments

Included in cash and temporary investments is \$36,912,631 (2013 - \$36,090,752) 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 2014 was 2.28% (2013- 1.51%). The term of the investments in the MFA pooled investment fund range up to 7 years.

2. Receivables

	<u>2014</u>	<u>2013</u>
Government of Canada	\$ 367,956	\$ 395,296
Province of British Columbia	60,942	75,320
Regional and local governments	1,041,005	1,254,983
Development Cost Charge instalments	420,792	185,814
Other trade receivables	1,344,135	1,226,221
	<u>\$3,234,830</u>	<u>\$3,137,634</u>

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.

	<u>2014</u>	<u>2013</u>
City of Courtenay	\$17,190,471	\$18,836,728
Town of Comox	1,892,237	2,455,755
Village of Cumberland	2,320,812	2,413,555
	<u>\$21,403,520</u>	<u>\$23,706,038</u>

4. Accounts Payable and Accrued Liabilities

	<u>2014</u>	<u>2013</u>
Government of Canada	\$ 2,989	\$ 6,187
Province of British Columbia	617,496	738,335
Regional and local governments	379,998	369,927
Accrued interest on long-term debenture debt	459,582	459,403
Other trade payables	3,015,911	3,767,274
	<u>\$4,475,976</u>	<u>\$5,341,126</u>

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:

	<u>2014</u>	<u>2013</u>
Developer contributions, opening balance	\$ 9,173,061	\$8,471,144
Developer contributions during the year	1,500,806	1,260,379
Interest earned on developer contributions	178,328	124,193
Expended on capital projects during the year	(37,483)	(682,655)
Closing balance of unspent developer contributions	<u>\$10,814,712</u>	<u>\$9,173,061</u>

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

6. Deferred Government Transfers

During 2014 the regional district entered into a Renewed Gas Tax Agreement that differed in several key ways from the previous agreement. The result of these differences, and in accordance with the regional district's accounting policy for government transfers, is that revenues under the community works fund portion of the program will be recognized when allocated to the regional district.

The Renewed Gas Tax Agreement also provides that any unspent amounts from the previous agreement will be brought forward to the new agreement. These amounts were previously recorded as deferred revenue. The impact of this new agreement is a significant increase to revenue in 2014 to recognize the amounts previously deferred.

The regional district continues to track the unspent amounts in the Community Works Reserve Fund. The continuity of this fund is presented in the table below:

	<u>2014</u>	<u>2013</u>
Community Works Funds, opening balance	\$ -	\$4,625,924
Add: Transfer of Community Works Funds from 2013	5,191,080	-
Add: Amounts received during the year	965,512	928,627
Interest earned on funds	105,906	69,873
Less: Amounts allocated to projects during the year	(927,866)	(433,344)
Closing balance of unspent funds	<u>\$5,334,632</u>	<u>\$5,191,080</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, 2014 was 1.8% (December 31, 2013 – 1.72%). Regular principal payments are not required but the loans must be repaid within five years of borrowing. Loan authorization bylaws are in place for short-term debt which provides the authority for them to be converted to debenture debt.

	<u>2014</u>	<u>2013</u>
Comox Valley Exhibition Grounds – due 2015	\$702,000	\$809,000
Black Creek Oyster Bay Water	-	178,555
Regional Solid Waste – due 2019	222,790	-
Black Creek Oyster Bay Fire – due 2019	40,000	-
	<u>\$964,790</u>	<u>\$987,555</u>

Interest on the above short term debt recorded in the Statement of Operations in 2014 is \$16,146 (2013 – \$22,344).

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Future Years</u>	<u>Total</u>
\$2,800,566	\$2,708,149	\$2,733,954	\$1,866,838	\$1,951,444	\$11,696,800	<u>\$23,757,751</u>

Interest on long-term debt, net of actuarial adjustments, recorded in the various function areas of the Statement of Operations in 2014 is \$2,578,911 (2013 - \$2,541,028).

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

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 five active landfills in its care are managed in a fiscally responsible manner, which has included setting aside funds to pay for landfill closure and post-closure activities in accordance with the Solid Waste Management Plan which was updated in 2012. Landfill closure and post-closure requirements have been defined in accordance with industry standards and remediation activities include final covering of the site, groundwater and surface water monitoring, maintenance of the drainage structure, site inspection and environmental monitoring. Post-closure care is estimated to continue until 2049; a period of 30 years after final closures planned for 2019. Remaining capacity of the five active landfills is between 6% and 32% (2013 – 5% and 31%).

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, 2014, using the most recent closure plans and cost estimates for closure and post closure care, the regional district has estimated its liability for these costs at \$36,702,691 (2013 - \$23,513,377). 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 \$941,535 at December 31, 2014 (2013 - \$5,243,121).

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. This estimate has changed significantly from the prior year as closure design and post closure care components are being finalized for the impending closures. This estimate, plus the current costs incurred for closure works, has resulted in a current charge to environmental health services of \$18,113,158 (2013 - \$4,108,195).

10. Accumulated Surplus

	<u>2014</u>	<u>2013</u>
Equity in tangible capital assets	\$73,604,211	\$71,214,479
Revenue Fund	3,442,943	3,189,321
Reserve Fund	9,782,598	18,356,080
Reserves for future expenditures	3,270,705	3,203,382
Accumulated Surplus, end of year	<u>\$90,100,457</u>	<u>\$95,963,262</u>

11. Contingent Liabilities

As at December 31, 2014, 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, 2014, the regional district had debt reserve funds of \$2,631,330 (2013 - \$2,606,825). Debt reserve funds are not recorded elsewhere in the financial statements.

13. 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 \$130,000 (2013 - \$130,000).

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

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 2014, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2013 - \$151,000).

15. 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 2014 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, 2013. 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, emergency programs, 9-1-1 emergency answering service, building inspection and various bylaw compliance services.

Transportation

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

Environmental Health

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

Public Health and Welfare

Public health and welfare consists of a grant to the City of Courtenay for assistance in the operations of the cemetery as well as a land acquisition service for the purpose of an emergency shelter or supportive housing initiative.

Environmental Development

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

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

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.

16. 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.

17. 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 Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members in 2014 included approximately 156 from the Comox Valley Regional District.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual entities participating in the Plan.

The Comox Valley Regional District paid \$772,162 (2013 - \$702,148) for employer contributions while employees contributed \$677,365 (2013 - \$622,802) to the plan in fiscal 2014.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

18. Budget

The budget amounts presented throughout these financial statements represent the five year financial plan bylaw #326 approved by the regional district board on March 20, 2014.

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 2014 adopted financial plan to the financial statement budget figures:

Financial plan bylaw, surplus for the year	\$ -
Add:	
Capital acquisitions (net of budgeted landfill closure costs)	8,133,621
Debt principal payments	2,608,564
Budgeted transfers to reserves	4,266,651
Less:	
Debt proceeds	(1,425,654)
Budgeted transfers from reserves	(9,637,655)
Budgeted transfers from prior years' operating surpluses	(5,657,490)
	(11,720,799)
Budgeted Annual Deficit	\$ (1,711,963)

19. Commitments

As at December 31, 2014, the regional district had the following significant commitments:

AECOM – for detailed design and construction contract administration of the centrifuge project at the sewage treatment plant. The contract is expected to be complete in 2015 and has a remaining commitment of \$172,565.

Associated Engineering BC Ltd. – for services relating to the liquid waste management plan for the rural areas of the CVRD, plus an environmental impact study for the south sewer area. The contract expires December 31, 2015 and has a remaining commitment of \$302,272.

BC Transit Corporation – remainder of the 2014/2015 annual transit operating agreement in the amount of \$356,452. This agreement, which forms part of the master operating agreement, expires March 31, 2015 at which time a new annual operating agreement will be negotiated.

Berry & Vale Contracting Ltd. – for the operations of the Campbell River waste management centre and hauling of waste to the Comox Valley waste management centre. The remaining commitment of the agreement, which expires July 1, 2019, is \$6,418,948.

Bruce Carscadden Architect – for professional services relating to renovations to the Comox Valley curling centre. The contract, scheduled for completion by October 31, 2015, has a remaining commitment of \$185,694.

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

Comox Valley Economic Development Society – for core economic development services and operations of the Vancouver Island visitor centre. The remaining commitment on the five year agreement, which expires March 31, 2015, is \$255,000.

Community Justice Centre of the Comox Valley – for a contribution toward community justice centre services. The five year contract, which expires December 31, 2018, has a remaining commitment of \$160,000.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

Conestoga-Rovers & Associates – for annual environmental reporting and water quality monitoring for the five regional district landfills. The agreement which expires April 15, 2017 has a remaining commitment of \$628,433.

Denman Island Residents Association – a multi-service agreement for the provision of waste management, community parks maintenance and recreation grant administration. The agreement, which will expire December 31, 2016 has a remaining commitment of approximately \$158,925.

Hornby Island Resident and Ratepayers Association – a five year multi-service agreement for the provision of fire protection, waste management, community hall, comfort station and community parks maintenance. The agreement, which expires December 31, 2016, has a remaining commitment of approximately \$982,650.

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

Mutsy Holdings Ltd. – for the lease of office and boardroom space. The remaining commitment on the lease, which expires August 31, 2015, is \$194,629.

Oyster River Volunteer Fire Rescue Association – the five year agreement for the provision of administration services for the fire protection services in the Black Creek Oyster Bay service area. The agreement, with expires June 30, 2019, has a remaining commitment of approximately \$1,197,462.

Pacific Northwest Raptors Ltd. – for the provision of bird control services at the Comox Valley and Campbell River waste management centres. The board's commitment to the fifteen month contract, which expires March 31, 2015, has a total value of \$203,307.

SCS Engineers – In November 2014, the board committed to award a contract to the consultant in the amount of \$337,110 for the detailed design and tendering assistance relating to the phase two closure of the Campbell River landfill.

Tetra Tech EBA Inc. – for engineering services associated with the expansion and leachate treatment system design for the Comox Valley landfill in the amount of \$176,636.

Tetra Tech EBA Inc. – In November 2014, the board committed to award a contract to the consultant in the amount of \$669,682 for tender assistance and construction contract oversight for phase one closure of the existing Comox Valley landfill.

Tetra Tech EBA Inc. – In November 2014, the board committed to award a contract to the consultant in the amount of \$495,003 for the detailed design of the leachate treatment facility at the new engineered landfill at the Comox Valley waste management centre.

Trojan Technologies – for the supply of ultraviolet light disinfection equipment for the Black Creek Oyster Bay water service area. The equipment, valued at \$157,616 is scheduled for delivery in early 2015.

Village of Cumberland – solid waste host community agreement. This agreement, which expires December 31, 2032, provides for a \$3,000,000 contribution towards a road upgrade in the Village of Cumberland of which \$2,952,210 was remaining at the end of 2014. The agreement also provides for a community benefit payment of \$300,000 per year over the twenty year term of the agreement.

20. Prior Period Adjustment

There is an adjustment affecting prior period balances reflected in the financial statements. Tangible capital assets have been decreased by \$1,916,751 to reflect the reclassification of solid waste landfill closure projects in progress as expenses in the year incurred rather than capitalized as tangible capital assets. The effect of this adjustment is as follows:

Adjustment to 2013 opening Accumulated Surplus

Accumulated surplus, as previously stated	\$96,556,851
Landfill closure projects in progress, previously capitalized	<u>(879,139)</u>
Opening accumulated surplus, as restated	<u><u>\$95,677,712</u></u>

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2014**

Adjustment to 2013 Environmental Health Services Expense

Environmental health services expenses, as previously stated	\$18,193,447
Landfill closure projects in progress, previously capitalized	<u>1,037,612</u>
Environmental health services expense, as restated	<u><u>\$19,231,059</u></u>

Adjustment to 2013 Annual Surplus

Annual surplus, as previously stated	\$1,323,162
Landfill closure projects in progress, previously capitalized	<u>(1,037,612)</u>
Annual surplus, as restated	<u><u>\$ 285,550</u></u>

Adjustment to 2013 opening Tangible Capital Assets

Cost of Tangible Capital Assets, as previously stated	\$159,751,384
Landfill closure projects in progress, previously capitalized	<u>(879,139)</u>
Cost of tangible capital assets, as restated	<u><u>\$158,872,245</u></u>

Adjustment to 2013 closing Tangible Capital Assets

Cost of Tangible Capital Assets, as previously stated	\$163,073,073
Landfill closure projects in progress, previously capitalized	<u>(1,916,751)</u>
Cost of tangible capital assets, as restated	<u><u>\$161,156,322</u></u>

21. 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, 2014

	General Revenue Fund							Water Fund	Sewer Fund	2014	2014
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture			Actual	Budget
Revenue											
Taxation	\$ 1,553,477	\$ 3,132,352	\$ 1,736,883	\$ 1,149,321	\$ 96,123	\$ 2,674,156	\$ 8,028,645	\$ 389,707	\$ 4,310,778	\$ 23,071,442	\$ 22,876,435
Government grants and transfers	5,963,736	12,500	-	113	-	193,941	147,138	32,775	69,634	6,419,837	3,338,804
Sales of services, fees and other revenue	337,077	366,754	640,732	7,167,865	29	85,540	3,117,726	6,370,426	512,710	18,598,859	18,142,390
Capital contributions from others	-	-	-	33,022	-	-	-	545,405	37,483	615,910	170,600
Investment earnings	266,693	34,940	20,906	171,368	3,260	6,034	59,782	284,494	172,394	1,019,871	70,000
Total Revenue	8,120,983	3,546,546	2,398,521	8,521,689	99,412	2,959,671	11,353,291	7,622,807	5,102,999	49,725,919	44,598,229
Expenses											
Personnel costs	2,349,677	783,172	78,695	1,717,748	-	1,215,827	3,768,363	1,060,916	1,004,336	11,978,734	13,021,744
Grants	271,650	1,614,675	-	966,418	118,066	1,148,350	2,771,650	-	-	6,890,809	7,302,914
General goods and services	1,567,967	410,576	2,084,556	4,217,835	246	480,336	2,326,776	1,218,770	1,159,452	13,466,514	18,570,169
Debt charges	-	47,511	144,246	31	-	-	196,523	597,424	482,537	1,468,272	2,646,688
Amortization of tangible capital assets	55,312	209,116	12,393	329,404	-	14,568	992,813	1,117,780	909,390	3,640,776	-
(Gain) loss on disposal of tangible capital assets	(7,450)	(8,000)	-	(10,548)	-	(1,750)	24,123	(483)	34,569	30,461	-
Landfill closure/post closure allowance	-	-	-	18,113,158	-	-	-	-	-	18,113,158	4,768,677
Total Expenses	4,237,156	3,057,050	2,319,890	25,334,046	118,312	2,857,331	10,080,248	3,994,407	3,590,284	55,588,724	46,310,192
Annual Surplus (Deficit)	\$ 3,883,827	\$ 489,496	\$ 78,631	\$ (16,812,357)	\$ (18,900)	\$ 102,340	\$ 1,273,043	\$ 3,628,400	\$ 1,512,715	\$ (5,862,805)	\$ (1,711,963)

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2013

	General Revenue Fund							Water Fund	Sewer Fund	2013 Actual	2013 Budget
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture			(Restated, Note 20)	
Revenue											
Taxation	\$ 1,823,223	\$ 3,012,306	\$ 1,882,252	\$ 670,923	\$ 96,126	\$ 2,673,862	\$ 7,547,572	\$ 405,813	\$ 3,849,296	\$ 21,961,373	\$ 21,759,363
Government grants and transfers	304,384	16,250	-	28,415	100,000	72,868	513,512	27,307	13,750	1,076,486	3,799,587
Sales of services, fees and other revenue	324,200	317,870	642,942	6,181,107	31	168,709	1,917,684	6,089,051	567,225	16,208,819	16,713,747
Capital contributions from others	-	-	-	-	-	-	-	-	682,655	682,655	-
Investment earnings	139,888	24,905	13,129	171,147	1,730	2,469	51,669	177,706	119,514	702,157	70,000
Total Revenue	2,591,695	3,371,331	2,538,323	7,051,592	197,887	2,917,908	10,030,437	6,699,877	5,232,440	40,631,490	42,342,697
Expenses											
Personnel costs	2,300,307	658,619	84,598	1,493,408	-	1,196,176	3,587,831	906,615	1,023,877	11,251,431	12,089,329
Grants	262,800	1,626,858	-	695,889	200,883	1,144,530	1,915,162	-	-	5,846,122	9,340,035
General goods and services	1,164,709	428,612	1,968,080	4,939,650	3,079	247,966	2,240,582	1,168,401	1,098,354	13,259,433	18,719,632
Debt charges	-	47,084	133,171	-	-	-	238,631	639,748	486,203	1,544,837	2,808,796
Transfer to other local government	-	-	-	-	493,839	-	-	69,587	-	563,426	-
Amortization of tangible capital assets	49,940	196,842	12,393	280,868	-	11,900	937,536	1,110,717	886,498	3,486,694	-
(Gain) loss on disposal of tangible capital asset	-	(34,747)	-	262,886	-	-	(2,500)	5,826	54,337	285,802	-
Landfill closure/post closure allowance	-	-	-	4,108,195	-	-	-	-	-	4,108,195	7,758,815
Total Expenses	3,777,756	2,923,268	2,198,242	11,780,896	697,801	2,600,572	8,917,242	3,900,894	3,549,269	40,345,940	50,716,607
Annual Surplus (Deficit)	\$ (1,186,061)	\$ 448,063	\$ 340,081	\$ (4,729,304)	\$ (499,914)	\$ 317,336	\$ 1,113,195	\$ 2,798,983	\$ 1,683,171	\$ 285,550	\$ (8,373,910)

Comox Valley Regional District
Schedule of Tangible Capital Assets
Year ended December 31, 2014

	Land and Improvements	Buildings and Improvements	Machinery Equipment Vehicles Fixtures	Water Infrastructure	Sewer Infrastructure	Capital Assets under Construction	2014	2013
Cost								(Restated, Note 20)
Balance, beginning	\$ 16,554,971	\$ 34,027,503	\$ 7,706,686	\$ 59,103,996	\$ 42,399,426	\$ 1,363,740	\$ 161,156,322	\$ 158,872,245
Add:								
Additions	1,260,612	113,768	1,107,516	1,183,834	99,377	(224,835)	3,540,272	4,185,102
Less:								
Disposals	-	-	(391,588)	(28,667)	(171,120)	(25,803)	(617,178)	(1,901,025)
Balance, ending	17,815,583	34,141,271	8,422,614	60,259,163	42,327,683	1,113,102	164,079,416	161,156,322
Accumulated Amortization								
Balance, beginning	1,607,098	14,787,557	4,750,289	17,614,421	25,983,382	-	64,742,747	62,230,593
Add:								
Amortization	316,471	1,011,748	523,634	1,062,735	726,187	-	3,640,775	3,486,694
Less:								
Accumulated Amortization on disposals	-	-	(332,290)	(27,150)	(116,758)	-	(476,198)	(974,540)
Balance, ending	1,923,569	15,799,305	4,941,633	18,650,006	26,592,811	-	67,907,324	64,742,747
Net Book Value of Tangible Capital Assets	\$ 15,892,014	\$ 18,341,966	\$ 3,480,981	\$ 41,609,157	\$ 15,734,872	\$ 1,113,102	\$ 96,172,092	\$ 96,413,575

**Comox Valley Regional District
Schedule of Long Term Debt
December 31, 2014**

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%	\$ 909,826	\$ 44,244	\$ 16,307	\$ 849,275	\$ 63,240
CV Aquatic Centre/Ice Arena							
MFA 65	04/24/17	5.14%	3,019,872	301,611	399,011	2,319,250	564,850
MFA 75	12/01/21	5.35%	193,772	11,300	8,992	173,480	19,989
Total General Capital Fund			4,123,470	357,155	424,310	3,342,005	648,079
General Revenue Fund							
CV Airport Service							
MFA 80	10/03/23	4.78%	2,522,594	123,125	77,433	2,322,036	221,679
CV Track & Fields							
MFA 78	12/03/17	2.10%	148,946	20,205	14,352	114,389	9,156
MFA 85	12/02/19	2.00%	133,335	12,636	6,966	113,733	12,920
MFA 99	10/19/21	4.43%	115,865	9,556	3,019	103,290	8,476
Total General Revenue Fund			2,920,740	165,522	101,770	2,653,448	252,231
Water Capital Fund							
Black Creek/Oyster Bay Water							
MFA 112	10/06/30	3.73%	1,790,342	67,164	8,385	1,714,793	74,600
England Rd Water							
MFA 72	06/01/20	2.10%	53,161	3,827	2,802	46,532	2,930
Greaves Cres Water							
MFA 63	06/01/16	5.715%	3,671	508	657	2,506	960
Regional Water							
MFA 61	12/01/15	7.29%	417,772	84,679	119,112	213,981	204,120
MFA 75	12/01/21	5.35%	1,867,050	108,873	86,648	1,671,529	192,600
MFA 85	12/02/24	4.98%	1,519,684	68,953	38,016	1,412,715	114,354
MFA 95	10/13/25	4.80%	1,687,063	82,040	30,238	1,574,785	117,264
MFA 99	10/19/26	4.75%	3,473,356	158,747	50,154	3,264,455	224,542
Total Water Capital Fund			10,812,099	574,791	336,012	9,901,296	931,370
Sewer Capital Fund							
Regional Sewer							
MFA 64	09/25/16	7.22%	273,085	37,794	48,831	186,460	90,228
MFA 66	11/05/17	4.76%	360,593	38,327	45,335	276,931	60,325
MFA 80	10/03/23	4.78%	3,407,866	166,334	104,607	3,136,925	299,475
MFA 95	10/13/25	4.80%	2,071,710	100,745	37,131	1,933,834	144,000
MFA 99	10/19/26	4.75%	188,098	8,597	2,716	176,785	12,160
MFA 102	12/01/27	4.82%	2,274,406	98,267	26,073	2,150,066	141,043
Total Sewer Capital Fund			8,575,758	450,064	264,693	7,861,001	747,231
Regional District Debenture Debt			\$ 26,432,067	\$ 1,547,532	\$ 1,126,785	\$ 23,757,751	\$ 2,578,911