

Financial Statements

Year ended December 31, 2017



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**Comox Valley Regional District
Elected and Appointed Officials
2017**

Board of Directors

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

Officials

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

Management's Responsibility for Financial Reporting

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

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

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

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

"B. Dunlop"

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

March 29, 2018

Independent Auditors' Report

To the Board of Directors of Comox Valley Regional District:

We have audited the accompanying financial statements of Comox Valley Regional District, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net financial assets 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 Comox Valley Regional District as at December 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

March 29, 2018

MNP LLP

Chartered Professional Accountants

**Comox Valley Regional District
Statement of Financial Position
As at December 31, 2017**

Statement I

	2017	2016
Financial Assets		
Cash	\$ 60,268,990	\$ 49,448,124
Portfolio investments (Note 1)	38,257,983	38,230,904
Receivables (Note 2)	3,749,176	3,376,280
Debt recoverable from member municipalities (Note 3)	15,299,179	17,246,275
Total Financial Assets	117,575,328	108,301,583
Liabilities		
Accounts payable and accrued liabilities (Note 4)	7,545,021	6,670,491
Restricted revenue (Note 5)	15,534,226	15,765,011
Deferred government transfers (Note 6)	2,498,249	-
Short-term debt (Note 7)	25,329,607	16,494,418
Long-term debt		
Member municipalities (Note 3)	15,299,179	17,246,275
Regional district - capital (Note 8 and Schedule 4)	14,203,940	16,705,068
Regional district - non-capital (Note 8 and Schedule 4)	1,769,477	2,078,490
Other liabilities	199,209	88,062
Provision for landfill closure and post closure (Note 9)	23,966,159	25,212,180
Total Liabilities	106,345,067	100,259,995
Net Financial Assets	11,230,261	8,041,588
Non-Financial Assets		
Prepaid expenses	798,470	212,570
Inventory of supplies	260,367	79,318
Tangible capital assets (Schedule 3)	122,335,638	107,091,575
Total Non-Financial Assets	123,394,475	107,383,463
Accumulated Surplus (Note 10)	\$ 134,624,736	\$ 115,425,051

Contingent Liabilities (Note 11)
Commitments (Note 19)

"B. Dunlop"

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

"B. Jolliffe"

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, 2017

	2017 Budget (Note 18)	2017 Actual	2016 Actual
Revenue			
Property taxes	\$ 30,227,714	\$ 30,344,621	\$ 26,789,163
Sales of services	10,686,488	11,365,517	10,039,798
Solid waste fees and other revenue	10,112,768	11,661,119	10,466,356
Contributions from others (Note 20)	2,157,365	3,823,431	2,358,520
Grants in lieu of taxes	215,024	490,227	451,936
Government transfers (Note 20)	3,033,026	2,686,337	1,333,243
Investment income	70,000	616,550	703,951
Loss on disposal of tangible capital assets	-	(129,477)	(101,767)
Total Revenue	<u>56,502,385</u>	<u>60,858,325</u>	<u>52,041,200</u>
Expenses			
General government services	6,583,031	4,415,931	4,531,706
Protective services	3,979,041	3,878,162	3,451,003
Transportation services	2,808,564	2,017,454	2,523,934
Environmental health services (Note 9)	22,291,624	19,070,606	13,618,302
Public health and welfare services	305,786	140,151	224,563
Environmental development services	3,118,446	2,873,763	2,809,810
Recreation and cultural services	9,389,692	9,262,573	9,206,799
Total Expenses	<u>48,476,184</u>	<u>41,658,640</u>	<u>36,366,117</u>
Annual Surplus	8,026,201	19,199,685	15,675,083
Accumulated Surplus, beginning of year	<u>115,425,051</u>	<u>115,425,051</u>	<u>99,749,968</u>
Accumulated Surplus, end of year	<u>\$ 123,451,252</u>	<u>\$ 134,624,736</u>	<u>\$ 115,425,051</u>

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

**Comox Valley Regional District
Statement of Change in Net Financial Assets
Year Ended December 31, 2017**

Statement III

	2017 Budget (Note 18)	2017 Actual	2016 Actual
Annual Surplus	\$ 8,026,201	\$ 19,199,685	\$ 15,675,083
Amortization of tangible capital assets	-	4,661,673	3,819,275
Acquisition of tangible capital assets	(41,097,509)	(20,081,204)	(12,631,969)
Acquisition of tangible capital assets from others (net)	-	(45,717)	(1,496,397)
Change in prepaid expenses	-	(585,900)	(14,366)
Change in inventory of supplies	-	(181,049)	(10,449)
Disposal of tangible capital assets	-	221,185	179,268
(Increase) decrease in Net Financial Assets	(33,071,308)	3,188,673	5,520,445
Net Financial Assets, beginning of year	8,041,588	8,041,588	2,521,143
Net Financial Assets (Net Debt), end of year	<u>\$ (25,029,720)</u>	<u>\$ 11,230,261</u>	<u>\$ 8,041,588</u>

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

**Comox Valley Regional District
Statement of Cash Flows
Year ended December 31, 2017**

Statement IV

	2017	2016
Operating Transactions		
Annual Surplus	\$ 19,199,685	\$ 15,675,083
Changes in non-cash operating balances		
Prepaid expenses	(585,900)	(14,366)
Inventory of supplies	(181,049)	(10,449)
Receivables	(372,896)	141,906
Accounts payable and accrued liabilities	874,531	2,027,521
Other liabilities	111,147	18,210
Restricted revenue	(230,784)	1,718,170
Deferred government transfers	2,498,249	-
Change in items not utilizing cash		
Amortization of tangible capital assets	4,661,673	3,819,275
Loss on disposal of tangible capital assets	129,477	101,767
Landfill closure and post closure allowance (Note 9)	(1,246,020)	(4,447,800)
Actuarial adjustment of debenture debt	(1,296,728)	(1,231,669)
Transfer of tangible capital assets from others	(45,717)	(1,496,397)
Cash Provided by Operating Transactions	23,515,668	16,301,251
Capital Transactions		
Acquisition of tangible capital assets	(20,081,204)	(12,631,969)
Proceeds from disposal of tangible capital assets	91,703	77,500
Cash Applied to Capital Transactions	(19,989,501)	(12,554,469)
Investment Transactions		
Cash Applied to Investment Transactions	(27,078)	(627,308)
Financing Transactions		
Long-term debt issued	-	-
Long-term debt repayments	(1,513,413)	(1,551,713)
Short-term debt issued	9,600,000	10,008,239
Short-term debt repayment	(764,810)	(1,726,160)
Cash Provided by Financing Transactions	7,321,777	6,730,366
Change in Cash	10,820,866	9,849,840
Cash, beginning of year	49,448,124	39,598,284
Cash, end of year	\$ 60,268,990	\$ 49,448,124

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, 2017

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) Portfolio Investments

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

c) Inventory

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

d) Financial Instruments

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

e) Non-financial Assets

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

f) Liability for Contaminated Sites

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

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

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

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2017**

g) Tangible Capital Assets

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

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

h) Accrued Employee Benefits

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

i) Post Employment Benefits

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

j) Government Transfers

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

k) Revenue Recognition

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

**Comox Valley Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2017**

l) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates are the determination of tangible capital assets, their useful life, provisions for contingencies, liability for contaminated sites and closure and post closure costs of the regional district's landfills. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2017**

1. Portfolio Investments

Portfolio investments include funds 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 2017 was approximately 0.4% (2016-1.35%). The term of the investments in the MFA pooled investment fund range up to 7 years.

2. Receivables

	2017	2016
Government of Canada	\$ 582,558	\$ 674,809
Province of British Columbia	188,615	78,487
Regional and local governments	1,091,929	1,192,282
Other trade receivables	1,886,074	1,430,702
	\$3,749,176	\$3,376,280

3. Debt Recoverable from Member Municipalities

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

	2017	2016
City of Courtenay	\$12,851,766	\$14,189,703
Town of Comox	428,261	932,801
Village of Cumberland	2,019,152	2,123,771
	\$15,299,179	\$17,246,275

4. Accounts Payable and Accrued Liabilities

	2017	2016
Government of Canada	\$ 106,525	\$ 99,667
Province of British Columbia	1,044,201	623,144
Regional and local governments	420,546	361,456
Accrued interest on long-term debenture debt	299,959	421,330
Other trade payables	5,673,790	5,164,894
	\$7,545,021	\$6,670,491

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:

	2017	2016
Developer contributions, opening balance	\$15,765,011	\$14,046,841
Contributions received during the year	1,024,350	1,897,065
Interest earned on developer contributions	117,832	165,414
Expended on capital projects during the year	(1,372,967)	(344,309)
Closing balance of unspent developer contributions	\$15,534,226	\$15,765,011

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2017**

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 for 30 years after final closure of the landfill sites which are planned between 2018 and 2027. Based on current estimates, remaining capacity of the five active landfills is between 1.4% and 98.7% (2016 estimates – 1% and 44%).

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, 2017, using the most recent closure plans and updated cost estimates for closure and post closure care, the regional district has estimated its liability for these costs at \$23,966,159 (2016 - \$25,212,180). 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 \$877,823 at December 31, 2017 (2016 - \$823,962).

The estimate for closure and post closure liability in these financial statements has been calculated based on consultants' estimates in their preparation of the closure plans for each of the landfills and estimated timing of closure projects. This estimate has changed from the prior year as closure design and post closure care components are finalized and as closure activities are undertaken and as closure timing is revised. This estimate, plus the current costs incurred for closure works, has resulted in a net reduction to landfill expenses of \$1,122,689 (2016 decrease - \$2,922,123). Landfill expenses are included in environmental health services expenses.

10. Accumulated Surplus

	2017	2016
Equity in tangible capital assets	\$ 82,902,394	\$ 73,861,003
Revenue Fund	6,908,771	7,957,336
Reserve Fund	41,797,693	30,541,376
Reserves for future expenditures	3,015,878	3,065,336
Accumulated Surplus, end of year	\$134,624,736	\$115,425,051

11. Contingent Liabilities

As at December 31, 2017, 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, 2017, the cash balance of the regional district's debt reserve funds was \$521,501 (2016 - \$809,985). Debt reserve funds are not recorded elsewhere in the financial statements.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2017**

13. North Island 9-1-1 Corporation

9-1-1 emergency answering and fire dispatch services for northern Vancouver Island, part of the Sunshine Coast are provided by the North Island 9-1-1 Corporation which is owned by the regional districts of Alberni-Clayoquot, Comox Valley, Mount Waddington, Nanaimo, 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 \$132,600 (2016 - \$130,000).

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 2017, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2016 - \$151,000).

15. Segmented Information

The Comox Valley Regional District is a diversified local government providing a wide range of services to approximately 66,527 residents, including parks, recreation centres, community halls, fire protection, water and wastewater services. As a requirement of the Local Government Act, separate financial records must be kept for each service providing detailed allocations of assets and liabilities, revenues and expenses, information concerning reserve funds and other pertinent financial details. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and also amounts that are allocated on a reasonable basis.

Segmentation has been determined on a functional basis with consideration to service delivery and departmental accountabilities. The following is a description of the types of services included in each of the main service segments of the regional district's financial statements. A detailed summary of the 2017 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, 2016. Prior year figures may have been reclassified to conform to current presentation.

General Government

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

Protective Services

Protective services include volunteer fire departments, search and rescue grants, emergency programs, 9-1-1 emergency answering service, building inspection and various bylaw compliance services.

Transportation

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

Environmental Health

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

Public Health and Welfare

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

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2017**

15. Segmented Information (continued)

Environmental Development

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

Recreation and Cultural

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

Water

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

Sewer

The regional district operates a secondary wastewater treatment facility on behalf of the City of Courtenay and the Town of Comox, including the operations of a bio-solids composting facility that retails a soil amendment branded as Skyrocket. 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 that apply to a number of its operations. These regulations may require future expenditures to meet applicable standards and subject the regional district to possible penalties for non-compliance. Amounts required to meet these obligations will be charged to operations when incurred and/or when they can be reasonably estimated.

17. Pension Liability

The regional district and its employees contribute to the Municipal Pension Plan, a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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

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

The regional district paid \$1,003,190 (2016 - \$891,606) for employer contributions while employees contributed \$883,383 (2016 - \$786,449) to the plan in fiscal 2017.

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

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

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2017**

18. Budget

The budget amounts presented throughout these financial statements represent the five year financial plan bylaw #467 adopted by the regional district board on March 28, 2017.

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 2017 adopted financial plan to the financial statement budget figures:

Financial plan bylaw, surplus for the year	\$ -
Add:	
Capital acquisitions	41,097,504
Debt principal payments	4,247,123
Budgeted transfers to reserves	12,649,328
Less:	
Debt proceeds	(14,478,862)
Budgeted transfers from reserves	(25,513,297)
Budgeted transfers from prior years' operating surpluses	(9,975,595)
	(9,975,595)
Budgeted Annual Surplus	\$ 8,026,201

19. Commitments

As at December 31, 2017, the regional district had the following significant commitments:

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 approximately \$2,185,798.

Comox Valley Economic Development Society – for core economic development services, destination marketing activities and operations of the Vancouver Island visitor centre. This five year agreement, which is effective until March 31, 2020, has a remaining commitment of \$2,648,925.

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

Wacor Holdings Ltd. – a contract awarded in 2017 for the construction of the Hudson trunk project in the amount of \$1,895,780, to be completed in mid-2018.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2017**

20. Community Works Funds

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

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

	<u>2017</u>	<u>2016</u>
Community Works Funds, opening balance	\$5,285,661	\$5,492,948
Add: Amounts received during the year and included in 'Government Transfers' revenue	1,011,166	998,026
Interest earned on funds	45,275	73,583
Amounts recovered from other organizations	316,561	
Less: Amounts allocated to projects during the year	(1,012,656)	(1,278,896)
Closing balance of unspent funds	<u>\$5,646,007</u>	<u>\$5,285,661</u>

21. Acquisition of Merville Fire Protection District

On June 15, 2017, per Order in Council #113/2017 issued by the province of British Columbia, the Merville Fire Protection District was dissolved and the assets, liabilities and operations of the improvement district, which provided fire protection service to residents in the rural area, were transferred to the Comox Valley Regional District and included as follows in these financial statements:

Cash and temporary investments	\$ 372,321
Accounts receivable	98,921
Accounts payable	(105,960)
Tangible capital assets (water tank infrastructure)	65,543
Less: Accumulated amortization	<u>(19,826)</u>
Contributions from Others revenue on the Statement of Operations	<u>\$ 410,999</u>

22. Comparative Figures

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

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

	General Revenue Fund						Water Fund	Sewer Fund	2017 Actual	2017 Budget	
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture			(Note 18)	
Revenue											
Taxation	\$ 1,859,780	\$ 3,862,571	\$ 2,069,867	\$ 4,839,987	\$ 282,981	\$ 3,092,942	\$ 9,002,421	\$ 443,653	\$ 5,380,646	\$ 30,834,848	\$ 30,442,738
Sales of services, fees and other revenue	174,514	571,108	699,808	9,950,307	250,000	154,222	2,755,365	7,607,235	864,077	23,026,636	20,799,256
Government grants and transfers	291,559	50,788	-	16,324	-	5,321	510,829	1,811,516	-	2,686,337	3,033,026
Contributions from others	204,261	420,605	-	-	-	-	199,417	763,806	2,235,342	3,823,431	2,157,365
Investment earnings	279,548	12,152	8,058	45,107	1,350	2,537	28,437	157,658	81,703	616,550	70,000
Gain/(loss) on disposal of capital assets	-	10,000	-	51,359	-	-	5,350	(205,388)	9,202	(129,477)	-
Total Revenue	2,809,662	4,927,224	2,777,733	14,903,084	534,331	3,255,022	12,501,819	10,578,480	8,570,970	60,858,325	56,502,385
Expenses											
Personnel costs	2,980,069	1,160,895	115,344	2,131,863	-	1,431,928	4,356,157	1,234,223	1,396,595	14,807,074	15,645,481
Grants	149,315	1,890,369	-	2,467,976	133,870	1,259,481	1,804,555	-	-	7,705,566	7,817,717
General goods and services	1,206,822	505,751	1,777,084	4,913,355	6,281	162,858	2,240,457	1,697,844	2,269,618	14,780,070	22,054,801
Debt charges	-	65,331	112,633	227,921	-	-	(294,563)	427,525	342,327	881,174	2,958,185
Amortization of tangible capital assets	79,725	255,816	12,393	1,000,291	-	19,496	1,155,967	1,196,549	941,436	4,661,673	-
Landfill closure/post closure allowance	-	-	-	(1,176,917)	-	-	-	-	-	(1,176,917)	-
Total Expenses	4,415,931	3,878,162	2,017,454	9,564,489	140,151	2,873,763	9,262,573	4,556,141	4,949,976	41,658,640	48,476,184
Annual Surplus (Deficit)	\$ (1,606,269)	\$ 1,049,062	\$ 760,279	\$ 5,338,595	\$ 394,180	\$ 381,259	\$ 3,239,246	\$ 6,022,339	\$ 3,620,994	\$ 19,199,685	\$ 8,026,201

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2016

	General Revenue Fund							Water Fund	Sewer Fund	2016 Actual	2016 Budget
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,683,263	\$ 3,433,386	\$ 1,962,915	\$ 2,711,543	\$ 283,474	\$ 2,952,786	\$ 8,710,009	\$ 429,926	\$ 5,073,797	\$ 27,241,099	\$ 27,060,978
Sales of services, fees and other revenue	211,708	426,573	656,595	9,617,109	-	134,996	2,163,442	6,608,614	687,117	20,506,154	19,587,494
Government grants and transfers	584,724	212,500	-	50,755	-	18,752	103,491	363,021	-	1,333,243	2,995,447
Capital contributions from others	-	35,892	-	-	-	-	822,232	1,011,348	489,048	2,358,520	1,115,712
Investment earnings	223,172	22,911	13,419	56,114	2,036	3,882	42,512	219,040	120,865	703,951	70,000
Gain/(loss) on disposal of capital assets	-	(25,178)	-	6,000	-	-	-	(129,089)	46,500	(101,767)	-
Total Revenue	2,702,867	4,106,084	2,632,929	12,441,521	285,510	3,110,416	11,841,686	8,502,860	6,417,327	52,041,200	50,829,631
Expenses											
Personnel costs	2,647,081	1,058,129	109,927	2,127,745	-	1,306,572	3,988,744	1,124,067	1,225,209	13,587,474	14,334,008
Grants	144,800	1,740,765	-	942,909	218,353	1,266,481	1,663,906	-	-	5,977,214	7,826,052
General goods and services	1,679,105	376,455	2,277,925	4,727,332	6,210	217,449	2,301,546	1,485,743	1,636,339	14,708,104	22,816,942
Debt charges	-	46,785	123,689	74,733	-	-	139,943	460,807	397,061	1,243,018	2,681,864
Amortization of tangible capital assets	60,720	228,869	12,393	339,195	-	19,308	1,112,660	1,155,571	890,559	3,819,275	-
Landfill closure/post closure allowance	-	-	-	(2,968,968)	-	-	-	-	-	(2,968,968)	-
Total Expenses	4,531,706	3,451,003	2,523,934	5,242,946	224,563	2,809,810	9,206,799	4,226,188	4,149,168	36,366,117	47,658,866
Annual Surplus (Deficit)	\$ (1,828,839)	\$ 655,081	\$ 108,995	\$ 7,198,575	\$ 60,947	\$ 300,606	\$ 2,634,887	\$ 4,276,672	\$ 2,268,159	\$ 15,675,083	\$ 3,170,765

Comox Valley Regional District
Schedule of Tangible Capital Assets
Year ended December 31, 2017

	Land and Improvements	Buildings and Improvements	Machinery Equipment Vehicles Fixtures	Water Infrastructure	Sewer Infrastructure	Capital Assets under Construction	2017	2016
Cost								
Balance, beginning	\$ 20,351,852	\$ 36,440,740	\$ 9,607,902	\$ 63,851,217	\$ 42,838,202	\$ 10,473,142	\$ 183,563,055	\$ 168,295,816
Add:								-
Additions	8,781,615	3,173,467	2,344,779	-	1,440,577	4,340,766	20,081,204	13,469,679
Transfer from local government	-	-	65,543	-	-	-	65,543	2,381,877
Less:								
Disposals	-	-	(370,605)	(514,367)	-	(5,150)	(890,122)	(584,317)
Balance, ending	29,133,467	39,614,207	11,647,619	63,336,850	44,278,779	14,808,758	202,819,680	183,563,055
Accumulated Amortization								
Balance, beginning	2,550,256	17,894,715	5,639,489	22,393,584	27,993,436	-	76,471,480	71,334,064
Add:								
Transfer from local government	-	-	19,826	-	-	-	19,826	1,723,192
Amortization	1,040,241	1,080,997	697,884	1,118,182	724,369	-	4,661,673	3,819,275
Less:								
Accumulated Amortization on disposals	-	-	(368,134)	(300,803)	-	-	(668,937)	(405,051)
Balance, ending	3,590,497	18,975,712	5,989,065	23,210,963	28,717,805	-	80,484,042	76,471,480
Net Book Value of Tangible Capital Assets	\$ 25,542,970	\$ 20,638,495	\$ 5,658,554	\$ 40,125,887	\$ 15,560,974	\$ 14,808,758	\$ 122,335,638	\$ 107,091,575

Comox Valley Regional District
Schedule of Long Term Debt
December 31, 2017

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%	\$ 719,277	\$ 48,434	\$ 20,938	\$ 649,905	\$ 63,240
CV Sports/Aquatic Centre							
MFA 65	04/24/17	5.14%	811,160	301,611	509,549	-	177,193
MFA 75	12/01/21	5.35%	129,802	11,300	12,191	106,311	19,989
CV Exhibition Grounds							
MFA 133	10/2/2023	2.40%	542,392	67,364	2,357	472,671	14,634
Total General Capital Fund			2,202,631	428,709	545,035	1,228,887	275,056
General Revenue Fund							
CV Airport Service							
MFA 80	10/03/23	5.45%	1,890,335	123,125	109,046	1,658,164	221,680
CV Track & Fields							
MFA 78	12/03/17	2.10%	40,004	20,205	19,799	-	8,454
MFA 85	12/02/19	2.00%	71,538	12,636	10,057	48,845	5,453
MFA 99	10/19/21	4.43%	76,612	9,556	4,589	62,467	3,348
Total General Revenue Fund			2,078,489	165,522	143,491	1,769,476	238,935
Water Capital Fund							
Black Creek/Oyster Bay Water							
MFA 112	10/06/30	3.73%	1,554,506	67,163	17,820	1,469,523	74,600
England Rd Water							
MFA 72	06/01/20	2.10%	32,365	3,827	3,738	24,800	2,424
Regional Water							
MFA 75	12/01/21	5.35%	1,250,671	108,873	117,467	1,024,331	192,600
MFA 85	12/02/24	5.45%	1,182,465	68,953	54,877	1,058,635	125,058
MFA 95	10/13/25	4.80%	1,333,733	89,809	38,824	1,205,100	117,264
MFA 99	10/19/26	4.75%	2,821,251	158,747	76,237	2,586,267	224,542
Total Water Capital Fund			8,174,991	497,372	308,963	7,368,656	736,488
Sewer Capital Fund							
Regional Sewer							
MFA 66	11/05/17	4.76%	96,849	38,326	58,523	-	51,068
MFA 80	10/03/23	5.45%	2,553,725	166,334	147,314	2,240,077	299,475
MFA 95	10/13/25	4.80%	1,637,822	110,285	47,676	1,479,861	144,000
MFA 99	10/19/26	4.75%	152,784	8,597	4,128	140,059	12,160
MFA 102	12/01/27	4.82%	1,886,268	98,268	41,598	1,746,402	134,862
Total Sewer Capital Fund			6,327,448	421,810	299,239	5,606,399	641,565
Regional District Debenture Debt			\$ 18,783,559	\$ 1,513,413	\$ 1,296,728	\$ 15,973,417	\$ 1,892,044