

Financial Statements

Year ended December 31, 2019



Comox Valley
REGIONAL DISTRICT

comoxvalleyrd.ca



**Comox Valley Regional District
Elected and Appointed Officials
2019**

Board of Directors

Town of Comox	K. Grant
Town of Comox	M. Swift
City of Courtenay	D. Frisch
City of Courtenay	D. Hillian
City of Courtenay	W. Morin/W. Cole-Hamilton
City of Courtenay	B. Wells (Chair to October 31, 2019)
Village of Cumberland	J. Ketter (Chair as of November 5, 2019)
Area A - Baynes Sound/Denman-Hornby	D. Arbour
Area B - Lazo North	A. Hamir
Area C - Puntledge - Black Creek	E. Grieve

Officials

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

**Comox Valley Regional District
Financial Statements
December 31, 2019**

Statement of Management's Responsibility for Financial Reporting

Independent Auditor's Report

Financial Statements

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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.

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.



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

March 2020

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Comox Valley Regional District (the "Regional District"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Courtenay, British Columbia

March 31, 2020

Chartered Professional Accountants

**Comox Valley Regional District
Statement of Financial Position
As at December 31, 2019**

Statement I

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash	\$ 55,452,790	\$ 34,918,442
Portfolio investments (Note 1)	40,077,106	58,941,283
Receivables (Note 2)	15,112,184	6,743,986
Security deposits	638,180	618,814
Debt recoverable from member municipalities (Note 3)	12,009,452	13,564,744
Total Financial Assets	<u>123,289,712</u>	<u>114,787,269</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	13,707,781	7,991,923
Restricted revenue (Note 5)	15,453,702	13,316,061
Deferred government transfers (Note 6)	2,294,122	2,400,558
Short-term debt (Note 7)	33,391,081	23,161,427
Long-term debt		
Member municipalities (Note 3)	12,009,452	13,564,744
Regional district - capital (Note 8 and Schedule 4)	10,809,168	12,542,313
Regional district - non-capital (Note 8 and Schedule 4)	1,190,875	1,487,161
Other liabilities	218,482	173,807
Provision for landfill closure and post closure (Note 9)	27,710,779	25,337,253
Total Liabilities	<u>116,785,442</u>	<u>99,975,247</u>
Net Financial Assets	<u>6,504,270</u>	<u>14,812,022</u>
Non-Financial Assets		
Prepaid expenses	913,583	795,608
Inventory of supplies	255,759	259,113
Tangible capital assets (Schedule 3)	171,144,750	138,787,942
Total Non-Financial Assets	<u>172,314,092</u>	<u>139,842,663</u>
Accumulated Surplus (Note 10)	<u><u>\$ 178,818,362</u></u>	<u><u>\$ 154,654,685</u></u>

Contingent Liabilities (Note 11)
Commitments (Note 19)
Subsequent Event (Note 22)

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

J. Ketler
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, 2019**

	2019 Budget (Note 18)	2019 Actual	2018 Actual
Revenue			
Property taxes	\$ 34,933,161	\$ 34,935,035	\$ 32,150,764
Sales of services	12,506,599	12,568,609	11,926,079
Solid waste fees and other revenue	10,514,291	11,148,554	11,651,231
Contributions from others (Note 5)	75,240	3,507,776	7,960,650
Grants in lieu of taxes	271,537	580,622	519,656
Government transfers (Note 20)	19,119,289	13,860,169	2,761,113
Investment income	130,000	1,945,009	1,472,068
Loss on disposal/write down of tangible capital assets	-	(61,075)	(551,655)
Total Revenue	<u>77,550,117</u>	<u>78,484,699</u>	<u>67,889,906</u>
Expenses			
General government services	7,799,988	5,404,595	4,771,638
Protective services	4,533,777	4,526,758	4,309,338
Transportation services	3,308,230	2,918,331	2,799,800
Environmental health services (Note 9)	23,381,186	27,403,481	22,630,218
Public health and welfare services	442,965	340,665	626,339
Environmental development services	3,486,571	3,368,312	3,051,763
Recreation and cultural services	9,842,464	10,358,880	9,670,861
Total Expenses	<u>52,795,181</u>	<u>54,321,022</u>	<u>47,859,957</u>
Annual Surplus	24,754,936	24,163,677	20,029,949
Accumulated Surplus, beginning of year	<u>154,654,685</u>	<u>154,654,685</u>	<u>134,624,736</u>
Accumulated Surplus, end of year	<u><u>\$ 179,409,621</u></u>	<u><u>\$ 178,818,362</u></u>	<u><u>\$ 154,654,685</u></u>

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

Comox Valley Regional District
Statement of Change in Net Financial Assets
Year Ended December 31, 2019

Statement III

	2019 Budget (Note 18)	2019 Actual	2018 Actual
Annual Surplus	\$ 24,754,936	\$ 24,163,677	\$ 20,029,949
Amortization of tangible capital assets	-	6,298,899	5,926,210
Acquisition of tangible capital assets	(57,509,441)	(38,716,782)	(22,957,169)
Change in prepaid expenses	-	(117,975)	2,862
Change in inventory of supplies	-	3,354	1,254
Disposal/write down of tangible capital assets	-	61,075	578,655
(Increase) decrease in Net Financial Assets	(32,754,505)	(8,307,752)	3,581,761
Net Financial Assets, beginning of year	14,812,022	14,812,022	11,230,261
Net Financial Assets (Net Debt), end of year	\$ (17,942,483)	\$ 6,504,270	\$ 14,812,022

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, 2019**

Statement IV

	<u>2019</u>	<u>2018</u>
Operating Transactions		
Annual Surplus	\$ 24,163,677	\$ 20,029,949
Changes in non-cash operating balances		
Prepaid expenses	(117,975)	2,862
Inventory of supplies	3,354	1,254
Receivables	(8,368,198)	(2,998,269)
Security deposits	(19,366)	(615,355)
Accounts payable and accrued liabilities	5,715,862	446,902
Other liabilities	44,675	(25,402)
Restricted revenue	2,137,641	(2,218,165)
Deferred government transfers	(106,436)	(97,691)
Change in items not utilizing cash		
Amortization of tangible capital assets	6,298,899	5,926,210
Loss on disposal/write down of tangible capital assets	61,075	551,655
Landfill closure and post closure allowance (Note 9)	2,373,522	1,371,094
Actuarial adjustment of debenture debt	(876,161)	(790,674)
Transfer of tangible capital assets from others	-	(390,450)
Cash Provided by Operating Transactions	<u>31,310,569</u>	<u>21,193,920</u>
Capital Transactions		
Acquisition of tangible capital assets	(38,716,782)	(22,566,717)
Proceeds from disposal of tangible capital assets	-	27,000
Cash Applied to Capital Transactions	<u>(38,716,782)</u>	<u>(22,539,717)</u>
Investment Transactions		
Cash Applied to Investment Transactions	<u>18,864,177</u>	<u>(20,683,300)</u>
Financing Transactions		
Long-term debt repayments	(1,153,270)	(1,153,271)
Short-term debt issued	10,434,307	-
Short-term debt repayment	(204,653)	(2,168,180)
Cash Provided by Financing Transactions	<u>9,076,384</u>	<u>(3,321,451)</u>
Change in Cash	<u>20,534,348</u>	<u>(25,350,548)</u>
Cash, beginning of year	<u>34,918,442</u>	<u>60,268,990</u>
Cash, end of year	<u>\$ 55,452,790</u>	<u>\$ 34,918,442</u>

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

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2019**

1. Portfolio Investments

Portfolio investments include funds invested in guaranteed investment certificates with a Canadian financial institution as well as with the Municipal Finance Authority (MFA) in money market, intermediate and bond funds. The investments are carried at market value which approximates cost. The net rate of return earned on the regional district's portfolio in 2019 was approximately 2.9 per cent (2018-1.8 per cent). The term of the investments in the MFA pooled investment fund range up to 7 years.

2. Receivables

	2019	2018
Government of Canada	\$ 1,109,908	\$ 915,020
Province of British Columbia	10,865,774	1,320,446
Regional and local governments	1,238,661	2,505,756
Other trade receivables	1,897,841	2,002,764
	<u>\$15,112,184</u>	<u>\$6,743,986</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 and the other member municipalities are contingently liable to the MFA for this debt.

	2019	2018
City of Courtenay	\$10,043,266	\$11,458,119
Town of Comox	146,780	185,388
Village of Cumberland	1,819,406	1,921,237
	<u>\$12,009,452</u>	<u>\$13,564,744</u>

4. Accounts Payable and Accrued Liabilities

	2019	2018
Government of Canada	\$ 8,257	\$ 7,040
Province of British Columbia	869,738	706,331
Regional and local governments	555,387	352,920
Accrued interest on long-term debenture debt	299,486	299,960
Other trade payables	11,974,913	6,625,672
	<u>\$13,707,781</u>	<u>\$7,991,923</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:

	2019	2018
Developer contributions, opening balance	\$13,316,061	\$15,534,226
Contributions received during the year	4,249,123	4,352,080
Interest earned on developer contributions	370,941	307,821
Expended on capital projects during the year	(2,482,423)	(6,878,066)
Closing balance of unspent developer contributions	<u>\$15,453,702</u>	<u>\$13,316,061</u>

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2019**

6. Deferred Government Transfers

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

	<u>2019</u>	<u>2018</u>
Clean Water Wastewater Fund		
Black Creek Oyster Bay water supply security project	\$ 127,642	\$ 127,642
New Build Canada Fund		
Comox Strathcona Waste Management, regional organics facility	2,166,480	2,272,916
	<u>\$2,294,122</u>	<u>\$2,400,558</u>

7. Short-Term Debt

Short-term debt consists of borrowing from the Municipal Finance Authority and the Royal Bank of Canada 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, 2019 was 2.58 per cent (December 31, 2018 – 2.80 per cent). Regular principal payments are not required but the loans must be repaid within five years of borrowing. Loan authorization bylaws are in place for some for the short-term debt which provides the authority for them to be converted to debenture debt.

	<u>2019</u>	<u>2018</u>
Black Creek Oyster Bay Fire – due 2020	\$ 63,574	\$ 92,960
Comox Valley Exhibition Grounds – due 2021	275,668	413,546
Comox Valley Recreation Complexes – due 2020	996,238	996,238
Fanny Bay Fire – due 2022	61,294	80,840
Hornby Island Refuse	-	17,843
Hornby Island Fire – due 2021	1,240,000	1,240,000
Solid Waste – Comox Valley closure – due 2020	8,045,000	6,045,000
Solid Waste – Comox Valley engineered landfill - due 2021	14,275,000	14,275,000
Solid Waste – Campbell River closure – due 2025	234,307	-
General Administration – regional office – due 2020	8,200,000	-
	<u>\$33,391,081</u>	<u>\$23,161,427</u>

Interest on the above short term debt recorded in the Statement of Operations in 2019 is \$608,444 (2018 – \$572,418).

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, are as follows:

2020	\$ 2,092,487
2021	2,175,493
2022	1,935,183
2023	2,018,609
2024	1,248,984
Future years including actuarial	2,529,288
Total	<u>\$12,000,043</u>

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2019**

8. Long-Term Debt (continued)

Interest on long-term debt recorded in the various function areas of the Statement of Operations in 2019 is \$1,586,307 (2018 - \$1,586,307) before consideration of actuarial adjustments.

9. Landfill Closure and Post-Closure Care Costs

The provincial Waste Management Act, as well as the B.C. Landfill Criteria for Municipal Solid Waste, sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. The Comox Valley Regional District is committed to ensuring that the six active landfills in its care are managed in a fiscally responsible manner, which has included setting aside funds to pay for landfill closure and post-closure activities in accordance with the Solid Waste Management Plan which was updated in 2012. Landfill closure and post-closure requirements have been defined in accordance with industry standards and remediation activities include final covering of the site, groundwater and surface water monitoring, maintenance of the drainage structure, site inspection and environmental monitoring. Post-closure care is estimated to continue for 30 years after final closure of the landfill sites which are planned between 2019 and 2027. Based on current estimates, remaining capacity of the six active landfills is between zero and 77 per cent (2018 estimates – .35 per cent and 92.5 per cent).

This requirement is being provided for based on a number of factors including the percentage of landfill capacity already filled, usage based on tipping fees and consultant estimates, the projected closure dates, the regulated monitoring period, the estimated annual management costs and a present value discount rate. As at December 31, 2019, 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 \$27,710,775 (2018 - \$25,337,253). 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 \$1,612,941 at December 31, 2019 (2018 - \$493,188).

The estimate for closure and post closure liability in these financial statements has been calculated based on consultants' estimates in their preparation of the closure plans for each of the landfills and estimated timing of closure projects. This estimate has changed from the prior year as closure design and post closure care components are finalized and as closure activities are undertaken and as closure timing is revised. The 2019 increase in estimate of \$2,373,522, plus the current costs incurred \$1,935,529 for closure works, has resulted in a total increase to landfill expenses of \$4,309,051 (2018 increase \$1,856,394). Landfill expenses are included in environmental health services expenses.

10. Accumulated Surplus

	2019	2018
Equity in tangible capital assets	\$126,747,146	\$102,477,648
Revenue Fund	4,630,109	5,373,514
Reserve Fund	44,875,529	43,964,267
Reserves for future expenditures	2,565,578	2,839,256
Accumulated Surplus, end of year	\$178,818,362	\$154,654,685

11. Contingent Liabilities

As at December 31, 2019, 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, 2019, the cash balance of the regional district's debt reserve funds was \$540,769 (2018 - \$532,847). Debt reserve funds are not recorded elsewhere in the financial statements.

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2019**

13. North Island 9-1-1 Corporation

9-1-1 emergency answering and fire dispatch services for northern Vancouver Island, part of the Sunshine Coast are provided by the North Island 9-1-1 Corporation which is owned by the regional districts of Alberni-Clayoquot, Comox Valley, Mount Waddington, Nanaimo, qathet and Strathcona. The Comox Valley Regional District owns six of the 21 issued shares in the corporation which are recorded at cost.

During the year, administrative support services supplied to the North Island 9-1-1 Corporation by the Comox Valley Regional District totaled \$132,600 (2018 - \$132,600).

14. Comox-Strathcona Regional Hospital District

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

During the year, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2018 - \$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 2019 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, 2018. 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, 2019**

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 a water service area within the electoral areas of the regional district. The regional district distributes water to the residents of a total of four rural water service areas.

Sewer

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

16. Environmental Regulations

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

17. Pension Liability

The regional district and its employees contribute to the Municipal Pension Plan, a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the Plan had about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local governments.

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

The most recent actuarial valuation for the Municipal Pension Plan, as of December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The regional district paid \$1,148,556 (2018 - \$1,072,546) for employer contributions while employees contributed \$1,017,487 (2018 - \$950,079) to the plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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, 2019**

18. Budget

The budget amounts presented throughout these financial statements represent the five year financial plan bylaw #577 adopted by the regional district board on March 21, 2019.

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 2019 adopted financial plan to the financial statement budget figures:

Financial plan bylaw, surplus for the year	\$ -
Add:	
Capital acquisitions	57,509,441
Debt principal payments	1,357,924
Budgeted transfers to reserves	16,287,759
Less:	
Debt proceeds	(14,008,741)
Budgeted transfers from reserves	(30,006,815)
Budgeted transfers from prior years' operating surpluses	(6,384,632)
Budgeted Annual Surplus	<u>\$ 24,754,936</u>

19. Commitments

As at December 31, 2019, the regional district had the following significant commitments:

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

Aecon Water Infrastructure – design-build contract for the design and construction of the water treatment project, with completion expected in 2021. Outstanding commitment as at December 31, 2019 was \$95,620,912.

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 outstanding commitment of the agreement, which expires July 1, 2024, is approximately \$7,488,210.

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:

	2019	2018
Community Works Funds, opening balance	\$ 6,151,090	\$ 5,646,007
Add: Amounts received during the year and included in 'Government Transfers' revenue	2,074,960	1,045,507
Interest earned on funds	183,487	116,790
Less: Amounts allocated to projects during the year	(617,285)	(657,214)
Closing balance of unspent funds	<u>\$7,792,252</u>	<u>\$6,151,090</u>

**Comox Valley Regional District
Notes to Financial Statements
Year ended December 31, 2019**

21. Comparative Figures

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

22. Subsequent Event

In March 2020, the COVID-19 outbreak has caused governments worldwide to enact emergency measures to combat the spread of the coronavirus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on the local and global economies.

At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the regional district's financial results for 2020.

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2019

	General Revenue Fund							Water Fund	Sewer Fund	2019 Actual	2019 Budget (Note 18)
	General Government	Protective Services	Transportation	Environmental Health	Public Health	Environmental Development	Recreation & Culture				
Revenue											
Taxation	\$ 1,962,340	\$ 4,371,759	\$ 2,453,212	\$ 6,850,230	\$ 366,275	\$ 3,486,156	\$ 9,256,953	\$ 570,979	\$ 6,197,753	\$ 35,515,657	\$ 35,204,698
Sales of services, fees and other revenue	314,485	713,153	878,058	10,194,696	-	163,727	2,249,399	8,165,361	1,038,284	23,717,163	23,020,890
Government grants and transfers	2,455,301	41,374	-	110,351	-	225,861	24,000	11,003,282	-	13,860,169	19,119,289
Contributions from others	-	34,821	-	-	-	-	-	3,464,886	8,069	3,507,776	75,240
Investment earnings	359,162	65,739	19,755	411,669	6,880	14,497	154,988	673,430	238,889	1,945,009	130,000
Gain/(loss) on disposal of capital assets	(24,804)	(29,589)	-	(6,682)	-	-	-	-	-	(61,075)	-
Total Revenue	5,066,484	5,197,257	3,351,025	17,560,264	373,155	3,890,241	11,685,340	23,877,938	7,482,995	78,484,699	77,550,117
Expenses											
Personnel costs	3,359,051	1,497,287	142,303	2,663,152	-	1,460,102	4,847,077	1,473,693	1,553,836	16,996,501	18,060,636
Grants	179,150	2,100,561	-	918,711	333,200	1,359,658	1,886,170	-	-	6,777,450	6,937,159
General goods and services	1,735,680	520,521	2,674,799	5,320,321	7,465	533,411	2,525,867	3,337,329	1,942,780	18,598,173	21,800,298
Debt charges	29,069	72,226	88,836	511,357	-	-	36,818	355,376	224,908	1,318,590	2,401,752
Transfer to other local government	-	-	-	-	-	-	-	22,358	-	22,358	236,033
Amortization of tangible capital assets	101,645	336,163	12,393	2,041,289	-	15,141	1,062,948	1,315,926	1,413,394	6,298,899	-
Landfill closure/post closure allowance	-	-	-	4,309,051	-	-	-	-	-	4,309,051	3,359,303
Total Expenses	5,404,595	4,526,758	2,918,331	15,763,881	340,665	3,368,312	10,358,880	6,504,682	5,134,918	54,321,022	52,795,181
Annual Surplus (Deficit)	\$ (338,111)	\$ 670,499	\$ 432,694	\$ 1,796,383	\$ 32,490	\$ 521,929	\$ 1,326,460	\$ 17,373,256	\$ 2,348,077	\$ 24,163,677	\$ 24,754,936

Comox Valley Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2018

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

Comox Valley Regional District
Schedule of Tangible Capital Assets
Year ended December 31, 2019

	Land and Improvements	Buildings and Improvements	Machinery Equipment Vehicles Fixtures	Water Infrastructure	Sewer Infrastructure	Capital Assets under Construction	2019	2018
Cost								
Balance, beginning	\$ 36,151,319	\$ 41,198,089	\$ 15,654,747	\$ 64,546,297	\$ 54,995,880	\$ 12,200,978	\$ 224,747,310	\$ 202,819,680
Add:								-
Additions	2,094,453	14,944,126	2,136,247	1,713,417	4,828,495	20,853,891	46,570,629	34,600,356
Less:								
Disposals / Write downs	(26,730)	(537,310)	(528,492)	-	-	(29,588)	(1,122,120)	(1,029,539)
Projects completed in year	-	-	-	-	-	(7,853,847)	(7,853,847)	(11,643,187)
Balance, ending	38,219,042	55,604,905	17,262,502	66,259,714	59,824,375	25,171,434	262,341,972	224,747,310
Accumulated Amortization								
Balance, beginning	5,293,726	20,044,543	6,510,370	24,330,227	29,780,502	-	85,959,368	80,484,042
Add:								
Amortization	1,894,759	1,054,674	1,009,707	1,200,940	1,138,819	-	6,298,899	5,926,210
Less:								
Accumulated Amortization on disposals	(20,047)	-	(537,310)	(503,688)	-	-	(1,061,045)	(450,884)
Balance, ending	7,168,438	21,099,217	6,982,767	25,027,479	30,919,321	-	91,197,222	85,959,368
Net Book Value of Tangible Capital Assets	\$ 31,050,604	\$ 34,505,688	\$ 10,279,735	\$ 41,232,235	\$ 28,905,054	\$ 25,171,434	\$ 171,144,750	\$ 138,787,942

Comox Valley Regional District
Schedule of Long Term Debt
December 31, 2019

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%	\$ 578,105	\$ 48,434	\$ 25,879	\$ 503,793	\$ 63,240
CV Sports/Aquatic Centre							
MFA 75	12/01/21	5.35%	81,645	11,299	14,599	55,747	19,989
CV Exhibition Grounds							
MFA 133	10/2/2023	2.40%	400,509	67,364	7,324	325,821	14,634
Total General Capital Fund			1,060,259	127,097	47,802	885,361	97,863
General Revenue Fund							
CV Airport Service							
MFA 80	10/03/23	5.45%	1,414,385	123,125	132,843	1,158,417	221,680
CV Track & Fields							
MFA 85	12/02/19	2.00%	25,018	12,636	12,382	-	5,453
MFA 99	10/19/21	1.75%	47,756	9,556	5,743	32,458	3,348
Total General Revenue Fund			1,487,159	145,317	150,968	1,190,875	230,481
Water Capital Fund							
Black Creek/Oyster Bay Water							
MFA 112	10/06/30	3.73%	1,381,141	67,164	24,754	1,289,222	74,600
England Rd Water							
MFA 72	06/01/20	1.67%	16,894	3,827	4,435	8,633	2,176
Regional Water							
MFA 75	12/01/21	5.35%	786,675	108,873	140,666	537,134	192,600
MFA 85	12/02/24	5.45%	928,614	68,953	67,569	792,092	125,058
MFA 95	10/13/25	4.80%	1,071,964	89,809	47,986	934,169	117,264
MFA 99	10/19/26	4.75%	2,341,883	158,747	95,412	2,087,724	224,542
Total Water Capital Fund			6,527,171	497,373	380,823	5,648,973	736,240
Sewer Capital Fund							
Regional Sewer							
MFA 80	10/03/23	5.45%	1,910,747	166,334	179,463	1,564,950	299,475
MFA 95	10/13/25	4.80%	1,316,371	110,285	58,927	1,147,158	144,000
MFA 99	10/19/26	4.75%	126,824	8,597	5,167	113,060	12,160
MFA 102	12/01/27	2.25%	1,600,942	98,268	53,011	1,449,665	65,840
Total Sewer Capital Fund			4,954,884	383,484	296,568	4,274,833	521,475
Regional District Debenture Debt			\$ 14,029,472	\$ 1,153,270	\$ 876,161	\$ 12,000,043	\$ 1,586,059