



Consolidated Financial Statements

**Year Ended
December 31, 2012**



TOWN OF COMOX

Index to Consolidated Financial Statements

Year Ended December 31, 2012

Management's Responsibility for Financial Reporting

Auditors' Report

Statements

1. Consolidated Statement of Financial Position
2. Consolidated Statement of Operations
3. Consolidated Statement of Change in Net Financial Assets
4. Consolidated Statement of Cash Flows

Notes to the consolidated Financial Statements

Supplemental Schedules

1. Schedule of Expenses by Object (Type)
2. Schedule of Continuity of Reserve Funds
3. Schedule of Deferred Revenue Continuity
4. Continuity of Equity in Tangible Capital Assets
5. Schedule of Tangible Capital Assets
6. Schedule of Operations by Segment (2012)
7. Schedule of Operations by Segment (2011)



TOWN OF COMOX

Management's Responsibility for Financial Reporting

The preparation of information in these Consolidated Financial Statements is the responsibility of management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted for British Columbia municipalities 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 accounting 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.

MNP LLP, the Town'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.

A handwritten signature in black ink, appearing to read "Jacquest", written over a horizontal line.

Donald Jacquest
Director of Finance

Independent Auditors' Report

To the Mayor and Council of the Town of Comox:

We have audited the accompanying consolidated financial statements of the Town of Comox, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations, change in net financial assets, cash flows and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2012, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Courtenay, British Columbia

April 17, 2013

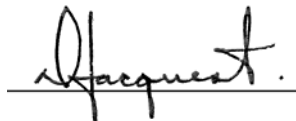


Chartered Accountants

Town of Comox
Consolidated Statement of Financial Position
as at December 31, 2012

Statement 1

	2012	2011
Financial Assets		
Cash	\$ 4,300,416	\$ 4,925,943
Short-term investments (Note 2b)	16,319,913	12,520,271
Receivables (Note 4)	1,258,017	1,828,354
Inventory for resale	9,847	11,402
	21,888,193	19,285,970
Financial Liabilities		
Payables (Note 5)	3,049,855	3,630,039
Deferred revenue (Schedule 3)	8,320,861	7,540,321
Net debenture debt (Note 6)	3,024,380	3,569,498
Performance deposits and bonds	1,200,301	871,081
	15,595,397	15,610,939
Net Financial Assets	6,292,796	3,675,031
Contingent liabilities (Note 7)		
Non Financial Assets		
Tangible capital assets (Schedule 5)	77,233,952	78,074,765
Supply inventory	191,280	194,122
Prepaid expenses	62,921	55,336
Shares in Courtenay Golf Club Ltd.	8,750	8,750
	77,496,903	78,332,973
Accumulated Surplus (Note 16)	\$ 83,789,699	\$ 82,008,004



Donald Jacquest, Director of Finance, responsible for financial administration for the Town of Comox.

The accompanying notes are an integral part of the consolidated financial statements.

Town of Comox
Consolidated Statement of Operations
Year Ended December 31, 2012

Statement 2

	2012 Budget unaudited - Note 15	2012	2011
Revenue			
Property valuation taxes	\$ 7,021,605	\$ 7,006,175	\$ 6,780,828
Parcel taxes	604,446	624,352	583,826
Payments in lieu of taxes (Federal & Provincial)	1,305,498	1,347,927	1,836,673
Revenue from Taxation	<u>8,931,549</u>	<u>8,978,454</u>	<u>9,201,327</u>
Utility fees	4,831,886	4,866,735	4,668,487
Other sales of services	1,730,528	2,000,990	1,724,623
Licenses, permits and planning fees	279,250	223,880	280,388
Development Cost Charges used for capital expenditures	900,693	480,432	1,331,944
Tangible capital assets contributed through development	-	-	1,712,783
Donations	49,000	61,484	12,744
Investment income	150,000	191,188	360,780
Interest and penalties on taxes and utilities	76,000	79,837	75,248
Actuarial earnings on debenture sinking fund	-	94,840	77,184
Rentals	138,417	148,732	146,952
Other	15,700	24,795	65,596
Unconditional transfers from governments and agencies	568,667	568,737	536,566
Conditional transfers from governments and agencies	680,385	281,354	2,647,409
	<u>18,352,075</u>	<u>18,001,458</u>	<u>22,842,032</u>
Expenses			
General government	1,379,794	1,272,968	1,294,174
Protective services	2,736,055	2,718,833	2,614,160
Transportation	1,468,918	2,740,038	3,572,690
Garbage and recycling services	1,013,025	1,010,005	901,450
Development services	507,143	414,424	438,686
Marina	130,902	182,856	190,466
Recreation, parks, and culture	3,305,426	3,846,225	3,591,364
Water services	2,022,762	2,198,505	1,898,182
Sewer services	1,680,111	1,835,909	1,759,995
	<u>14,244,136</u>	<u>16,219,763</u>	<u>16,261,167</u>
Surplus for the year	<u>\$ 4,107,939</u>	<u>\$ 1,781,695</u>	<u>\$ 6,580,865</u>
Accumulated surplus at start of year		<u>\$ 82,008,004</u>	<u>\$ 75,427,139</u>
Accumulated surplus at end of the year		<u>\$ 83,789,699</u>	<u>\$ 82,008,004</u>

The accompanying notes are an integral part of the consolidated financial statements.

Town of Comox
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2012

Statement 3

	2012 Budget unaudited - Note 15	2012	2011
Surplus for the year (Statement 2)	\$ 4,107,939	\$ 1,781,695	\$ 6,580,865
Tangible capital assets acquired through development	-	-	(1,712,783)
Acquisition of tangible capital assets	3,644,910	(1,672,422)	(6,106,977)
Amortization of tangible capital assets	-	2,513,236	2,340,115
Write-downs of tangible capital assets	-	-	24,174
Increase in prepaid expenses	-	(7,586)	(6,292)
Decrease in supply inventory	-	2,842	60,702
	<hr/>	<hr/>	<hr/>
Increase in Net Financial Assets	7,752,849	2,617,765	1,179,804
Net Financial Assets at beginning of year	<hr/> 3,675,031	<hr/> 3,675,031	<hr/> 2,495,227
Net Financial Assets at end of year (Statement 1)	<hr/> \$ 11,427,880	<hr/> \$ 6,292,796	<hr/> \$ 3,675,031

The accompanying notes are an integral part of the consolidated financial statements.

Town of Comox
Consolidated Statement of Cash Flows
as at December 31, 2012

Statement 4

	2012	2011
Net inflow (outflow) of cash related to the following activities:		
Operating Activities		
Surplus for the year (Statement 2)	\$ 1,781,695	\$ 6,580,865
Non-cash items included in operations:		
Contribution from developers	-	(1,712,783)
Amortization of tangible capital assets	2,513,236	2,340,115
Write-off of tangible capital assets replaced	-	24,174
Net changes to financial assets & liabilities through operations:		
Increase in / decrease in receivables	570,337	(21,751)
Increase in / decrease in inventory for resale	1,555	(738)
Increase in / decrease in payables	(580,184)	(446,448)
Increase in / decrease in deferred revenue	780,540	(541,569)
Increase in / decrease in performance deposits and bonds	329,220	(93,757)
Increase in / decrease in reserve account	-	(11,957)
Increase in / decrease in supply inventory	2,842	60,702
Increase in / decrease in prepaid expenses	(7,586)	(6,292)
	5,391,655	6,170,561
Investing Activities		
Short-term investing	(3,799,643)	2,324,934
Acquisition of tangible capital assets	(1,672,422)	(6,106,977)
	(5,472,065)	(3,782,043)
Financing Activities		
Debenture debt issued	-	1,000,000
Debenture principal repaid	(450,277)	(323,667)
Actuarial increase in debenture sinking funds	(94,840)	(77,184)
Other long-term debt repayments	-	(1,000)
	(545,117)	598,149
Increase (decrease) in cash	(625,527)	2,986,667
Cash at beginning of year	4,925,943	1,939,276
Cash at end of year (Statement 1)	\$ 4,300,416	\$ 4,925,943
Interest paid	\$ 295,509	\$ 300,765
Interest received	\$ 301,722	\$ 360,780

The accompanying notes are an integral part of the consolidated financial statements.

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

1. PURPOSE

The Town of Comox was incorporated in 1946 to provide municipal services to its residents, and is governed by the Community Charter and the Local Government Act of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) British Columbia Municipalities

It is the policy of the Town to follow accounting principles generally accepted for British Columbia municipalities and to apply such principles consistently. As part of this policy, the resources and operation of the Town 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 consolidated financial statements are prepared in accordance with recommendations of the Public Sector Accounting Board (PSAB). The consolidated financial statements include the financial position, financial operations, change in net financial assets, and change in cash flows of the one economic entity of the Town of Comox. Inter-fund transactions and fund balances have been eliminated on consolidation.

(b) Short-term Investments

Investments are comprised of various investment funds of the Municipal Finance Authority of BC and the Bank of Nova Scotia. The investment funds have fluctuating returns and are carried at the lower of cost and market value. The Guaranteed Investment Certificate yields 1.36% and matures January 16, 2013.

Short-term Investments	2012	2011
Municipal Finance Authority of BC Funds:		
Short-term Bond Fund	\$ 15,016	\$ 14,663
Intermediate Bond Fund	2,134,787	1,414,772
Money Market Fund	<u>16,795</u>	<u>16,618</u>
	<u>2,166,598</u>	<u>1,446,053</u>
Scotia Guaranteed Investment Certificate	<u>3,772,915</u>	<u>-</u>
Scotia Asset Management Funds:		
Cash	404	7,041
Scotia Short-Mid Government Bond Fund	<u>10,379,996</u>	<u>11,067,177</u>
	<u>10,380,400</u>	<u>11,074,218</u>
	<u>\$ 16,319,913</u>	<u>\$ 12,520,271</u>

(c) Trust Fund

A Town-administered trust fund has been excluded from the financial statements. The balance in the fund was \$71,328 at December 31, 2012 (\$69,649 in 2011). It was invested in the MFA Short-term Bond Fund in 2012 and 2011. The only transactions in the fund were interest earned (\$1,679 in 2012 and \$2,510 in 2011).

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Tangible Capital Assets

Tangible capital assets are recorded at cost, net of disposals, write-downs and amortization. Acquisitions exceeding the capitalization thresholds are capitalized. The Town records certain infrastructure assets as one network without breaking down the asset into component parts.

Expenditures to replace components of such a network are expensed as incurred. Amortization is calculated straight line over the estimated life of the class of assets. Amortization is not taken until the asset is in use, and is taken at one-half of normal rate in that first year. Repairs and maintenance are not capitalized, but are expensed in the period in which they occur. Betterments which enhance the asset life or capacity are capitalized.

Major Asset Category:	Threshold	Estimated Life	Amortization Rate
Land	None	Indefinite	None
Land improvements	\$10,000	25 years	4%
Buildings	\$10,000	50 years	2%
Vehicles, Machinery and Equipment	\$10,000	8 to 20 years	5% to 12.5%
Computers and programs	\$10,000	5 years	20%
Engineered Structures:			
Road surfaces	\$10,000	25 years	4%
Road sub-surfaces	\$10,000	50 years	2%
Sidewalks	\$10,000	50 years	2%
Storm drains surface	\$10,000	25 years	4%
Storm drains sub-surf.	\$10,000	75 years	1.3333%
Water	\$10,000	75 years	1.3333%
Sewer	\$10,000	75 years	1.3333%
Other surface structures	\$10,000	25 years	4%

(e) Accrued Payroll Benefits

- Earned but unpaid vacation is fully accrued and recorded in the financial statements.
- An accrual is made for expected payments of employee sick leave, meritorious service payout on retirement, disability or death, and termination pay discounted from expected future values to net present value at December 31, 2012.

(f) Inventory

Inventory for resale is recorded at the lower of cost or market value as a financial asset. Inventory of supplies are recorded at the average cost as a non-financial asset.

(g) Revenue Recognition

Property tax revenues are recognized in the year they are levied. Interest and operating grants are recognized as earned. Capital grants are recognized when the related acquisition occurs. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable. User fees, garbage collection and disposal 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 deferred and recognized as revenue in the year an acquisition authorized by bylaw is incurred. Contributed parcels of land are valued at fair market value at the date of contribution. Contributed tangible capital assets are recorded at fair market value.

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 estimated life of tangible capital assets (used to establish amortization), determination of employee benefit obligations, collectability of accounts receivable and provisions for contingencies. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

(i) Funds

The financial operations of the Town of Comox are divided into seven funds: General Operating Fund, General Capital Fund, Reserve Fund, Water Operating Fund, Water Capital Fund, Sewer Operating Fund and Sewer Capital Fund. Functionally, the Water and Sewer Funds are used for the services of distribution of potable water and collection and treatment of sanitary sewage respectively. The General Operating Fund is used for all other Town services. Capital Funds (General, Water and Sewer are used to segregate tangible capital assets and related debt). All revenue and expenses for services are recognized in the operating funds. The Reserve Fund is used to segregate capital and other statutory reserves.

3. RECENT ACCOUNTING PRONOUNCEMENTS

(a) Tax Revenue

In February 2010, the Public Sector Accounting Board (PSAB) issued PS 3510 *Tax Revenue* to provide guidance on how to account for and report tax revenue in Municipality financial statements. This section establishes recognition, measurement, presentation and disclosure requirements for tax revenue. PS 3510 is effective for fiscal years beginning on or after April 1, 2012. The Town does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

(b) Liability for Contaminated Sites

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements.

PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The Town has not yet determined the effect of the new section on its consolidated financial statements.

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

(c) Government Transfers

In March 2011, the Public Sector Accounting Board replaced and revised existing section PS 3410 *Government Transfers* with a newly amended section PS 3410. Newly issued PS 3410 establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section permits a recipient government to recognize government transfers as revenue when the transfer is authorized by the transferring government, unless the transfer creates a liability for the recipient. A liability is created as a result of the recipient government not yet meeting eligibility criteria or the existence of stipulations in the transfer agreement. When a government transfer results in recognition of a liability, revenue is recognized by a recipient government as the liability is settled. A transferring government recognizes an expense when the transfer is authorized and the recipient has met all eligibility criteria. Newly revised and issued PS 3410 may be applied prospectively or retroactively and is effective for fiscal years beginning on or after April 1, 2012; however, earlier adoption is encouraged. PS 3410 will be applied prospectively and the Town does not expect the adoption of the newly issued section to have a material impact on its consolidated financial statements.

4. RECEIVABLES

Receivables are composed of the following amounts:

Due from:	2012	2011
Employees	\$ 452	\$ 528
Governments	334,532	758,153
Developers for DCC Installments	139,956	279,912
Others	<u>783,077</u>	<u>789,761</u>
Total receivables	<u>\$ 1,258,017</u>	<u>\$ 1,828,354</u>

5. PAYABLES

Payables are composed of the following amounts:

Due to:	2012	2011
Employees (payroll earned to year end)	\$ 140,794	\$ 114,461
Employees (accruals for vacation and post-employment benefits)	716,743	664,083
Governments	1,883,777	2,445,463
Others	<u>308,541</u>	<u>406,032</u>
Total payables	<u>\$ 3,049,855</u>	<u>\$ 3,630,039</u>

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

6. DEBENTURES ISSUED FOR THE TOWN

The Town's debenture debt arises from participation in debenture issues by the Municipal Finance Authority (MFA) of B.C. These are sinking-fund type debentures with various terms and interest rates. The outstanding debt reported is the original amount borrowed less the actuarial value of the sinking fund, including interest. The outstanding debentures at December 31, 2012 are:

Issued	Purposes of Borrowing	Terms	Interest Rates	Amount Borrowed	Sinking Fund	Net Owing	Debt Reserve	Promissory Note
May 1993	Recreation Centre Expansion	20 years	8.50%	\$ 800,000	\$ 738,863	\$ 61,137	\$ 24,758	\$ 38,097
April 2004	Kye Bay Water & Sewer System	19 years	4.86%	317,250	99,200	218,050	4,382	9,731
Oct. 2004	Downtown Revitalization	14 years	4.975%	475,000	231,436	243,564	6,449	19,272
Oct. 2004	Brooklyn Creek Storm Drain	10 years	4.975%	566,666	430,212	136,454	7,693	31,102
Oct. 2005	Brooklyn Creek Storm Drain	10 years	4.17%	79,243	52,130	27,113	1,033	4,160
Apr. 2008	Library	9 years	4.65%	2,100,000	842,648	1,257,352	24,500	127,042
Apr. 2008	Pt. Holmes Water	14 years	4.65%	270,000	62,680	207,320	3,150	10,958
Apr. 2011	Comox Rec. Center	7 years	4.20%	<u>1,000,000</u>	<u>126,610</u>	<u>873,390</u>	<u>10,574</u>	<u>74,305</u>
Totals at December 31, 2012				<u>\$ 5,608,159</u>	<u>\$ 2,583,779</u>	<u>\$ 3,024,380</u>	<u>\$ 82,539</u>	<u>\$ 314,667</u>
Totals at December 31, 2011				<u>\$ 5,608,159</u>	<u>\$ 2,038,661</u>	<u>\$ 3,569,498</u>	<u>\$ 80,119</u>	<u>\$ 314,667</u>

Scheduled Payments and net balances for the above issues over the next five years are:

Year	Scheduled Annual Payments			Sinking Fund	Net Debt
	Principal	Interest	Total	Actuarial Earnings	Outstanding
2013	450,277	256,751	707,028	118,349	2,455,754
2014	426,083	222,751	648,834	102,882	1,926,789
2015	381,030	194,560	575,590	96,943	1,448,816
2016	374,430	191,256	565,686	113,457	960,929
2017	374,430	142,431	516,861	133,565	452,934

At the time the debentures were issued, the MFA deposited 1% of the amount borrowed to its Debt Reserve Fund. This is managed by the MFA and used to secure the debenture issue as a whole (see Note 7 Contingent Liabilities). Once the MFA has repaid the debenture issue, the Town is entitled to the proceeds of its share of the Debt Reserve Fund, including accrued interest.

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

7. CONTINGENT LIABILITIES

- (a) **Regional District Debt**
Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the Regional District and each member municipality within the Regional District, including the Town of Comox. At December 31, 2012 the Comox Valley Regional District had net debt of \$46,027,817 owing (\$53,544,139 at December 31, 2011) (\$87,282,656 net of \$41,254,839 sinking funds in 2012; \$81,972,656 net of \$28,428,514 sinking funds in 2011) including debentures issued for the Town of Comox (Note 6), the City of Courtenay and the Village of Cumberland.
- (b) **Municipal Finance Authority Debentures**
The Town is also contingently liable to the Municipal Finance Authority (MFA) of B.C. for a Debt Reserve Fund, to help secure its participation MFA Debentures (see Note 6). The MFA has the right, if one or more participants in that issue default, to draw upon the Town's share of the Debt Reserve Fund (\$82,539 at December 31, 2012; \$80,119 in 2011), plus Promissory Notes issued by the Town at the time of issue (\$314,667 at December 31, 2012; \$314,667 in 2011).
- (c) **Comox Fire Department**
The Comox Fire Department protects both the Town of Comox and the Comox Rural Fire Protection Improvement District, and so is jointly funded by the Town and the District. In the event that this relationship ended, the Town would have to compensate the District for its share of the equity of Fire Department assets. At December 31, 2012 the District's share of those tangible capital assets (at cost and net book value) were \$854,809 and \$451,304 respectively (\$829,576 and \$462,260 in 2011) and its share of a Fire Department Capital Reserve was \$42,102 (\$30,123 in 2011).
- (d) **Claims**
At December 31st there existed outstanding claims against the Town. These claims have been referred to legal counsel and to the Town's liability insurers. It is not possible to determine the Town's potential liability, if any, with respect to these matters.
- (e) **Municipal Insurance Association of BC**
The Town is a subscribed member of the Municipal Insurance Association of BC (the "Exchange") as provided by Section 3.02 of the Insurance Act. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any Subscriber. Under the Reciprocal Insurance Exchange Agreement the Town is assessed a premium with specific deductible for its claims based on population. The obligation of the Municipality with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its Subscribers in connection with the Exchange are in every case several, and not joint and several.

8. PENSION INFORMATION

The Town of Comox 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 defined. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The latest valuation as at December 31, 2009 indicated an unfunded liability of \$1.024 billion for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan. The Town of Comox paid \$323,856 for employer contributions to the plan in 2012, on behalf of 66 employees (\$302,139 in 2011 on behalf of 64 employees).

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

9. POST EMPLOYMENT BENEFITS

Town employees who have worked at least 10 years for the Town and then retire, become permanently disabled, or die receive 2 days pay for each year of service. The Town calculates the value of this liability (\$349,454 at December 31, 2012 and \$317,412 in 2011) for employees over age 30 based upon an analysis of the age and length of service of its workforce. The reported liability reflects the likelihood that employees will become eligible for this benefit. The calculations were projected into the future with an inflation factor of 2.0% and discounted back at a discount rate of 3.15%. Employee retirement benefit payments are being funded by an accounting charge on wages paid in the year.

10. FINANCIAL INSTRUMENTS

Financial instruments consist of cash, short-term investments, receivables, payables, net debenture debt, performance deposits and bonds and reserve account. It is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments.

11. ENVIRONMENTAL REGULATIONS

The Town makes every reasonable effort to comply with all environmental regulations that apply to its operations. These regulations may require future expenses to meet applicable standards. Amounts required to meet these obligations will be charged to operations when incurred or set aside as future reserves when they can be reasonably estimated.

12. FEDERAL PAYMENTS IN LIEU OF TAX

Although the Town is not economically dependent upon receipt of Federal Payments in Lieu of Tax (PILT), it normally receives 15% of its revenue from taxation from this source of revenue. Were the Government of Canada to halt its PILT, there would be a significant impact on operations that could result in either a reduction in service levels and/or an increase in property tax rates.

13. RESTRICTIONS ON DEFERRED REVENUE

The Town receives Development Cost Charges from developers. Section 935 of the *Local Government Act* requires that these funds are deposited to reserves and limits the use of those reserves (including the interest earned on them) to capital costs related to the purpose for which the charge was collected. Section 941 of the *Local Government Act* similarly limits the use of cash payments received in lieu of the 5% parklands provided at subdivision of land, for acquisitions of parkland. And as a party to the Community Works Fund Agreement with the Union of BC Municipalities (that distributes payments of Federal Gas Tax Revenues), the Town can only use these funds on eligible costs and eligible projects determined by the Agreement (which, generally speaking, are capital projects that result in cleaner air or water and on capacity building studies).

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

14. SEGMENTED INFORMATION

The Town of Comox is a local government that provides a wide range of services to its citizens. For management and reporting purposes the Town's operations are organized and reported by segments. Schedules 6 and 7 (for 2012 and 2011, respectively) of these Financial Statements disclose the Town's revenue and expenses split into the following segments:

General Government – including the activities of Council plus general Town administration, finance, and enforcement of Town bylaws.

Protective Services – including the activities of the RCMP on behalf of Comox, plus the Comox Volunteer Fire Department, building inspection, emergency planning and animal control.

Transportation – including roads, sidewalks, street lighting, traffic control and storm drains.

Waste Disposal – including collection and disposal of garbage, recyclables and yard waste. The Town does not operate any landfills or transfer facilities.

Development Services – including Town planning and our annual grants to the Downtown Business Improvement Area Association.

Marina – is operation of the Town's marina.

Recreation, Parks and Culture – including operating the Town's recreation centre and provide public recreation programs, Town parks and greenways, cultural grants from the Town and events sponsored for the Town, Christmas lighting, and Town buildings used for recreation and cultural activities. The Town is a member of the Vancouver Island Regional Library (VIRL), and owns library space that it rents to VIRL, which operates the Comox library branch.

Water – is the distribution of water to Town residents. The Town buys treated bulk water from the Comox Valley Regional District, so the Town neither produces nor treats the water it distributes.

Sanitary Sewer – is the collection of sanitary sewage and transmission of the same to the sanitary sewer treatment system operated by the Comox Valley Regional District. The Regional District charges the Town for a share of the costs to operate its system.

Certain allocations are employed in the preparation of segmented financial information. General Property Taxation, Payments in Lieu thereof, and Investment income are not allocated between segments, but are allocated to General Government. Government grants and DCCs used for capital acquisitions are allocated to segments depending on the purpose of the grant. Investment income is allocated to segments depending on the nature of the capital reserves that it has been earned on. Some expenses are allocated to segments based on an estimated use of resources.

The accounting policies used in these segments are consistent with those followed in preparation of the consolidated financial statements as disclosed in Note 2.

There are no inter-segment sales of goods or services.

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

15. RECONCILIATION OF 2012 BUDGET

The Town's budget figures come from a five-year Financial Plan adopted May 2012 in accordance with Section 165 of the Community Charter of BC. That section requires that municipalities must set out for each year of their Plan, the proposed expenditures (including debt principal repayments, transfers to reserves, and tangible capital asset acquisitions) and the proposed funding sources for them (including debt issues and transfers from reserves and accumulated surplus). However, for financial reporting purposes the Town follows generally accepted accounting practices and reports revenues and expenses, so the following adjustments must be made to the budgeted figures to reconcile them to the Towns 2012 Financial Plan:

Reconciliation of 2012 Budget Reported to Financial Plan:	
Net budget for 2012 reported	\$ 4,107,939
Capital acquisitions in Financial Plan	(3,644,910)
Transfers from capital reserves in Financial Plan	406,200
Transfers to capital reserves in Financial Plan	(856,137)
Surplus appropriated for operations in Financial Plan	437,188
Debt principal repayments in Financial Plan	<u>(450,280)</u>
Net of Financial Plan	<u><u>Nil.</u></u>

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2012

16. ACCUMULATED SURPLUS

Operating Funds - comprise the principal operating activities of the Town and are separated into General, Water, and Sanitary Sewer Funds.

Capital Funds - used to record the acquisition and disposal of tangible capital assets and related financing and are similarly separated into General, Water and Sanitary Sewer Funds. The General Capital Fund also contains shares in Courtenay Golf Club Ltd. carried at a value of \$8,750.

Reserve Funds - created to hold cash, and investments for specific future requirements. They are comprised of the funds shown in Schedule 2.

Accumulated Surplus:	2012	2011
Operating Funds:		
General Operating Fund	\$ 2,442,267	\$ 1,479,033
Water Operating Fund	646,084	655,462
Sanitary Sewer Operating Fund	<u>1,453,750</u>	<u>1,265,871</u>
	<u>4,542,101</u>	<u>3,400,366</u>
Capital Funds:		
General Capital Fund	55,991,555	55,939,436
Water Capital Fund	8,712,738	8,857,788
Sanitary Sewer Capital Fund	<u>9,514,029</u>	<u>9,716,793</u>
	<u>74,218,322</u>	<u>74,514,017</u>
Reserve Funds (Schedule 2)	<u>5,029,276</u>	<u>4,093,621</u>
Accumulated Surplus	<u>\$ 83,789,699</u>	<u>\$ 82,008,004</u>

Town of Comox
Schedule of Expenses by Object (Type)
Year Ended December 31, 2012

Schedule 1

Expenses	Budget unaudited - Note 15	2012	2011
Salaries, wages and employee benefits	\$ 5,334,944	\$ 5,021,089	\$ 4,538,714
Contracted and general services	6,239,672	6,164,004	6,850,248
Materials, goods, supplies and utilities	2,356,270	2,225,925	2,195,020
Interest and bank charges	298,250	295,509	300,765
Amortization of tangible capital assets	-	2,513,236	2,340,115
Write-downs of tangible capital assets	-	-	24,174
Other	15,000	-	12,131
	<u>\$ 14,244,136</u>	<u>\$ 16,219,763</u>	<u>\$ 16,261,167</u>

Town of Comox
Schedule of Continuity of Reserve Funds
Year Ended December 31, 2012

Schedule 2

	2012	2011
Opening Balance of Reserve Funds	\$ 4,093,621	\$ 3,703,288
Contributions to funds from operations	856,137	920,630
Interest earned on funds	79,518	247,703
Withdrawals from funds for capital acquisitions	-	(778,000)
	5,029,276	4,093,621
Closing balance of Reserve Funds (Note 16)	<u>\$ 5,029,276</u>	<u>\$ 4,093,621</u>

Represented by the following financial assets:

Cash and short-term investments	<u>\$ 5,029,276</u>	<u>\$ 4,093,621</u>
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Including the following Reserve Funds:

Capital Works Reserve	\$ 1,091,386	\$ 815,365
Equipment Replacement Reserve	573,350	442,370
Municipal Marina Reserve	110,960	54,817
Water Utility Reserve	697,947	580,834
Sewer Enterprise Reserve	2,305,930	2,046,873
Lancaster Sewer Lift Station Capital Reserve	8,210	
Point Holmes Sewer Lift Station Capital Reserve	8,209	
Waterfront Walkway Reserve	308	302
Affordable Housing Reserve	82,618	44,956
Fire Department Capital Reserve - Town share	108,256	77,981
	4,987,174	4,063,498
Fire Department Capital Reserve - CRFPID share (Note 7)	42,102	30,123
	<u>\$ 5,029,276</u>	<u>\$ 4,093,621</u>

Town of Comox
Schedule of Deferred Revenue Continuity
Year Ended December 31, 2012

Schedule 3

	2011 Balance	Receipts	Interest	Refunded	Recognized as Revenue	2012 Balance
Development Charges:						
Open Space Development Cost Charges	\$ 2,083,589	\$ 61,404	\$ 42,239	\$ -	\$ 12,432	\$ 2,174,800
5% Payment in Lieu of Parks Dedication	283,546	-	5,913	-	-	289,459
Water Development Cost Charges	1,017,603	20,515	21,109	-	-	1,059,227
Major Road Development Cost Charges	1,048,825	217,119	24,290	-	468,000	822,234
Storm Drain Development Cost Charges	648,187	14,357	12,355	-	-	674,899
Sanitary Sewer Development Cost Charges	211,848	12,317	4,049	-	-	228,214
Developer Payments in Lieu of Parking	27,126	-	566	-	-	27,692
Developer Payments for Affordable Housing	54,000	115,370	-	-	-	169,370
Federal Gas Tax Funds (Community Works Fund)	1,228,011	544,060	26,989	-	148,531	1,650,529
Prepaid property taxes	577,336	1,073,561	4,688	-	1,081,470	574,115
Prepaid parcel tax commutation - Kye Bay Water / Sewer	7,663	-	-	-	-	7,663
Prepaid Storm Drainage Development Works Payment	26,858	-	-	-	-	26,858
Prepaid recreation fees	217,249	190,792	-	-	217,249	190,792
Prepaid marina fees	63,801	66,892	-	-	63,801	66,892
Prepaid dog tags	750	510	-	-	750	510
Prepaid business licenses	-	10	-	-	-	10
Olympic Torch Relay Grant	555	-	-	-	-	555
Comox Valley R.D. Water Efficiency Grant	9,450	-	-	-	9,450	-
Prepaid property rents	-	642	-	-	-	642
Municipal Insurance Association Grant	3,924	-	-	-	3,924	-
Donations for future specified capital projects	30,000	1,400	-	25,000	-	6,400
Provincial Recreation Grant	-	400,000	-	-	50,000	350,000
	<u>\$ 7,540,321</u>	<u>\$ 2,718,949</u>	<u>\$ 142,198</u>	<u>\$ 25,000</u>	<u>\$ 2,055,607</u>	<u>\$ 8,320,861</u>

Town of Comox
Continuity of Equity in Tangible Capital Assets
Year Ended December 31, 2012

Schedule 4

	2012	2011
Opening balance of equity in Tangible Capital Assets	\$ 74,505,267	\$ 69,647,945
Changes in Capital Assets		
Acquisitions of tangible capital assets	1,672,422	6,106,977
Tangible capital assets acquired through development	-	1,712,783
Write-offs of assets replaced (at NBV)	-	(24,174)
Amortization expense	(2,513,236)	(2,340,115)
Changes in related liabilities		
Principal payment on debenture (to sinking fund)	450,279	323,667
Actuarial earnings on debenture sinking fund	94,840	77,184
Other borrowing principal repaid	-	1,000
Borrowing in year	-	(1,000,000)
	<hr/>	<hr/>
Closing Balance of Equity in Tangible Capital Assets	<u>\$ 74,209,572</u>	<u>\$ 74,505,267</u>
 Represented by the following:		
Capital assets at cost (Schedule 5)	\$ 109,205,153	\$ 107,623,602
Less accumulated amortization	<u>(31,971,201)</u>	<u>(29,548,837)</u>
Tangible capital assets at net book value	77,233,952	78,074,765
Net debenture debt (Note 6)	(3,024,380)	(3,569,498)
Other long-term debt	-	-
	<hr/>	<hr/>
	<u>\$ 74,209,572</u>	<u>\$ 74,505,267</u>

Town of Comox
Schedule of Tangible Capital Assets
Year Ended December 31, 2012

Schedule 5

	Engineering Structures												Total	2011	
	Land	Park Development	Buildings	Vehicles and Heavy Equipment	Other Equipment	Roads and Related Infrastructure	Storm Drains and Ponds	Marina Structures	Parks Structures	Water Structures	Sanitary Sewer Structures	Assets not yet in use			
COST															
Opening balance	\$ 7,725,184	\$ 1,389,260	\$ 12,550,268	\$ 4,286,421	\$ 2,299,759	\$ 33,060,781	\$ 21,324,104	\$ 1,030,464	\$ 1,289,034	\$ 10,537,761	\$ 12,086,283	\$ 44,282	\$ 107,623,602	\$ 100,241,054	
Add: Acquisitions and cost adjustments	-	-	(12,842)	123,217	271,880	1,175,760	-	(1,341)	33,847	17,448	-	64,453	1,672,422	7,819,760	
Add/(Less): Assets put to use	-	-	21,651	-	-	-	-	-	-	-	-	(21,651)	-	-	
Less: Write-downs	-	-	-	-	-	(90,871)	-	-	-	-	-	-	(90,871)	(437,212)	
Closing balance	<u>7,725,184</u>	<u>1,389,260</u>	<u>12,559,077</u>	<u>4,409,638</u>	<u>2,571,639</u>	<u>34,145,670</u>	<u>21,324,104</u>	<u>1,029,123</u>	<u>1,322,881</u>	<u>10,555,209</u>	<u>12,086,283</u>	<u>87,084</u>	<u>109,205,153</u>	<u>107,623,602</u>	
ACCUMULATED AMORTIZATION															
Opening balance	-	619,572	2,150,651	2,199,078	645,861	13,501,493	4,518,702	400,929	615,256	2,291,097	2,606,197	-	29,548,837	27,621,760	
Add: Amortization	-	55,570	249,232	259,896	253,153	1,007,154	295,778	38,449	52,239	140,620	161,144	-	2,513,235	2,340,115	
Less: Accumulated amortization on write-downs	-	-	-	-	-	(90,871)	-	-	-	-	-	-	(90,871)	(413,038)	
Closing balance	<u>-</u>	<u>675,142</u>	<u>2,399,883</u>	<u>2,458,974</u>	<u>899,014</u>	<u>14,417,776</u>	<u>4,814,480</u>	<u>439,378</u>	<u>667,495</u>	<u>2,431,717</u>	<u>2,767,341</u>	<u>-</u>	<u>31,971,201</u>	<u>29,548,837</u>	
Net Book Value for the year ended December 31, 2012	<u>\$ 7,725,184</u>	<u>\$ 714,118</u>	<u>\$ 10,159,194</u>	<u>\$ 1,950,664</u>	<u>\$ 1,672,625</u>	<u>\$ 19,727,894</u>	<u>\$ 16,509,624</u>	<u>\$ 589,745</u>	<u>\$ 655,386</u>	<u>\$ 8,123,492</u>	<u>\$ 9,318,942</u>	<u>\$ 87,084</u>	<u>\$ 77,233,952</u>	<u>\$ 78,074,765</u>	

Town of Comox
Schedule of Operations by Segment
Year Ended December 31, 2012

Schedule 6

	General Government	Protective Services	Transportation	Waste Disposal	Development Services	Marina	Recreation Parks & Culture	Water	Sanitary Sewer	Total All Segments	2012 Budget
Revenue											
Property valuation taxes	\$ 6,916,049	\$ -	\$ 23,931	\$ -	\$ 66,195	\$ -	\$ -	\$ -	\$ -	\$ 7,006,175	\$ 7,021,605
Parcel taxes	-	-	28,081	-	-	-	-	209,707	386,564	624,352	604,446
Payments in lieu of taxes	1,347,927	-	-	-	-	-	-	-	-	1,347,927	1,305,498
Utility fees	-	-	-	1,006,276	-	-	-	2,069,535	1,790,924	4,866,735	4,831,886
Other sales of service	7,190	312,410	12,970	-	-	312,780	1,355,640	-	-	2,000,990	1,730,528
Licences, permits & planning fees	87,980	116,120	-	-	19,780	-	-	-	-	223,880	279,250
DCCs used for capital acquisitions	-	-	468,000	-	-	-	12,432	-	-	480,432	900,693
Donations	6,240	-	-	-	-	-	55,244	-	-	61,484	49,000
Investment income	111,670	2,255	17,007	-	4,312	1,143	-	12,113	42,688	191,188	150,000
Penalties and interest on taxes	79,837	-	-	-	-	-	-	-	-	79,837	76,000
Actuarial earnings on sinking fund	-	-	29,959	-	-	-	58,809	3,820	2,252	94,840	-
Rentals	-	-	-	-	-	-	148,732	-	-	148,732	138,417
Other	23,815	-	980	-	-	-	-	-	-	24,795	15,700
Unconditional transfers	443,992	124,745	-	-	-	-	-	-	-	568,737	568,667
Conditional transfers	51,011	14,600	50,000	-	-	-	125,628	39,013	1,102	281,354	680,385
	<u>9,075,711</u>	<u>570,130</u>	<u>630,928</u>	<u>1,006,276</u>	<u>90,287</u>	<u>313,923</u>	<u>1,756,485</u>	<u>2,334,188</u>	<u>2,223,530</u>	<u>18,001,458</u>	<u>18,352,075</u>
Expenses											
Employees	1,048,901	786,762	756,077	46,210	311,126	65,500	1,783,078	160,055	63,380	5,021,089	5,334,944
Services	129,656	1,714,411	248,423	963,473	102,744	66,971	1,150,626	256,386	1,531,314	6,164,004	6,239,672
Materials	49,296	90,476	228,090	322	554	5,105	313,162	1,516,466	22,454	2,225,925	2,356,270
Interest	4,758	-	55,128	-	-	-	207,650	19,762	8,211	295,509	298,250
Amortization of tangible capital assets	40,357	127,185	1,452,322	-	-	45,280	391,708	245,835	210,549	2,513,236	-
Other	-	-	-	-	-	-	-	-	-	-	15,000
	<u>1,272,968</u>	<u>2,718,834</u>	<u>2,740,040</u>	<u>1,010,005</u>	<u>414,424</u>	<u>182,856</u>	<u>3,846,224</u>	<u>2,198,504</u>	<u>1,835,908</u>	<u>16,219,763</u>	<u>14,244,136</u>
Surplus for the year	<u>\$ 7,802,743</u>	<u>\$ (2,148,704)</u>	<u>\$ (2,109,112)</u>	<u>\$ (3,729)</u>	<u>\$ (324,137)</u>	<u>\$ 131,067</u>	<u>\$ (2,089,739)</u>	<u>\$ 135,684</u>	<u>\$ 387,622</u>	<u>\$ 1,781,695</u>	<u>\$ 4,107,939</u>

Town of Comox
Schedule of Operations by Segment
Year Ended December 31, 2011

Schedule 7

	General Government	Protective Services	Transportation	Waste Disposal	Development Services	Marina	Recreation Parks & Culture	Water	Sanitary Sewer	Total All Segments	2011 Budget
Revenue											
Property valuation taxes	\$ 6,693,361	\$ -	\$ 23,943	\$ -	\$ 63,524	\$ -	\$ -	\$ -	\$ -	\$ 6,780,828	\$ 6,775,395
Parcel taxes	-	-	28,081	-	-	-	-	208,971	346,774	583,826	584,040
Payments in lieu of taxes	1,836,673	-	-	-	-	-	-	-	-	1,836,673	1,305,498
Utility fees	-	-	-	967,946	-	-	-	1,950,447	1,750,094	4,668,487	4,697,345
Other sales of service	7,147	350,853	1,690	-	-	294,871	1,070,062	-	-	1,724,623	1,430,900
Licences, permits & planning fees	91,025	169,399	-	-	19,964	-	-	-	-	280,388	226,950
DCCs used for capital acquisitions	-	-	526,581	-	-	-	805,363	-	-	1,331,944	1,469,824
Tangible capital assets acquired through development	-	-	1,041,251	-	-	-	-	171,960	499,572	1,712,783	-
Donations	5,240	-	-	-	-	-	7,504	-	-	12,744	24,000
Investment income	113,078	8,936	64,066	-	4,856	6,829	(235)	37,082	126,168	360,780	120,000
Penalties and interest on taxes	75,248	-	-	-	-	-	-	-	-	75,248	76,000
Actuarial earnings on sinking fund	-	-	24,995	-	-	-	47,451	2,856	1,882	77,184	-
Rentals	-	-	(555)	-	-	-	147,507	-	-	146,952	136,004
Other	21,178	25,000	19,418	-	-	-	-	-	-	65,596	15,700
Unconditional transfers	450,000	86,566	-	-	-	-	-	-	-	536,566	400,000
Conditional transfers	26,144	14,253	564,052	50,000	-	-	1,408,975	558,744	25,241	2,647,409	2,920,680
	<u>9,319,095</u>	<u>655,007</u>	<u>2,293,522</u>	<u>1,017,946</u>	<u>88,344</u>	<u>301,700</u>	<u>3,486,627</u>	<u>2,930,060</u>	<u>2,749,731</u>	<u>22,842,032</u>	<u>20,182,336</u>
Expenses											
Employees	968,485	779,348	638,586	46,490	266,431	68,237	1,630,547	85,074	55,516	4,538,714	5,030,007
Services	190,049	1,608,269	1,140,857	854,798	171,258	63,504	1,138,335	223,466	1,459,712	6,850,248	6,041,835
Materials	49,700	112,519	323,234	162	997	15,359	296,149	1,365,382	31,518	2,195,020	2,216,988
Interest	20,889	-	55,127	-	-	-	196,776	19,762	8,211	300,765	317,250
Amortization of tangible capital assets	52,920	114,024	1,391,542	-	-	42,536	329,557	204,498	205,038	2,340,115	-
Tangible capital asset write-downs	-	-	23,344	-	-	830	-	-	-	24,174	-
Other	12,131	-	-	-	-	-	-	-	-	12,131	15,000
	<u>1,294,174</u>	<u>2,614,160</u>	<u>3,572,690</u>	<u>901,450</u>	<u>438,686</u>	<u>190,466</u>	<u>3,591,364</u>	<u>1,898,182</u>	<u>1,759,995</u>	<u>16,261,167</u>	<u>13,621,080</u>
Surplus for the year	<u>\$ 8,024,921</u>	<u>\$ (1,959,153)</u>	<u>\$ (1,279,168)</u>	<u>\$ 116,496</u>	<u>\$ (350,342)</u>	<u>\$ 111,234</u>	<u>\$ (104,737)</u>	<u>\$ 1,031,878</u>	<u>\$ 989,736</u>	<u>\$ 6,580,865</u>	<u>\$ 6,561,256</u>