



Consolidated Financial Statements

**Year Ended
December 31, 2013**



TOWN OF COMOX

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Year Ended December 31, 2013

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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 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 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 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, 2013 and the consolidated statements of operations, change in net financial assets, and 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, 2013, 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 23, 2014

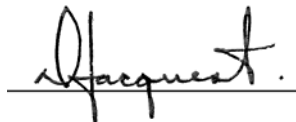
MNP LLP

Chartered Accountants

Town of Comox
Consolidated Statement of Financial Position
as at December 31, 2013

Statement 1

	2013	2012
Financial Assets		
Cash	\$ 1,341,492	\$ 4,300,416
Short-term investments (Note 2b)	18,432,448	16,319,913
Receivables (Note 4)	1,536,694	1,258,017
Land for resale	<u>9,847</u>	<u>9,847</u>
	<u>21,320,481</u>	<u>21,888,193</u>
Financial Liabilities		
Payables (Note 5)	3,316,835	3,049,855
Deferred revenue (Schedule 3)	7,764,544	8,320,861
Net debenture debt (Note 6)	2,455,755	3,024,380
Performance deposits and bonds	<u>1,126,794</u>	<u>1,200,301</u>
	<u>14,663,928</u>	<u>15,595,397</u>
Net Financial Assets	<u>6,656,553</u>	<u>6,292,796</u>
Contingent liabilities (Note 7)		
Non Financial Assets		
Tangible capital assets (Schedule 5)	80,658,795	77,233,952
Supply inventory	178,203	191,280
Prepaid expenses	65,706	62,921
Shares in Courtenay Golf Club Ltd.	<u>8,750</u>	<u>8,750</u>
	<u>80,911,454</u>	<u>77,496,903</u>
Accumulated Surplus (Note 16)	<u>\$ 87,568,007</u>	<u>\$ 83,789,699</u>



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, 2013

Statement 2

	2013 Budget Note 15	2013	2012
Revenue			
Property valuation taxes	\$ 7,260,131	\$ 7,262,526	\$ 7,006,175
Parcel taxes	636,165	629,307	624,352
Payments in lieu of taxes (Federal & Provincial)	1,364,137	1,405,043	1,347,927
Revenue from Taxation	9,260,433	9,296,876	8,978,454
Utility fees	5,187,857	5,262,005	4,866,735
Other sales of services	1,989,719	2,097,890	2,000,990
Licenses, permits and planning fees	249,750	170,126	223,880
Development Cost Charges used for capital expenditures	801,492	720,051	480,432
Tangible capital assets contributed through development	-	951,888	-
Donations	29,000	96,756	61,484
Investment income	115,100	152,871	191,188
Interest and penalties on taxes and utilities	86,000	93,365	79,837
Actuarial earnings on debenture sinking fund	-	118,348	94,840
Rentals	110,163	133,462	148,732
Other	15,700	20,995	24,795
Gain on disposal of tangible capital asset	-	84,003	-
Unconditional transfers from governments and agencies	268,723	268,441	568,737
Conditional transfers from governments and agencies	1,546,968	1,443,837	281,354
Debenture refunds upon maturity	108,000	108,689	-
	19,768,905	21,019,603	18,001,458
Expenses			
General government	1,392,416	1,333,219	1,272,968
Protective services	2,854,384	2,884,803	2,718,833
Transportation	1,568,853	2,857,068	2,740,038
Garbage and recycling services	1,159,497	1,109,493	1,010,005
Development services	544,570	389,053	414,424
Marina	166,029	215,659	182,856
Recreation, parks, and culture	3,504,003	4,122,171	3,846,225
Water services	2,065,762	2,294,818	2,198,505
Sewer services	1,837,931	2,035,011	1,835,909
	15,093,445	17,241,295	16,219,763
Surplus for the year	\$ 4,675,460	\$ 3,778,308	\$ 1,781,695
Accumulated surplus at start of year		\$ 83,789,699	\$ 82,008,004
Accumulated surplus at end of the year		\$ 87,568,007	\$ 83,789,699

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, 2013

Statement 3

	2013 Budget Note 15	2013	2012
Surplus for the year (Statement 2)	\$ 4,775,460	\$ 3,778,308	\$ 1,781,695
Tangible capital assets acquired through development	-	(951,888)	-
Acquisition of tangible capital assets	(5,910,965)	(5,141,106)	(1,672,422)
Amortization of tangible capital assets	-	2,609,090	2,513,236
Disposition of tangible capital assets	-	59,061	-
Increase in prepaid expenses	-	(2,785)	(7,586)
Decrease in supply inventory	-	13,077	2,842
	<hr/>	<hr/>	<hr/>
Increase in Net Financial Assets	(1,135,505)	363,757	2,617,765
Net Financial Assets at beginning of year	<hr/> 6,292,796	<hr/> 6,292,796	<hr/> 3,675,031
Net Financial Assets at end of year (Statement 1)	<hr/> \$ 5,157,291	<hr/> \$ 6,656,553	<hr/> \$ 6,292,796

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

Town of Comox
Consolidated Statement of Cash Flows
as at December 31, 2013

Statement 4

	2013	2012
Net inflow (outflow) of cash related to the following activities:		
Operating Activities		
Surplus for the year (Statement 2)	\$ 3,778,308	\$ 1,781,695
Non-cash items included in operations:		
Contribution from developers	(951,888)	-
Amortization of tangible capital assets	2,609,090	2,513,236
Disposition of tangible capital assets replaced	59,061	-
Actuarial increase in debenture sinking funds	(118,348)	(94,840)
Net changes to financial assets & liabilities through operations:		
Increase in / decrease in receivables	(278,677)	570,337
Increase in / decrease in land for resale	-	1,555
Increase in / decrease in payables	266,980	(580,184)
Increase in / decrease in deferred revenue	(556,317)	780,540
Increase in / decrease in performance deposits and bonds	(73,507)	329,220
Increase in / decrease in supply inventory	13,077	2,842
Increase in / decrease in prepaid expenses	(2,785)	(7,586)
	<u>4,744,994</u>	<u>5,391,655</u>
Investing Activities		
Short-term investing	(2,112,535)	(3,799,643)
Acquisition of tangible capital assets	(5,141,106)	(1,672,422)
	<u>(7,253,641)</u>	<u>(5,472,065)</u>
Financing Activities		
Debenture principal repaid	(450,277)	(545,117)
Decrease in cash	(2,958,924)	(625,527)
Cash at beginning of year	<u>4,300,416</u>	<u>4,925,943</u>
Cash at end of year (Statement 1)	<u>\$ 1,341,492</u>	<u>\$ 4,300,416</u>
Interest paid	<u>\$ 252,483</u>	<u>\$ 295,509</u>
Interest received	<u>\$ 271,219</u>	<u>\$ 301,722</u>

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, 2013

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 which have fluctuating returns and are carried at the lower of cost and market value. The Guaranteed Investment Certificate yields 1.61% and matures January 14, 2014.

Short-term Investments	2013	2012
Municipal Finance Authority of BC Funds:		
Short-term Bond Fund	\$ 7,303,940	\$ 15,016
Intermediate Bond Fund	5,066,883	2,134,787
Money Market Fund	<u>17,284</u>	<u>16,795</u>
	<u>12,388,107</u>	<u>2,166,598</u>
Scotia Guaranteed Investment Certificate	<u>-</u>	<u>3,772,915</u>
Canadian Western Bank GIC	<u>6,044,198</u>	<u>-</u>
Scotia Asset Management Funds:		
Cash	143	404
Scotia Short-Mid Government Bond Fund	<u>-</u>	<u>10,379,996</u>
	<u>143</u>	<u>10,380,400</u>
Total short-term investments	<u>\$ 18,432,448</u>	<u>\$ 16,319,913</u>

(c) Trust Fund

A Town-administered trust fund has been excluded from the financial statements. The balance in the fund was \$72,541 at December 31, 2013 (\$71,328 in 2012). It was invested in the MFA Short-term Bond Fund in 2013 and 2012. The only transactions in the fund were interest earned (\$1,213 in 2013 and \$1,679 in 2012).

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2013

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, 2013.

(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) 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.

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue Recognition

Property tax revenues are recognized in the year they are levied. User fees and garbage revenues are recognized when the service is provided. 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 when the contribution is received. Government transfers are recognized as revenues 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 transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(i) Measurement Uncertainty

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 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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

(a) 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.

4. RECEIVABLES

Receivables are composed of the following amounts:

Due from:	2013	2012
Employees	\$ 446	\$ 452
Governments	711,793	334,532
Developers for DCC Installments	-	139,956
Others	<u>824,455</u>	<u>783,077</u>
Total receivables	<u>\$ 1,536,694</u>	<u>\$ 1,258,017</u>

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2013

5. PAYABLES

Payables are composed of the following amounts:

Due to:	2013	2012
Employees (payroll earned to year end)	\$ 223,197	\$ 140,794
Employees (accruals for vacation and post-employment benefits)	780,207	716,743
Governments	1,876,465	1,883,777
Others	<u>436,966</u>	<u>308,541</u>
Total payables	<u>\$ 3,316,835</u>	<u>\$ 3,049,855</u>

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, 2013 are:

Issued	Purposes of Borrowing	Terms	Interest Rates	Amount Borrowed	Sinking Fund	Net Owing	Debt Reserve	Promissory Note
April 2004	Kye Bay Water & Sewer System	19 years	4.86%	317,250	114,548	202,702	4,596	9,731
Oct. 2004	Downtown Revitalization	14 years	4.975%	475,000	267,244	207,756	6,763	19,272
Oct. 2004	Brooklyn Creek Storm Drain	10 years	4.975%	566,666	496,775	69,891	8,068	31,102
Oct. 2005	Brooklyn Creek Storm Drain	10 years	4.17%	79,243	60,816	18,427	1,083	4,160
Apr. 2008	Library	9 years	4.65%	2,100,000	1,074,789	1,025,211	25,694	127,042
Apr. 2008	Pt. Holmes Water	14 years	4.65%	270,000	79,948	190,052	3,304	10,958
Apr. 2011	Comox Rec. Center	7 years	4.20%	<u>1,000,000</u>	<u>258,284</u>	<u>741,716</u>	<u>11,090</u>	<u>74,305</u>
Totals at December 31, 2013				<u>\$ 4,808,159</u>	<u>\$ 2,352,404</u>	<u>\$ 2,455,755</u>	<u>\$ 60,598</u>	<u>\$ 276,570</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>

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

Year	Scheduled Annual Payments			Sinking Fund Actuarial Earnings	Net Debt Outstanding
	Principal	Interest	Total		
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
2018	175,995	93,605	269,601	70,506	206,434

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, 2013

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, 2013 the Comox Valley Regional District had net debt of \$50,138,105 owing (\$54,963,416 at December 31, 2012) (\$87,282,656 net of \$37,144,551 sinking funds in 2013; (\$87,282,656 net of \$32,319,240 sinking funds in 2012) including debentures issued for the Town of Comox (Note 6), the City of Courtenay, the Village of Cumberland and itself.
- (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 (\$60,598 at December 31, 2013; \$82,539 in 2012), plus Promissory Notes issued by the Town at the time of issue (\$276,570 at December 31, 2013; \$314,667 in 2012).
- (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, 2013 the District's share of those tangible capital assets (at cost and net book value) were \$864,212 and \$440,924 respectively (\$854,809 and \$451,304 in 2012) and its share of a Fire Department Capital Reserve was \$56,544 (\$42,102 in 2012).
- (d) **Claims**
At December 31st there existed an outstanding claim against the Town. That claim has been referred to legal counsel and to the Town's liability insurers. Subsequent to year end the claim was settled and closed at a cost to the Town of \$7,700.
- (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 trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1.37 billion funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan. The Town of Comox paid \$341,963 for employer contributions to the plan in 2013, on behalf of 63 employees (\$323,856 in 2012 on behalf of 66 employees).

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2013

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 (\$366,050 at December 31, 2013 and \$349,454 in 2012) 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 3.85%. 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, 2013

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 2013 and 2012, 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 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, 2013

15. RECONCILIATION OF 2013 BUDGET

The Town's budget figures come from a five-year Financial Plan adopted March 20, 2013 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 public sector accounting standards and reports revenues and expenses, so the following adjustments must be made to the budgeted figures to reconcile them to the Towns 2013 Financial Plan:

Reconciliation of 2013 Budget Reported to Financial Plan:	
Net budget for 2013 reported	\$ 4,675,460
Capital acquisitions in Financial Plan	(5,810,965)
Transfers from capital reserves in Financial Plan	811,324
Transfers to capital reserves in Financial Plan	(901,692)
Surplus appropriated for operations in Financial Plan	1,676,151
Debt principal repayments in Financial Plan	<u>(450,278)</u>
Net of Financial Plan	<u><u>Nil.</u></u>

TOWN OF COMOX
Notes to the Consolidated Financial Statements
Year Ended December 31, 2013

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:	2013	2012
Operating Funds:		
General Operating Fund	\$ 1,581,391	\$ 2,442,267
Water Operating Fund	692,002	646,084
Sanitary Sewer Operating Fund	<u>1,604,663</u>	<u>1,453,750</u>
	<u>3,878,056</u>	<u>4,542,101</u>
Capital Funds:		
General Capital Fund	60,018,846	55,991,555
Water Capital Fund	8,780,150	8,712,738
Sanitary Sewer Capital Fund	<u>9,412,794</u>	<u>9,514,029</u>
	<u>78,211,790</u>	<u>74,218,322</u>
Reserve Funds (Schedule 2)	<u>5,478,161</u>	<u>5,029,276</u>
Accumulated Surplus	<u>\$ 87,568,007</u>	<u>\$ 83,789,699</u>

Town of Comox
Schedule of Expenses by Object (Type)
Year Ended December 31, 2013

Schedule 1

Expenses	Budget 2013 Note 15	2013	2012
Salaries, wages and employee benefits	\$ 5,657,289	\$ 5,187,275	\$ 5,021,089
Contracted and general services	6,782,395	6,878,777	6,164,004
Materials, goods, supplies and utilities	2,380,141	2,292,540	2,225,925
Interest and bank charges	258,620	252,483	295,509
Amortization of tangible capital assets	-	2,609,091	2,513,236
Losses on disposal of tangible capital assets	-	21,129	-
Other	15,000	-	-
	<u>\$ 15,093,445</u>	<u>\$ 17,241,295</u>	<u>\$ 16,219,763</u>

Town of Comox
Schedule of Continuity of Reserve Funds
Year Ended December 31, 2013

Schedule 2

	2013	2012
Opening Balance of Reserve Funds	\$ 5,029,276	\$ 4,093,621
Contributions to funds from operations	926,692	856,137
Interest earned on funds	28,627	79,518
Withdrawals from funds for capital acquisitions	<u>(506,434)</u>	<u>-</u>
Closing balance of Reserve Funds (Note 16)	<u>\$ 5,478,161</u>	<u>\$ 5,029,276</u>

Represented by the following financial assets:

Cash and short-term investments	<u>\$ 5,478,161</u>	<u>\$ 5,029,276</u>
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Including the following Reserve Funds:

Capital Works Reserve	\$ 1,392,093	\$ 1,091,386
Equipment Replacement Reserve	350,325	573,350
Municipal Marina Reserve	58,184	110,960
Waterfront Development Reserve	25,000	-
Water Utility Reserve	754,119	697,947
Sewer Enterprise Reserve	2,523,254	2,305,930
Lancaster Sewer Lift Station Capital Reserve	41,435	8,210
Point Holmes Sewer Lift Station Capital Reserve	16,436	8,209
Waterfront Walkway Reserve	309	308
Affordable Housing Reserve	116,344	82,618
Fire Department Capital Reserve - Town share	<u>144,118</u>	<u>108,256</u>
	5,421,617	4,987,174
Fire Department Capital Reserve - CRFPID share (Note 7)	<u>56,544</u>	<u>42,102</u>
	<u>\$ 5,478,161</u>	<u>\$ 5,029,276</u>

Town of Comox
Schedule of Deferred Revenue Continuity
Year Ended December 31, 2013

Schedule 3

	2012 Balance	Receipts	Interest	Refunded	Recognized as Revenue	2013 Balance
Development Charges:						
Open Space Development Cost Charges	\$ 2,174,800	\$ 70,335	\$ 1,590	\$ -	\$ 34,233	\$ 2,212,492
5% Payment in Lieu of Parks Dedication	289,459	37,713	115	-	-	327,287
Water Development Cost Charges	1,059,227	8,042	572	-	794	1,067,047
Major Road Development Cost Charges	822,234	27,088	466	-	685,023	164,765
Storm Drain Development Cost Charges	674,899	37,756	843	-	-	713,498
Sanitary Sewer Development Cost Charges	228,214	7,749	297	-	-	236,260
Developer Payments in Lieu of Parking	27,692	-	11	-	-	27,703
Developer Payments for Affordable Housing	169,370	39,343	-	-	-	208,713
Federal Gas Tax Funds (Community Works Fund)	1,650,529	543,830	3,114	-	320,714	1,876,759
Prepaid property taxes	574,115	1,103,556	4,515	-	1,105,863	576,323
Prepaid parcel tax commutation - Kye Bay Water / Sewer	7,663	36,300	-	-	-	43,963
Prepaid Storm Drainage Development Works Payment	26,858	-	-	-	-	26,858
Prepaid recreation fees	190,792	198,081	-	-	190,792	198,081
Prepaid marina fees	66,892	72,725	-	-	66,892	72,725
Prepaid dog tags	510	1,200	-	-	510	1,200
Prepaid business licenses	10	10,315	-	-	10	10,315
Olympic Torch Relay Grant	555	-	-	-	-	555
Prepaid property rents	642	-	-	-	642	-
Donations for future specified capital projects	6,400	-	-	-	6,400	-
Provincial Recreation Grant	350,000	-	-	-	350,000	-
	<u>\$ 8,320,861</u>	<u>\$ 2,194,033</u>	<u>\$ 11,523</u>	<u>\$ -</u>	<u>\$ 2,761,873</u>	<u>\$ 7,764,544</u>

Town of Comox
Continuity of Equity in Tangible Capital Assets
Year Ended December 31, 2013

Schedule 4

	2013	2012
Opening balance of equity in Tangible Capital Assets	\$ 74,209,572	\$ 74,505,267
Changes in Capital Assets		
Acquisitions of tangible capital assets	5,141,107	1,672,422
Tangible capital assets acquired through development	951,888	-
Write-offs of assets replaced (at NBV)	(59,061)	-
Amortization expense	(2,609,091)	(2,513,236)
Changes in related liabilities		
Principal payment on debenture (to sinking fund)	450,277	450,279
Actuarial earnings on debenture sinking fund	118,348	94,840
Other borrowing principal repaid	-	-
Borrowing in year	-	-
	\$ 78,203,040	\$ 74,209,572
Closing Balance of Equity in Tangible Capital Assets	\$ 78,203,040	\$ 74,209,572

Represented by the following:

Capital assets at cost (Schedule 5)	\$ 114,655,173	\$ 109,205,153
Less accumulated amortization	(33,996,378)	(31,971,201)
Tangible capital assets at net book value	80,658,795	77,233,952
Net debenture debt (Note 6)	(2,455,755)	(3,024,380)
Other long-term debt	-	-
	\$ 78,203,040	\$ 74,209,572

Town of Comox
Schedule of Tangible Capital Assets
Year Ended December 31, 2013

Schedule 5

Engineering Structures

	Engineering Structures												Total	2012	
	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	\$ 12,559,077	\$ 4,409,638	\$ 2,571,639	\$ 34,145,670	\$ 21,324,104	\$ 1,029,123	\$ 1,322,881	\$ 10,555,209	\$ 12,086,283	\$ 87,084	\$ 109,205,153	\$ 107,623,602	
Add: Acquisitions and cost adjustments	689,928	-	244,171	479,417	126,473	2,419,224	442,454	119,473	967,151	216,452	127,990	260,261	6,092,994	1,672,422	
Add/(Less): Assets put to use	-	-	-	-	-	37,451	-	-	49,633	-	-	(87,084)	-	-	
Less: Write-downs and disposals at cost	-	-	-	(420,520)	(7,028)	(155,727)	-	(8,880)	(45,642)	(5,177)	-	-	(642,974)	(90,871)	
Closing balance	<u>8,415,112</u>	<u>1,389,260</u>	<u>12,803,248</u>	<u>4,468,535</u>	<u>2,691,084</u>	<u>36,446,618</u>	<u>21,766,558</u>	<u>1,139,716</u>	<u>2,294,023</u>	<u>10,766,484</u>	<u>12,214,273</u>	<u>260,261</u>	<u>114,655,173</u>	<u>109,205,153</u>	
ACCUMULATED AMORTIZATION															
Opening balance	-	675,142	2,399,883	2,458,974	899,014	14,417,776	4,814,480	439,378	667,495	2,431,717	2,767,341	-	31,971,201	29,548,837	
Add: Amortization	-	55,471	251,779	279,194	237,134	1,068,560	298,726	40,914	73,137	142,177	161,998	-	2,609,090	2,513,235	
Less: Accumulated amortization on write-downs	-	-	-	(394,523)	(7,028)	(155,727)	-	(8,880)	(13,717)	(4,038)	-	-	(583,913)	(90,871)	
Closing balance	<u>-</u>	<u>730,613</u>	<u>2,651,662</u>	<u>2,343,645</u>	<u>1,129,120</u>	<u>15,330,609</u>	<u>5,113,206</u>	<u>471,412</u>	<u>726,915</u>	<u>2,569,856</u>	<u>2,929,339</u>	<u>-</u>	<u>33,996,378</u>	<u>31,971,201</u>	
Net Book Value for the year ended December 31, 2013	<u>\$ 8,415,112</u>	<u>\$ 658,647</u>	<u>\$ 10,151,586</u>	<u>\$ 2,124,890</u>	<u>\$ 1,561,964</u>	<u>\$ 21,116,009</u>	<u>\$ 16,653,352</u>	<u>\$ 668,304</u>	<u>\$ 1,567,108</u>	<u>\$ 8,196,628</u>	<u>\$ 9,284,934</u>	<u>\$ 260,261</u>	<u>\$ 80,658,795</u>	<u>\$ 77,233,952</u>	

Town of Comox
Schedule of Operations by Segment
Year Ended December 31, 2013

Schedule 6

	General Government	Protective Services	Transportation	Waste Disposal	Development Services	Marina	Recreation Parks & Culture	Water	Sanitary Sewer	Total All Segments	2013 Budget
Revenue											
Property valuation taxes	\$ 7,168,789	\$ -	\$ 23,936	\$ -	\$ 69,801	\$ -	\$ -	\$ -	\$ -	\$ 7,262,526	\$ 7,260,131
Parcel taxes	-	-	28,081	-	-	-	-	296,017	305,209	629,307	636,165
Payments in lieu of taxes	1,405,043	-	-	-	-	-	-	-	-	1,405,043	1,364,137
Utility fees	-	-	-	1,120,556	-	-	-	2,203,579	1,937,870	5,262,005	5,187,857
Other sales of service	7,199	358,241	3,200	-	-	340,859	1,388,391	-	-	2,097,890	1,989,719
Licences, permits & planning fees	79,330	67,203	-	-	23,593	-	-	-	-	170,126	249,750
DCCs used for capital acquisitions	-	-	685,024	-	-	-	34,233	794	-	720,051	801,492
Tangible capital assets acquired through development	-	-	419,348	-	-	-	289,000	115,550	127,990	951,888	-
Donations	5,000	-	-	-	-	-	66,756	-	25,000	96,756	29,000
Investment income	124,244	303	23,959	-	376	224	-	1,407	2,358	152,871	115,100
Penalties and interest on taxes	93,365	-	-	-	-	-	-	-	-	93,365	86,000
Actuarial earnings on sinking fund	-	-	35,168	-	-	-	75,713	4,826	2,641	118,348	-
Rentals	-	-	-	-	-	-	133,462	-	-	133,462	110,163
Other	20,603	-	142	-	-	-	-	250	-	20,995	15,700
Gain on disposal of capital asset	-	-	-	-	-	-	-	-	84,003	84,003	-
Unconditional transfers	207,297	61,144	-	-	-	-	-	-	-	268,441	268,723
Conditional transfers	29,304	15,100	862,675	-	-	-	511,758	25,000	-	1,443,837	1,546,968
Debenture refunds upon maturity	-	-	-	-	-	-	108,689	-	-	108,689	108,000
	<u>9,140,174</u>	<u>501,991</u>	<u>2,081,533</u>	<u>1,120,556</u>	<u>93,770</u>	<u>341,083</u>	<u>2,608,002</u>	<u>2,647,423</u>	<u>2,485,071</u>	<u>21,019,603</u>	<u>19,768,905</u>
Expenses											
Employees	1,090,265	771,377	787,398	49,039	296,643	71,472	1,893,021	173,594	54,466	5,187,275	5,657,289
Services	157,822	1,814,563	260,317	1,060,217	92,154	89,898	1,386,445	308,628	1,708,733	6,878,777	6,782,395
Materials	42,555	168,008	194,200	237	256	6,543	290,923	1,537,619	52,199	2,292,540	2,380,141
Interest	4,515	-	58,127	-	-	-	161,868	19,762	8,211	252,483	258,620
Amortization of tangible capital assets	38,062	130,855	1,537,036	-	-	47,746	389,914	254,076	211,402	2,609,091	-
Losses on disposal of capital assets	-	-	19,990	-	-	-	-	1,139	-	21,129	-
Other	-	-	-	-	-	-	-	-	-	-	15,000
	<u>1,333,219</u>	<u>2,884,803</u>	<u>2,857,068</u>	<u>1,109,493</u>	<u>389,053</u>	<u>215,659</u>	<u>4,122,171</u>	<u>2,294,818</u>	<u>2,035,011</u>	<u>17,241,295</u>	<u>15,093,445</u>
Surplus for the year	<u>\$ 7,806,955</u>	<u>\$ (2,382,812)</u>	<u>\$ (775,535)</u>	<u>\$ 11,063</u>	<u>\$ (295,283)</u>	<u>\$ 125,424</u>	<u>\$ (1,514,169)</u>	<u>\$ 352,605</u>	<u>\$ 450,060</u>	<u>\$ 3,778,308</u>	<u>\$ 4,675,460</u>

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

Schedule 7

	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>