

Consolidated Financial Statements

Year Ended December 31, 2014



TOWN OF COMOX

Index to Consolidated Financial Statements Year Ended December 31, 2014

Management's Responsibility for Financial Reporting

Independent 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 (2014)
- 7. Schedule of Operations by Segment (2013)



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.

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, 2014 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, 2014, 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 15, 2015

Chartered Accountants

MNPLLA



Town of Comox Consolidated Statement of Financial Position as at December 31, 2014

Sta	tem	ent	1
-		~	- 1

	2014	2013
Financial Assets		
Cash	\$ 5,886,508	\$ 1,341,492
Short-term investments (Note 2b)	13,234,798	18,432,448
Receivables (Note 4)	1,288,804	1,536,694
Land for resale	9,847	9,847
	20,419,957	21,320,481
Financial Liabilities		
Payables (Note 5)	3,689,379	3,316,835
Deferred revenue (Schedule 3)	6,125,771	7,764,544
Net debenture debt (Note 6)	1,892,237	2,455,755
Performance deposits and bonds	1,176,210	1,126,794
	12,883,597	14,663,928
Net Financial Assets Contingent liabilities (Note 7)	7,536,360	6,656,553
,		
Non Financial Assets	05 000 050	00.050.705
Tangible capital assets (Schedule 5)	85,009,056	80,658,795
Supply inventory	218,784	178,203
Prepaid expenses	66,066	65,706
Shares in Courtenay Golf Club Ltd.	8,750	8,750
	85,302,656	80,911,454
Accumulated Surplus (Note 18)	\$ 92,839,016	\$ 87,568,007

Marquest.

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.

\$ 7,262,526 629,307 1,405,043 9,296,876 5,262,005 2,097,890 170,126 720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295 \$ 3,778,308
629,307 1,405,043 9,296,876 5,262,005 2,097,890 170,126 720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
629,307 1,405,043 9,296,876 5,262,005 2,097,890 170,126 720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
1,405,043 9,296,876 5,262,005 2,097,890 170,126 720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
9,296,876 5,262,005 2,097,890 170,126 720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
2,097,890 170,126 720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
2,097,890 170,126 720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
720,051 951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
951,888 96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
96,756 152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
152,871 93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
93,365 118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
118,348 133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
133,462 20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
20,995 84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
84,003 268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
268,441 1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
1,443,837 108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
108,689 21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
21,019,603 1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
1,333,219 2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
2,884,803 2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011
2,857,068 1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
1,109,493 389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
389,053 215,659 4,122,171 2,294,818 2,035,011 17,241,295
215,659 4,122,171 2,294,818 2,035,011 17,241,295
4,122,171 2,294,818 2,035,011 17,241,295
2,294,818 2,035,011 17,241,295
2,035,011 17,241,295
17,241,295
\$ 3,778,308
\$ {

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, 2014

Stat	teme	nt	3
------	------	----	---

	2014 Budget Note 17	2014	2013
Surplus for the year (Statement 2)	\$ 4,576,004	\$ 5,271,009	\$ 3,778,308
Tangible capital assets acquired through development Crown grant of land Acquisition of tangible capital assets Amortization of tangible capital assets Disposition of tangible capital assets Increase in prepaid expenses Increase in / decrease in supply inventory	- - (10,049,810) - - - -	(923,220) (950,885) (5,416,687) 2,728,482 212,049 (360) (40,581)	(951,888) - (5,141,106) 2,609,090 59,061 (2,785) 13,077
Increase (Decrease) in Net Financial Assets	(5,473,806)	879,807	363,757
Net Financial Assets at beginning of year	6,656,553	6,656,553	6,292,796
Net Financial Assets at end of year (Statement 1)	\$ 1,182,747	\$ 7,536,360	\$ 6,656,553

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

Town of Comox Consolidated Statement of Cash Flows as at December 31, 2014

Statement 4

2013

2014

Net inflow (outflow) of cash related to the following activities:			
Operating Activities			
Surplus for the year (Statement 2)	\$	5,271,009	\$ 3,778,308
Non-cash items included in operations:			
Contribution from developers		(923,220)	(951,888)
Crown grant of land		(950,885)	-
Amortization of tangible capital assets		2,728,482	2,609,090
Disposition of tangible capital assets replaced		212,049	59,061
Actuarial increase in debenture sinking funds		(102,882)	(118,348)
Net changes to financial assets & liabilities through operations:			
(Increase in) / decrease in receivables		247,890	(278,677)
Increase in / (decrease in) payables		372,544	266,980
Increase in / (decrease in) deferred revenue		(1,638,773)	(556,317)
Increase in / (decrease in) performance deposits and bonds		49,416	(73,507)
(Increase in) / decrease in supply inventory (Increase in) / decrease in prepaid expenses		(40,581) (360)	13,077
(morease iii) / decrease iii prepaid expenses		(300)	 (2,785)
	***************************************	5,224,689	 4,744,994
Investing Activities			
Short-term investing		5,197,650	(2,112,535)
Acquisition of tangible capital assets		(5,416,687)	(5,141,106)
γ · · · · · · · · · · · · · · · · · · ·	***************************************		
		(219,037)	 (7,253,641)
Financing Activities			
Debenture principal repaid		(460,636)	(450,277)
		(100,000)	 (100,217)
Increase (decrease) in cash		4,545,016	(2,958,924)
Cash at haginning of year		1 2 4 4 4 0 2	4 200 440
Cash at beginning of year		1,341,492	 4,300,416
Cash at end of year (Statement 1)		5,886,508	\$ 1,341,492
Interest paid	Œ	218,416	\$ 252,483
interest para	\$	210,710	 202,700

\$

212,394

\$

271,219

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

Interest received

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.

Short-term Investments	2014	2013
Municipal Finance Authority of BC Funds:		
Short-term Bond Fund	\$ 7,660,742	\$ 7,303,940
Intermediate Bond Fund	5,556,584	5,066,883
Money Market Fund	<u> 17,472</u>	17,284
	13,234,798	<u>12,388,107</u>
Canadian Western Bank GIC		<u>6,044,198</u>
Scotia Asset Management Funds cash	-	143
Total short-term investments	<u>\$ 13,234,798</u>	<u>\$ 18,432,448</u>

(c) Trust Fund

A Town-administered trust fund has been excluded from the financial statements. The balance in the fund was \$74,825 at December 31, 2014 (\$72,541 in 2013). It was invested in the MFA Short-term Bond Fund in 2014 and 2013. The only transactions in the fund were interest earned (\$2,284 in 2014 and \$1,213 in 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, payout on retirement, disability or death, and termination pay discounted from expected future values to net present value at year-end.

(f) Inventory

Inventory of supplies is recorded as a non-financial asset and is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

(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.

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. 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:			2014		2013
Employees		\$	449	\$	446
Governments		2	278,438		711,793
Developers for DC0	C Installments		-		· - ·
Others		1,0	009,917		824,455
	Total receivables		288,804	<u>\$ 1</u>	1,536,694

5. PAYABLES

Payables are composed of the following amounts:

Due to:	2014	2013
Employees (payroll earned to year end) Employees (accruals for vacation and	\$ 175,252	\$ 223,197
post-employment benefits)	797,153	780,207
Governments	1,847,583	1,876,465
Others	869,391	436,966
Total payables	\$3,689,379	\$ 3,316,835

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, 2014 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	2.40%	317,250	165,217	152,033	4,729	9,731
Oct. 2004	Downtown Revitalization	14 years	2.00%	475,000	304,843	170,157	6,959	19,272
Oct. 2005	Brooklyn Creek Storm Drain	10 years	4.17%	79,243	69,849	9,394	1,114	4,160
Apr. 2008	Library	9 years	4.65%	2,100,000	1,316,216	783,784	26,439	127,042
Apr. 2008	Pt. Holmes Water	14 years	4.65%	270,000	97,907	172,093	3,399	10,958
Apr. 2011	Comox Rec. Center	7 years	4.20%	1,000,000	395,225	604,776	_11,411	74,305
Totals at [December 31, 20 ²	14		<u>\$ 4,241,493</u>	<u>\$ 2,349,257</u>	<u>\$ 1,892,237</u>	<u>\$ 54,051</u>	\$ 245,468
Totals at [December 31, 20	13		<u>\$ 4,808,159</u>	\$ 2,352,404	<u>\$ 2,455,755</u>	\$ 60,598	<u>\$ 276,570</u>

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

	<u>Scheduled</u>	l Annual Payn	<u>nents</u>	Sinking Fund	Net Debt	
Year	Principal	Interest	Total	Actuarial Earnings	Outstanding	
2015	379,107	171,213	550,320	95,733	1,417,396	
2016	372,506	167,909	540,415	112,090	932,800	
2017	372,506	167,909	540,415	132,033	428,261	
2018	174,071	70,259	244,330	68,801	185,389	
2019	23,225	18,759	41,984	15,384	146,780	

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.

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, 2014 the Comox Valley Regional District had net debt of \$45,161,631 owing (\$50,138,105 at December 31, 2013) (\$86,200,672 net of \$41,039,041 sinking funds in 2014; \$87,282,656 net of \$37,144,551 sinking funds in 2013) 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

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 (\$62,074 at December 31, 2014; \$60,598 in 2013), plus Promissory Notes issued by the Town at the time of issue (\$276,570 at December 31, 2014; \$314,667 in 2013).

- (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, 2014 the District's share of those tangible capital assets (at cost and net book value) were \$864,212 and \$386,466 respectively (\$864,212 and \$440,924 in 2013) and its share of a Fire Department Capital Reserve was \$70,014 (\$56,544 in 2013).
- (d) 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 trusteed pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members (including approximately 36,000 contributors from local government) and approximately 75,000 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 \$391,802 for employer contributions to the plan in 2014, on behalf of 71 employees (\$341,963 in 2013 on behalf of 63 employees).

TOWN OF COMOX

Notes to the Consolidated Financial Statements Year Ended December 31, 2014

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 (\$397,641 at December 31, 2014 and \$366,050 in 2013) 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 3.00%. 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.

14. TRANSFERS BETWEEN RESERVE FUNDS

During 2014 the Town transferred \$800,000 from the Sewer Enterprise Reserve to the Capital Works Reserve, from which it was spent on a capital project. Under Section 189 of the Community Charter, the Town must repay this transfer with an amount equivalent to the interest that would have been earned had these funds remained in the Sewer Enterprise Reserve. To date no repayment schedule for the repayment has been finalized.

15. 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 2014 and 2013, 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.

16. COMMUNITY WORKS (FEDERAL GAS TAX) FUNDS

The Town receives transfers of Community Works (Federal Gas Tax) Funds through the Union of BC Municipalities that can be used to fund eligible expenditures.

Continuity of Funds:	2014	2013
Opening balance at start of year	\$ 1,876,759	\$ 1,650,529
Transfers received during year	606,912	543,830
Interest on investments	62,796	3,114
Draws to fund eligible projects	(430,713)	(320,714)
Closing Balance at end of year	\$ 2,115,754	\$ 1,876,759

As of April 1, 2014, a change in the Gas Tax Agreement impacted the accounting considerations requiring the Town to revisit the recording of transactions relating to the receipt and expenditure of these funds. As a result, beginning in 2014, Gas Tax transfers will be recorded as revenues, held as reserves, and no longer classified as deferred revenue. They are now separately identified on Schedule 2, Continuity of Reserve Funds.

17. RECONCILIATION OF 2014 BUDGET

The Town's budget figures come from a five-year Financial Plan adopted May 7, 2014 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 2014 Financial Plan:

Reconciliation of 2014 Budget Reported to Finance	ial Plan:
Net budget for 2014 reported	\$ 4,576,004
Capital acquisitions in Financial Plan	(10,049,810)
Proceeds from sale of real estate	475,000
Transfers from capital reserves in Financial Plan	5,158,493
Transfers to capital reserves in Financial Plan	(832,001)
Surplus appropriated for operations in Financial Plan	1,098,400
Debt principal repayments in Financial Plan	(426,086)
Net of Financial Plan	<u>Nil</u> .

18. 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:	2014	2013
Operating Funds:		
General Operating Fund	\$ 1,280,842	\$ 1,581,391
Water Operating Fund	763,895	692,002
Sanitary Sewer Operating Fund	1,720,002	<u>1,604,663</u>
	3,764,739	<u>3,878,056</u>
Capital Funds:		
General Capital Fund	64,729,128	60,018,846
Water Capital Fund	8,752,540	8,780,150
Sanitary Sewer Capital Fund	<u>9,643,901</u>	9,412,794
	83,125,569	78,211,790
Reserve Funds (Schedule 2)	5,948,708	<u>5,478,161</u>
Accumulated Surplus	<u>\$ 92,839,016</u>	<u>\$ 87,568,007</u>

Town of Comox Schedule of Expenses by Object (Year Ended December 31, 2014	· • • •		Schedule 1	
Expenses	Budget 2014 Note 17	2014	2013	
Salaries, wages and employee benefits	\$ 5,819,256	\$ 5,516,031	\$ 5,187,275	
Contracted and general services	7,211,711	6,831,190	6,878,777	
Materials, goods, supplies and utilities	2,336,158	2,388,256	2,292,540	
Interest and bank charges	239,243	218,416	252,483	
Amortization of tangible capital assets	-	2,728,482	2,609,091	
Losses on disposal of tangible capital asso	ets -	212,049	21,129	
Other	15,000	55,340		
	\$ 15,621,368	\$ 17,949,764	\$ 17,241,295	

Town of Comox Schedule of Continuity of Reserve Funds Year Ended December 31, 2014

Schedule 2

		•
	2014	2013
Opening Balance of Reserve Funds	\$ 5,478,161	\$ 5,029,276
Contributions to funds from operations Interest earned on funds Withdrawals from funds for capital acquisitions	3,290,672 135,681 (2,955,806)	926,692 28,627 (506,434)
Closing balance of Reserve Funds (Note 18)	\$ 5,948,708	\$ 5,478,161
Represented by the following financial assets:		
Cash and short-term investments	\$ 5,948,708	\$ 5,478,161
Including the following Reserve Funds:		
Federal Gas Tax (Community Works) Funds (Note 16)	\$ 2,115,754	\$ -
Capital Works Reserve	-	1,392,093
Equipment Replacement Reserve	480,082	350,325
Municipal Marina Reserve	114,046	58,184
Waterfront Development Reserve	-	25,000
Water Utility Reserve	825,561	754,119
Sewer Enterprise Reserve (Note 14)	1,926,575	2,523,254
Lancaster Sewer Lift Station Capital Reserve	50,194	41,435
Point Holmes Sewer Lift Station Capital Reserve	24,873	16,436
Waterfront Walkway Reserve	313	309
Affordable Housing Reserve	157,969	116,344
Fire Department Capital Reserve - Town share	183,327	144,118
	5,878,694	5,421,617
Fire Department Capital Reserve - CRFPID share (Note 7)	70,014	56,544
	\$ 5,948,708	\$ 5,478,161

Schedule 3

Town of Comox Schedule of Deferred Revenue Continuity Year Ended December 31, 2014

	2013 Balance	Receipts	Interest	Refunded	Recognized as Revenue		2014 Balance
Development Charges:							
Open Space Development Cost Charges	\$ 2,212,492 \$	151,277	\$ 71,262	\$ - :	\$ 5,940	\$	2,429,091
5% Payment in Lieu of Parks Dedication	327,287	41,652	10,827	-	•	,	379,766
Water Development Cost Charges	1,067,047	31,143	3 3 ,911	-	7,336		1,124,765
Major Road Development Cost Charges	164,765	72,172	5,846	-	88,469		154,314
Storm Drain Development Cost Charges	713,498	37,487	22,689	-	47,803		725,871
Sanitary Sewer Development Cost Charges	236,260	42,590	6,378	-	242,550		42,678
Developer Payments in Lieu of Parking	27,703		872	-	-		28,575
Developer Payments for Affordable Housing	208,713	20,9 3 0	· -	-	-		229,643
Federal Gas Tax (Community Works) Funds	1,876,759			-	1,876,759		•
Prepaid property taxes	576,323	1,252,582	4,855	-	1,188,689		645,071
Prepaid parcel tax commutation - Kye Bay Water / Sewer	43,963	-	-	-	36,300		7,663
Prepaid Storm Drainage Development Works Payment	26,858	-	-	-	-		26,858
Prepaid recreation fees	198,081	224,365	-	-	198,081		224,365
Prepaid marina fees	72,725	75,284	-	-	72,725		75,284
Prepaid dog tags	1,200	1,200	-	-	1,200		1,200
Prepaid business licenses	10,315	23,344	*	-	10,315		23,344
Olympic Torch Relay Grant	555	•	-	-	-		555
Prepaid property rents	-	6,728	-	-			6,728
	\$ 7,764,544 \$	1,980,754	\$ 156,640	\$ - 9	3,776,167	\$	6,125,771

Town of Comox Continuity of Equity in Tangible Capital Assets Year Ended December 31, 2014		Schedule 4
	2014	2013
Opening balance of equity in Tangible Capital Assets	\$ 78,203,040	\$ 74,209,572
Changes in Capital Assets		
Acquisitions of tangible capital assets	5,416,687	5,141,107
Tangible capital assets acquired through development	923,220	951,888
Crown land grant	950,885	-
Write-offs of assets replaced (at NBV)	(212,049)	(59,061)
Amortization expense	(2,728,482)	(2,609,091)
Changes in related liabilities		
Principal payment on debenture (to sinking fund)	460,636	450,277
Actuarial earnings on debenture sinking fund	102,882	118,348
Closing Balance of Equity in Tangible Capital Assets	\$ 83,116,819	\$ 78,203,040
Represented by the following:		
Capital assets at cost (Schedule 5)	\$ 121,504,064	\$ 114,655,173
Less accumulated amortization	(36,495,008)	(33,996,378)
Tangible capital assets at net book value	85,009,056	80,658,795
Net debenture debt (Note 6)	(1,892,237)	(2,455,755)
	\$ 83,116,819	\$ 78,203,040

Town of Comox Schedule of Tangible Capital Assets Year Ended December 31, 2014

Year Ended December 31, 2014 Schedule 5

						_									
COST		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	Total	2013
Opening balance	\$	8,415,112 \$	1,389,260 \$	12,803,248 \$	4,468,535 \$	2,691,084	\$ 36,446,618 \$	21,766,558 \$	t,t39,716 \$	2,294,023 \$	10,766,484	\$ 12,214,273 \$	260,261	\$ 114,655,173	\$ 109,205,153
Add: Acquisitions and cost adjustments Add/(Less): Assets put to use		951,185	-	-	30,610	76,592	1,985,791 11,964	414,041	-	30,396	102,515	391,037	3,308,625	7,290,792	6,092,994
Less: Write-downs and disposals at cost				(296,619)	(18,040)		(82,473)	(26,407)	-	7,785 (7,539)	<u> </u>	(10,823)	(19,749)	(441,901)	(642,97 4)
Closing balance		9,366,297	1,389,260	12,506,629	4,481,105	2,767,676	38,361,900	22,154,192	1,139,716	2,324,665	10,868,999	12,594,487	3,549,137	121,504,064	114,655,173
ACCUMULATED AMORTIZATION															
Opening balance		-	730,613	2,651,662	2,343,645	1,129,120	15,330,609	5,113,206	471,412	726,915	2,569,856	2,929,339	-	33,996,378	31,971,201
Add: Amortization Less: Accumulated amortization on write-downs		<u> </u>	48,909	254,672 (98,541)	277,299 (18,040)	261,095	1,138,548 (82,473)	304,440 (18.548)	43,309	90,521	144,229	165,460 (7,576)	-	2,728, 4 82 (229,852)	2,609,090 (583,913)
Closing balance		- -	779,522	2,807,793	2,602,904	1,390,215	16,386,684	5,399,098	514,721	812,762	2.714,085	3,087,223		36,495,008	33,996,378
Net Book Value for the year ended December 31, 2014	\$ 9),366,297 \$	609,738 \$	9,698,836 \$	1,878,201 \$	1,377,461	\$ 21,975,216 \$	16,755,094 \$	624,995 \$	1,511,903 \$	8,154,91 4	\$ 9,507,264 \$	3,549,137	\$ 85,009,056	\$ 80,658,795

Town of Comox Schedule of Operations by Segment Year Ended December 31, 2014

										creation							
	General Government		Transportation	Waste Disposal		elopment Services		Marina		Parks &		146.1.	Sanitary		Total All		
Revenue	Covernment	00111003	ransportation	Disposal	,	Services		Marina		Culture		Water	Sewer		Segments		2014 Budget
Property valutation taxes	\$ 7,308,553	\$ -	\$ 23,933	\$ -	\$	72,882	\$	_	\$	_	\$		\$ -	\$	7,405,368	\$	7,411,971
Parcel taxes	_	-	28,081	_	•	,00	•	_	•	_	Ψ	294,437	302,895	Ψ	625,413	Φ	636.075
Payments in lieu of taxes	1,398,627	_	-	_		_		_		_		201,101	-		1,398,627		1,409,895
Utility fees	-	-	-	1,261,943		_		_		_		2,243,389	2,134,960		5,640,292		5,460,185
Other sales of service	7,201	349,150	2,200	· · ·		_		358,158	1.3	94,878		2,2 10,000	2,104,500		2,111,587		2,094,767
Licences, permits & planning fees	87,101	131,418	-	_		34,537		-	,,0			_	_		253,056		192,250
DCCs used for capital acquisitions	-	-	136,272	-				_		5,940		7,336	242,550		392,098		618,189
Tangible capital assets acquired throug	h development	-	676,958	_		_		_		-,		102,515	143,747		923,220		010,109
Donations	5,000	-	12,109	_		_		_		41,746		102,010	140,747		58,855		16,000
Investment income	115,444	2,679	80,290	_		8,274		1,130		,		9,804	33,504		251,125		125,000
Penalties and interest on taxes	99,579	_	_	-		_		-		_			55,504		99,579		87,500
Actuarial earnings on sinking fund	-	_	40,634	-		_		_		53,323		5.875	3,050		102,882		67,500
Rentals	-	_	-	-		_		_		28,912		0,070	3,000		128,912		126,627
Other	30,744	-	9,726	_		_		_	·	,		161	_		40,631		17,700
Unconditional transfers	206,187	61,193	_	_		_		_		_		-	_		267,380		268,723
Conditional transfers	-	15,600	2,502,111	_		_		_	9	95,735		_	_		3,513,446		1,732,490
Debenture refunds upon maturity	-		8,302			-		_	_	-		-	_		8,302		1,732,430
	9,258,436	560,040	3,520,616	1,261,943		115,693		350 200	0.0	00.504		0.000.547	0.000.700	_			
	0,200,400	300,040	3,320,010	1,201,943		115,693		359,288	2,6	20,534		2,663,517	2,860,706	-	23,220,773	_	20,197,372
Expenses																	
Employees	1,132,256	820,085	834,446	54,084		331,965		73,105	2.0	05,502		195,545	69,043		5,516,031		5,819,256
Services	201,472	1,633,955	175,120	1,177,956		108,686		164,672		32,115		314.655	1,822,559		6,831,190		7,211,711
Materials	44,045	168,756	230,435	1,138		656		10,185		04,939		1,573,270	54,832		2,388,256		2,336,158
Interest	5,402		51,765					,		39,650		16,789	4,810		218,416		239,243
Amortization of tangible capital assets	36,501	132,520	1,643,659					50,140		18,346		263,648	183,668		2,728,482		200,240
Losses on disposal of capital assets			208,802					,		,		200,010	3,247		212,049		-
Other	55,340						_	_		-		_	-		55,340		15,000
	4 475 040	0.755.040												_		_	14,000
	1,475,016	2,755,316	3,144,227	1,233,178	-	441,307		298,102	4,1	00,552	-	2,363,907	2,138,159	_	17,949,764		15,621,368
Surplus for the year	\$ 7,783,420	\$ (2,195,276)	\$ 376,389	\$ 28,765	\$ ((325,614)	\$	61,186	\$ (1,4	80,018)	\$	299,610	\$ 722,547	\$	5,271,009	\$	4,576,004

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

	General Government	Protective	Transportation	Waste		lopment		Recreatio Parks	&		Sanitary		Total All		
Revenue	Government	Services	rransportation	Disposal	1 3	Services	Marina	Cultur	е	Water	Sewer		Segments		2013 Budget
Property valutation taxes	\$ 7,168,789	\$ -	\$ 23.936	s -	\$	69,801	s -	\$ -	\$	_	\$ -	•	7 060 F06	•	7.000.404
Parcel taxes	-	_	28,081	-	*	-	-	Ψ - -	Ψ	- 296,017	305,209	\$	7,262,526 629,307	\$	7,260,131
Payments in lieu of taxes	1,405,043	-	-	_		_	_	_		290,017	303,209		1,405,043		636,165
Utility fees	-	-	_	1,120,556		-	_	_		2,203,579	1,937,870		5,262,005		1,364,137 5,187,857
Other sales of service	7,199	358,241	3,200	-		-	340,859	1,388,391		2,200,575	1,557,670		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	ı	794	-		720,051		801,492
Tangible capital assets acquired through	h development	-	419,348	-		_	_	289,000		115,550	127,990		951,888		001,492
Donations	5,000	-	-	-		-	_	66,756		110,000	25,000		96,756		29,000
Investment income	124,244	303	23,959	-		376	224	55,155	•	1,407	2,358		152,871		115,100
Penalties and interest on taxes	93,365	-		_			-	-		-	2,000		93,365		86,000
Actuarial earnings on sinking fund	-	-	35,168	-			-	75,713	1	4.826	2,641		118,348		-
Rentals	-	-	-	-		-	-	133,462		-,020	2,541		133,462		110,163
Other	20,603	-	142	-		_	-	.00,102	-	250	_		20,995		15,700
Gain on disposal of capital asset	-	_	-	_		_	-	_		-	84,003		84,003		15,700
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
	9,140,174	501,991	2,081,533	1,120,556		93,770	341,083	2,608,002		2,647,423	2,485,071		21,019,603	-	19,768,905
Expenses															
Employees	1,090,265	771,377	787,398	49,039	2	96,643	71,472	1,893,021		173,594	E4 400		E 407.075		F 0.53 0.00
Services	157,822	1,814,563	260,317	1,060,217		92,154	89,898	1,386,445		308,628	54,466 1,708,733		5,187,275		5,657,289
Materials	42,555	168,008	194,200	237		256	6,543	290,923		1,537,619			6,878,777		6,782,395
Interest	4,515	-	58,127	-	•	-	-	161,868		19,762	52,199 8,211		2,292,540		2,380,141
Amortization of tangible capital assets	38,062	130,855	1,537,036	_			47,746	389.914		254.076	211,402		252,483 2,609,091		258,620
Losses on disposal of capital assets	· -	, -	19,990	_		_	-1,140	505,514		1,139	211,402				-
Other		-						-					21,129 -		15,000
	1,333,219	2,884,803	2,857,068	1,109,493	3	89,053	215,659	4,122,171		2,294,818	2,035,011	_1	7,241,295		15,093,445
Surplus for the year	\$ 7,806,955	\$ (2,382,812)	\$ (775,535)	<u>\$ 11,063</u>	\$ (2	95,283) \$	125,424	\$ (1,514,169) <u>\$</u>	352,605	\$ 450,060	\$	3,778,308	<u>\$</u>	4,675,460