



Consolidated Financial Statements of

Town of Comox

Year Ended December 31, 2019

Town of Comox

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Year Ended December 31, 2019

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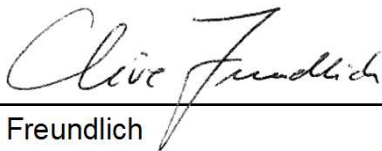
Town of Comox

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 consolidated financial statements in accordance with Canadian auditing standards and have expressed their opinion in a report accompanying this statement.



Clive Freundlich
Director of Finance

Independent Auditor's Report

To the Mayor and Council of the Town of Comox:

Opinion

We have audited the consolidated financial statements of Town of Comox (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows and related schedules 1 to 7 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information, consisting of the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter with those charged with governance.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Courtenay, British Columbia

September 2, 2020

MNP LLP

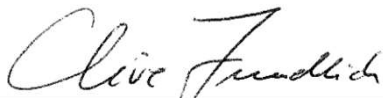
Chartered Professional Accountants

Town of Comox

Consolidated Statement of Financial Position
as at December 31, 2019

	2019	2018
Financial Assets:		
Cash	\$ 5,385,262	\$ 2,931,482
Short-term investments (Note 2b)	26,746,160	27,985,120
Receivables (Note 3)	1,571,975	830,543
Land for resale	9,847	9,847
	33,713,244	31,756,992
Financial Liabilities:		
Payables (Note 4)	4,024,242	2,996,310
Deferred revenue (Schedule 3)	1,231,889	1,218,066
Restricted revenue (Schedule 3)	6,353,348	6,259,802
Deposits	1,790,886	1,658,338
Debenture debt (Note 5)	146,780	185,389
Future payroll obligations (Note 8)	912,936	929,636
	14,460,081	13,247,541
Net Financial Assets	19,253,163	18,509,451
Non-financial assets:		
Tangible capital assets (Schedule 5)	88,923,013	86,967,255
Supply inventory	222,230	259,092
Prepaid expenses	83,750	60,227
Shares in Courtenay Golf Club Ltd.	8,750	8,750
	89,237,743	87,295,324
Accumulated surplus (Note 16)	\$ 108,490,906	\$ 105,804,775

Contingent liabilities (Note 6)
Subsequent event (Note 17)



Clive Freundlich, Director of Finance, responsible for
financial administration for the Town of Comox

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

Town of Comox
Consolidated Statement of Operations
Year Ended December 31, 2019

	Budget	2019	2018
	(Note 15)		
Revenue			
Property valuation tax	\$ 8,761,766	\$ 8,736,441	\$ 8,412,203
Parcel taxes	624,200	618,605	633,208
Grants in-lieu of taxes	1,540,800	1,679,854	1,534,872
Revenue from taxation	10,926,766	11,034,900	10,580,283
Utility fees	6,853,250	6,811,730	6,639,049
Other sale of service	2,658,322	2,766,685	2,877,311
Licences, permits & planning fees	330,850	266,800	434,084
Developer cost charges applied	709,140	222,754	25,109
Tangible capital assets contributed	-	-	726,221
Donations	39,500	9,427	116,597
Investment income	450,000	825,478	457,170
Penalties and interest on taxes	56,500	67,631	67,556
Actuarial earnings on sinking fund	-	15,383	68,802
Rentals	163,700	149,796	142,280
Other	89,000	44,408	128,129
Gain on disposal of assets	-	1,000	100,595
Unconditional Grants	375,000	372,809	375,137
Conditional Grants	2,030,842	1,360,990	880,025
	24,682,870	23,949,791	23,618,348
Expenses			
General government	2,293,533	2,498,581	1,870,803
Protective services	3,632,885	3,251,181	3,311,773
Solid waste management	1,464,270	1,315,311	1,333,212
Development services	824,760	576,041	504,708
Transportation	3,721,106	3,523,814	3,490,689
Parks, recreation, and culture	4,917,190	4,601,315	4,628,663
Marina	150,941	156,863	198,977
Water services	2,971,937	2,896,192	2,655,577
Sewer services	2,620,460	2,444,362	2,350,223
	22,597,082	21,263,660	20,344,625
Annual surplus	2,085,788	2,686,131	3,273,723
Accumulated surplus, beginning of year	105,804,775	105,804,775	102,531,052
Accumulated surplus, end of year	\$ 107,890,563	\$ 108,490,906	\$ 105,804,775

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

Town of Comox

Consolidated Statement of Change in Net Financial Assets For the Year Ended December 31, 2019

	Budget	2019	2018
	(Note 15)		
Surplus for the year	\$ 2,085,788	\$ 2,686,131	\$ 3,273,723
Tangible capital assets contributed	-	-	(726,225)
Acquisition of tangible capital assets	(10,654,216)	(5,090,207)	(3,218,928)
Amortization of tangible capital assets	3,000,000	3,134,449	3,061,818
Disposition of tangible capital assets	-	-	11,369
	(5,568,428)	730,373	2,401,757
(Increase) / decrease in supply inventory	-	36,862	(939)
(Increase) / decrease in prepaid expenses	-	(23,523)	17,564
	-	13,339	16,625
Increase (decrease) in Net Financial Assets	(5,568,428)	743,712	2,418,382
Net Financial Assets at beginning of year	18,509,451	18,509,451	16,091,069
Net Financial Assets at end of year	\$ 12,941,023	\$ 19,253,163	\$ 18,509,451

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

Town of Comox
Consolidated Statement of Cash Flows
as at December 31, 2019

	2019	2018
Net inflow (outflow) of cash related to the following activities:		
Operating activities:		
Surplus for the year	\$ 2,686,131	\$ 3,273,723
Non-cash items included in operations:		
Contribution from developers	-	(726,225)
Amortization of tangible capital assets	3,134,449	3,061,818
Disposition of tangible capital assets	-	11,369
Actuarial adjustment on debt	(15,383)	(68,802)
Net changes to financial assets & liabilities through operations:		
(Increase) / Decrease in receivables	(741,432)	(12,416)
Increase in payables	1,027,932	795,869
Increase in deferred revenue	13,823	101,648
Increase in restricted revenue	93,546	798,595
Increase in deposits	132,547	169,667
Increase / (Decrease) in future payroll obligations	(16,700)	13,485
(Increase) / Decrease in supply inventory	36,862	(939)
(Increase) / Decrease in prepaid expenses	(23,523)	17,564
	6,328,252	7,435,356
Investing Activities		
Short-term investing	1,238,960	(6,809,769)
Capital Activities		
Acquisition of tangible capital assets	(5,090,207)	(3,218,928)
Financing activities:		
Debenture principal repaid	(23,225)	(174,070)
Increase / (Decrease) in cash and cash equivalents	2,453,780	(2,767,411)
Cash and cash equivalents, beginning of year	2,931,482	5,698,893
Cash and cash equivalents, end of year	\$ 5,385,262	\$ 2,931,482
Supplemental cash flow information		
Interest paid	\$ 13,925	\$ 27,934
Interest received	\$ 825,478	\$ 457,170

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

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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 market value, which is equal to the carrying value, and Guaranteed Investment Certificates.

Short-term Investments	2019	2018
Municipal Finance Authority of BC Funds:		
Short-term Bond Fund *	\$ 49,993	\$ 48,372
Intermediate Bond Fund	397,818	5,836,086
Money Market Fund	510,268	7,491,533
* Adjusted for Trust Fund	958,079	13,375,990
Guaranteed Investment Certificates		
Scotiabank	1,754,423	6,109,130
Coast Capital Savings	21,500,000	6,000,000
Coastal Community Credit Union	2,533,658	2,500,000
	\$ 26,746,160	\$ 27,985,120

(c) Trust Fund

A Town-administered trust fund has been excluded from the financial statements. The balance in the fund was \$ 268,904 at December 31, 2019 (\$ 260,802 in 2018). It was invested in the MFA Short-term Bond Fund in 2019 and 2018. Interest earned was \$8,103 in 2019 (\$4,832 in 2018).

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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. 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
Land	\$ 10,000	Indefinite
Land improvements	\$ 10,000	25 years
Buildings	\$ 10,000	50 years
Vehicles, Machinery and Equipment	\$ 10,000	8 to 20 years
Computers and programs	\$ 10,000	5 years
Engineered Structures		
Road surfaces	\$ 10,000	25 years
Road sub-surfaces	\$ 10,000	50 years
Sidewalks	\$ 10,000	50 years
Storm drains surface	\$ 10,000	25 years
Storm drains sub-surface	\$ 10,000	75 years
Water	\$ 10,000	75 years
Sewer	\$ 10,000	75 years
Other surface structures	\$ 10,000	25 years

(e) Future Payroll Obligations

- 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.

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2019.

At each financial reporting date, the Town reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2019 the Town has not recorded any liability for contaminated sites as no such sites have been identified.

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Measurement Uncertainty

The preparation of consolidated 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 consolidated 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 future payroll obligation, 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. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Town is responsible for.

3. RECEIVABLES

Receivables are composed of the following amounts:

	2019	2018
Employees	\$ -	\$ 747
Governments	277,685	150,576
Other	1,294,290	679,220
Total receivables	\$ 1,571,975	\$ 830,543

4. PAYABLES

Payables are composed of the following amounts:

	2019	2018
Wages payable	\$ 65,876	\$ 220,903
Governments	2,176,607	2,400,080
Trade & Other	1,781,758	375,327
Total payables	\$ 4,024,242	\$ 2,996,310

Town of Comox
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

5. DEBENTURES ISSUED FOR THE TOWN

The Town's debenture debt arises from participation in debenture issued 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, 2019 are:

Issued / Bylaw #	Purposes of Borrowing	Terms	Interest Rate	Amount Borrowed	Sinking Fund	Net Owing	Debt Reserve	Promissory Note
Apr 2004 B/L #2426	Kye Bay Water & Sewer system	19 yrs	2.40%	\$ 317,250	\$ 241,404	\$ 75,847	\$ 5,315	\$ 9,731
Apr 2008 B/L #1520	Pt. Holmes Water	14 yrs	4.65%	270,000	\$ 199,067	70,933	3,820	10,958
Total at December 31, 2019				\$ 587,250	\$ 440,470	\$ 146,780	\$ 9,135	\$ 20,689
Total at December 31, 2018				\$ 587,250	\$ 401,861	\$ 185,389	\$ 8,927	\$ 20,689

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

Year	Schedule Annual Payments			Sinking Fund		Net Debt
	Principal	Interest	Total	Actuarial Earnings	Outstanding	
2020	\$ 23,225	\$ 13,224	\$ 36,449	\$ 17,095	\$ 106,459	
2021	23,225	13,224	36,449	18,884	64,350	
2022	23,225	9,714	32,939	20,753	20,371	
2023	8,465	6,204	14,669	11,907	-	

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 6 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

For the year ended December 31, 2019

6. CONTINGENT LIABILITIES

(a) Regional District Debt

Regional District debt is, under the provisions of the Local Government Act (Section 836), a direct, joint and several liability of the District and each member municipality within the District, including the Town of Comox. Readers are referred to the Comox Valley Regional District 2019 Audited Financial Statements for specific information and detail.

(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 5). 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 (\$9,135 at December 31, 2019; \$8,927 in 2018), plus Promissory Notes issued by the Town at the time of issue (\$20,689 at December 31, 2019; \$20,689 in 2018).

(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, 2019 the District's share of those tangible capital assets (at cost and net book value) were \$1,071,528 and \$501,792 respectively (\$1,030,424 and \$496,642 in 2018) and its share of a Fire Department Capital Reserve was \$108,800 (\$85,679 in 2018).

(d) Claims

At December 31st there existed outstanding claims against the Town. These claims have been referred to legal counsel and to the Town's liability insurers. It is not possible to determine the Town's potential liability, if any, with respect to these matters.

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

7. PENSION INFORMATION

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

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

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

The Town of Comox paid \$429,181 for employer contributions to the plan in fiscal 2019 (\$438,710 in 2018).

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

8. FUTURE PAYROLL OBLIGATIONS

The Town calculates the value of vacation, sick, severance, and meritorious service accruals to be \$912,936 at December 31, 2019 (\$929,636 in 2018).

Vacation Accrual is calculated to be \$458,530 at December 31, 2019 (\$485,760 in 2018). Sick, Severance, & Meritorious Service is calculated to be \$454,406 at December 31, 2019 (\$443,876 in 2018).

Meritorious Service is for 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 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 2.10% (2% and 2.90% respectively in 2018). Employee retirement benefit payments are being funded by an accounting charge on wages paid in the year.

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

9. FINANCIAL INSTRUMENTS

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

10. 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.

11. 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.

12. RESTRICTION 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.

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

13. 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 2019 and 2018, 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.

Solid Waste Management – 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.

Parks, Recreation, 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 Service – 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 Service – 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

For the year ended December 31, 2019

14. 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:	2019	2018
Opening balance at start of year	\$ 3,308,355	\$ 2,809,240
Transfers received during year	1,302,852	657,246
Interest on investments	70,514	56,449
Draws to fund eligible projects	(841,237)	(214,580)
Closing balance at end of year	\$ 3,840,483	\$ 3,308,355

These transfers are recorded as conditional grant revenue because they can only be used for eligible expenditures under the terms of a 2014 agreement between the Government of Canada and the Union of BC Municipalities.

15. RECONCILIATION OF 2019 BUDGET

The Town's budget figures come from a five-year Financial Plan adopted May 8, 2019 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 2019 Financial Plan:

Reconciliation of 2019 Budget Reported to Financial Plan:	
Net budget for 2019 reported	\$ 2,085,788
Capital acquisitions in Financial Plan	(10,654,216)
Transfers from capital reserves in Financial Plan	7,433,462
Transfers to capital reserves in Financial Plan	(4,327,024)
Debt principal repayments in Financial Plan	(38,010)
Proceeds of debt	2,500,000
Amortization expense	3,000,000
Net of Financial Plan	\$ -

Town of Comox

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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.

		As Restated (Note 18)
Accumulated Surplus	2019	2018
Operating Funds:		
General Operating Fund	\$ 2,659,707	\$ 1,774,980
Water Operating Fund	1,172,919	1,215,250
Sanitary Sewer Operating Fund	2,909,718	2,738,100
	<u>6,742,344</u>	<u>5,728,330</u>
Capital Funds:		
General Capital Fund	71,655,943	69,942,500
Water Capital Fund	8,833,150	8,702,021
Sanitary Sewer Capital Fund	8,295,889	8,146,095
	<u>88,784,982</u>	<u>86,790,616</u>
Reserve Funds (Schedule 2)	12,963,580	13,285,829
Net of Financial Plan	<u>\$ 108,490,906</u>	<u>\$ 105,804,775</u>

17. SUBSEQUENT EVENT

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town of Comox as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

18. COMPARATIVE FIGURES

The accumulated surplus (operating and capital funds) comparative figures in Note 16 have been reclassified to conform with the current year's presentation.

Town of Comox

Schedule of Expenses by Object (Type)

Year ended December 31, 2019

Schedule 1

	Budget	2019	2018
	(Note 15)		
Expenses			
Salaries, wages and employee benefits	\$ 6,924,473	\$ 7,096,051	\$ 6,453,008
Contracted and general services	11,548,129	8,326,143	8,185,199
Materials, goods, supplies and utilities	1,037,990	2,679,352	2,600,674
Interest and bank charges	86,490	27,666	43,926
Amortization of tangible capital assets	3,000,000	3,134,448	3,061,818
	<hr/>	<hr/>	<hr/>
	\$ 22,597,082	\$ 21,263,660	\$ 20,344,625

Town of Comox

Schedule of Continuity of Reserve Funds
 Year ended December 31, 2019

Schedule 2

	2019	2018
Opening Balance of Reserve Funds	\$ 13,285,829	\$ 10,569,708
Contributions to funds from operations	3,597,598	4,136,858
Interest earned on funds	260,552	212,638
Withdrawals from funds for capital acquisitions	(4,180,399)	(1,633,375)
Closing balance of Reserve Funds (Note 16)	\$ 12,963,580	\$ 13,285,829

Represented by the following financial assets:

Cash and short-term investments	\$ 12,963,580	\$ 13,285,829
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Including the following Reserve Funds:

Community Works (Federal Gas Tax) Funds (Note 14)	\$ 3,840,484	3,308,355
Asset replacement reserve	82,500	-
Capital Works Reserve	939,263	1,538,984
Equipment Replacement Reserve	521,548	506,411
Municipal Marina Reserve	561,250	467,614
Water Utility Reserve	1,501,381	676,935
Sewer Enterprise Reserve	4,392,463	5,769,769
Lancaster Sewer Lift Station Capital Reserve	79,553	78,110
Point Holmes Sewer Lift Station Capital Reserve	52,464	51,513
Recreation Centre Capital Reserve	5,772	-
Waterfront Walkway Reserve	335	329
Affordable Housing Reserve	180,460	177,187
Fire Department Capital Reserve - Town Share	278,817	214,042
Public Safety Reserve	418,490	410,901
	12,854,780	13,200,150
Fire Department Capital Reserve CFPID share (Note 7c)	108,800	85,679
	\$ 12,963,580	\$ 13,285,829

Town of Comox

Schedule of Deferred and Restricted Revenue Continuity
 Year ended December 31, 2019

Schedule 3

	2018 Balance	Receipts	Interest	Recognized as Revenue	2019 Balance
Deferred Revenue					
Prepaid property taxes	\$ 825,885	\$ 900,797	\$ 13,432	\$ 834,295	\$ 905,819
Prepaid parcel tax commutation - Kye Bay Water / Sewer	7,662				7,662
Prepaid General fees (Marina, Dog, Business licenses)	92,244	383,231		392,546	82,929
Prepaid Recreation fees	292,275	517,934		574,730	235,479
Total Deferred Revenue	1,218,066	1,801,962	13,432	1,801,571	1,231,889
Restricted Revenue					
<u>Development Charges:</u>					
Open Space Development Cost Charges	2,873,469	73,790	65,718	-	3,012,977
Water Development Cost Charges	1,185,849		26,926	143,961	1,068,814
Major Road Development Cost Charges	591,253	62,754	13,839	-	667,846
Storm Drain Development Cost Charges	665,266	-	15,106	74,609	605,763
Sanitary Sewer Development Cost Charges	171,624	36,428	4,129	4,184	207,997
	5,487,461	172,972	125,718	222,754	5,563,397
<u>Other Restricted Revenue</u>					
5% Payment in Lieu of Parks Dedication	404,361	-	9,181	-	413,542
Developer Payments in Lieu of Parking	30,426	-	691	-	31,117
Developer Contribution for Public Amenities	25,000	-	568	-	25,568
Developer Payments for Affordable Housing	312,554	-	7,170	-	319,724
	772,341	-	17,610	-	789,951
Total Restricted Revenue	6,259,802	172,972	143,328	222,754	6,353,348

Town of Comox

Continuity of Equity in Tangible Capital Assets
Year ended December 31, 2019

Schedule 4

	2019	2018
Opening balance of equity in Tangible Capital Assets	86,790,616	85,675,778
Changes in Capital Assets		
Acquisitions of tangible capital assets	5,090,207	3,218,928
Tangible capital assets acquired through development	-	726,225
Write-offs of assets replaced (at NBV)	-	(11,369)
Amortization expense	(3,134,449)	(3,061,818)
Changes in related liabilities		
Principal payment on debenture (to sinking fund)	23,225	174,070
Actuarial earnings on debenture sinking fund	15,383	68,802
Closing Balance of Equity in Tangible Capital Assets	\$ 88,784,982	\$ 86,790,616

Represented by the following:

Tangible capital assets at net book value (Schedule 5)

Capital assets at cost	\$ 138,551,362	\$ 133,756,300
Less accumulated amortization	(49,628,349)	(46,789,045)
Tangible capital assets at net book value	88,923,013	86,967,255
Net debenture debt (Note 6)	(146,781)	(185,389)
Shares in Courtenay Golf Club Ltd.	8,750	8,750

\$ 88,784,982 \$ 86,790,616

Town of Comox
Schedule of Tangible Capital Assets
Year ended December 31, 2019

Schedule 5

									Totals		
	Land Imp	Land Improvements	Buildings	Equipment	Transportation	Storm / Drain	Water Service	Sewer Service	Work in Progress	2019 Total	2018 Total
Cost											
Opening costs	8,985,178	4,919,382	19,064,804	7,269,589	44,971,742	22,885,532	13,254,999	12,061,569	343,505	133,756,300	130,282,689
Additions during the year	-	-	294,916	974,519	2,770,952	229,319	382,015	-	438,486	5,090,207	3,945,153
Add/(Less): Assets put to use	-	-	26,203	34,681	85,615	38,687	17,682	-	(202,868)	-	-
Disposals and write downs	-	-	-	(295,145)	-	-	-	-	-	(295,145)	(471,542)
Closing costs	8,985,178	4,919,382	19,385,923	7,983,644	47,828,309	23,153,538	13,654,696	12,061,569	579,123	138,551,362	133,756,300
Accumulated Amortization											
Opening accum'd amortization	-	2,151,100	4,129,806	4,102,724	21,573,947	6,662,137	4,337,130	3,832,201	-	46,789,045	44,187,400
Amortization	-	165,696	389,708	544,918	1,200,024	323,888	333,668	176,547	-	3,134,449	3,061,818
Accum Amort Adj for Disp/WD	-	-	-	(295,145)	-	-	-	-	-	(295,145)	(460,173)
Closing accum'd amortization	-	2,316,796	4,519,514	4,352,497	22,773,971	6,986,025	4,670,798	4,008,748	-	49,628,349	46,789,045
Net Book Value of Tangible Capital Assets	8,985,178	2,602,586	14,866,409	3,631,147	25,054,338	16,167,513	8,983,898	8,052,821	579,123	88,923,013	86,967,255

Town of Comox
Schedule of Operations by Segment
Year ended December 31, 2019

	General Government	Protective Services	Solid Waste Management	Development Services	Transportation	Parks, Recreation & Culture	Marina	Water	Sanitary Sewer	Total All Segments	2019 Budget
Revenue											
Property valuation tax	\$ 8,663,154	\$ -	\$ -	\$ 73,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,736,441	\$ 8,761,766
Parcel taxes	-	-	-	-	4,106	-	-	300,632	313,867	618,605	624,200
Grants in-lieu of taxes	1,679,854	-	-	-	-	-	-	-	-	1,679,854	1,540,800
Utility fees	-	-	1,667,083	-	-	-	-	2,644,363	2,500,284	6,811,730	6,853,250
Other sale of service	80,531	554,098	-	-	1,100	1,750,469	380,487	-	-	2,766,685	2,658,322
Licences, permits & planning fees	60,757	146,616	-	59,427	-	-	-	-	-	266,800	330,850
Developer cost charges applied	-	-	-	-	74,609	-	-	143,961	4,184	222,754	709,140
Tangible capital assets contributed	-	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	9,427	-	-	-	9,427	39,500
Investment income	504,640	14,380	-	67,892	88,384	7,095	-	34,606	108,481	825,478	450,000
Penalties and interest on taxes	67,631	-	-	-	-	-	-	-	-	67,631	56,500
Actuarial earnings on sinking fund	-	-	-	-	-	-	-	10,966	4,417	15,383	-
Rentals	-	-	-	-	-	149,796	-	-	-	149,796	163,700
Other	42,212	-	-	-	2,196	-	-	-	-	44,408	89,000
Gain on disposal of assets	-	-	-	-	1,000	-	-	-	-	1,000	-
Unconditional Grants	316,234	56,575	-	-	-	-	-	-	-	372,809	375,000
Conditional Grants	-	25,862	-	-	1,302,852	32,276	-	-	-	1,360,990	2,030,842
	11,415,013	797,531	1,667,083	200,606	1,474,247	1,949,063	380,487	3,134,528	2,931,233	23,949,791	24,682,870
Expenses											
Employees	1,630,755	1,046,290	49,238	431,842	1,235,533	2,345,900	73,189	239,916	43,388	7,096,051	6,924,473
Services	741,849	1,886,014	1,264,656	139,156	205,374	1,368,463	68,100	446,813	2,205,718	8,326,143	11,548,129
Materials	39,095	163,375	1,417	5,043	246,183	327,902	15,574	1,865,634	15,129	2,679,352	1,037,990
Interest	13,925	-	-	-	-	-	-	10,161	3,580	27,666	86,490
Amortization	72,957	155,502	-	-	1,836,724	559,050	-	333,668	176,547	3,134,448	3,000,000
	2,498,581	3,251,181	1,315,311	576,041	3,523,814	4,601,315	156,863	2,896,192	2,444,362	21,263,660	22,597,082
Surplus for the year	\$ 8,916,432	\$ (2,453,650)	\$ 351,772	\$ (375,435)	\$ (2,049,567)	\$ (2,652,252)	\$ 223,624	\$ 238,336	\$ 486,871	\$ 2,686,131	\$ 2,085,788

Town of Comox
Schedule of Operations by Segment
Year ended December 31, 2018

	General Government	Protective Services	Solid Waste Management	Development Services	Transportation	Parks, Recreation & Culture	Marina	Water	Sanitary Sewer	Total All Segments	2018 Budget
Revenue											
Property valuation tax	\$ 8,322,434	\$ -	\$ -	\$ 72,900	\$ 16,869	\$ -	\$ -	\$ -	\$ -	\$ 8,412,203	\$ 8,415,570
Parcel taxes	-	-	-	-	20,974	-	-	306,844	305,390	633,208	639,290
Grants in-lieu of taxes	1,534,872	-	-	-	-	-	-	-	-	1,534,872	1,468,800
Utility fees	-	-	1,622,349	-	-	-	-	2,540,262	2,476,438	6,639,049	6,710,730
Other sale of service	96,323	546,030	-	-	16,871	1,845,501	372,586	-	-	2,877,311	2,513,222
Licences, permits & planning fees	93,340	281,444	-	59,300	-	-	-	-	-	434,084	193,550
DCC's used for capital acquisitions	-	-	-	-	10,859	-	-	14,250	-	25,109	444,776
TCA acquired through developers	-	-	-	-	499,389	-	-	135,528	91,304	726,221	-
Donations	-	-	-	-	-	116,597	-	-	-	116,597	46,500
Investment income	136,332	14,380	-	67,892	88,384	7,095	-	34,606	108,481	457,170	144,000
Penalties and interest on taxes	67,556	-	-	-	-	-	-	-	-	67,556	52,000
Actuarial earnings on sinking fund	-	-	-	-	21,465	33,592	-	9,753	3,992	68,802	-
Rentals	-	-	-	-	-	142,280	-	-	-	142,280	130,200
Other	125,821	-	-	-	1,438	-	-	-	870	128,129	135,500
Gain on disposal of assets	-	22,965	-	-	77,630	-	-	-	-	100,595	-
Unconditional Grants	319,058	56,079	-	-	-	-	-	-	-	375,137	375,000
Conditional Grants	2,720.00	17,600	-	-	794,446	65,259	-	-	-	880,025	1,137,240
	10,698,456	938,498	1,622,349	200,092	1,548,325	2,210,324	372,586	3,041,243	2,986,475	23,618,348	22,406,378
Expenses											
Employees	1,247,807	1,014,488	48,387	395,134	1,056,038	2,340,288	73,463	213,223	64,180	6,453,008	6,165,800
Services	539,618	1,978,053	1,283,686	105,784	297,051	1,483,175	74,623	335,425	2,087,784	8,185,199	9,277,306
Materials	32,635	185,047	1,139	3,790	279,087	304,359	7,584	1,764,978	22,055	2,600,674	2,755,650
Interest	9,361	-	-	-	9,500	9,073	-	14,340	1,652	43,926	69,250
Amortization	41,382	134,185	-	-	1,849,013	491,768	43,307	327,611	174,552	3,061,818	3,000,000
Other	-	-	-	-	-	-	-	-	-	-	15,000
	1,870,803	3,311,773	1,333,212	504,708	3,490,689	4,628,663	198,977	2,655,577	2,350,223	20,344,625	21,283,006
Surplus for the year	\$ 8,827,653	\$ (2,373,275)	\$ 289,137	\$ (304,616)	\$ (1,942,364)	\$ (2,418,339)	\$ 173,609	\$ 385,666	\$ 636,252	\$ 3,273,723	\$ 1,123,372