

**CORPORATION OF THE CITY OF COURTENAY  
COUNCIL MEETING AGENDA**

**DATE:** June 19, 2017  
**PLACE:** City Hall Council Chambers  
**TIME:** 4:00 p.m.

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**1.00 ADOPTION OF MINUTES**

1. Adopt June 12, 2017 Regular Council meeting minutes

**2.00 INTRODUCTION OF LATE ITEMS**

**3.00 DELEGATIONS**

1. Heritage Advisory Commission - Annual Report

**4.00 STAFF REPORTS/PRESENTATIONS**

**(a) Financial Services**

- 1 1. 2016 Audited Financial Statements - MNP Presentation by Cory Vanderhorst, CPA, CA
- 43 2. Financial Information Act – 2016 Statement of Financial Information (SOFI)

**5.00 EXTERNAL REPORTS AND CORRESPONDENCE FOR INFORMATION**

- 79 1. Comox Valley Air Quality – Corporation of the Village of Cumberland

**6.00 INTERNAL REPORTS AND CORRESPONDENCE FOR INFORMATION**

**7.00 REPORTS/UPDATES FROM COUNCIL MEMBERS INCLUDING REPORTS FROM COMMITTEES**

## **RESOLUTIONS OF COUNCIL**

### **1. Councillor Hillian – Proposed Resolution following the June 12, 2017 Council Meeting**

WHEREAS “Zoning Amendment Bylaw No. 2871, 2017” (308, 320 and 332 3<sup>rd</sup> Street) was adopted by Council on June 12, 2017;

THEREFORE BE IT RESOLVED that Council direct staff to investigate, as part of the ongoing project planning process, the feasibility of an access to the subject properties from Duncan Avenue as opposed to 3<sup>rd</sup> Street.

### **2. Councillor Lennox – Proposed Resolutions**

#### **1. Rain Barrels**

WHEREAS water prices are on the rise and bulk buying of rain barrels is an option available to the city where the benefits can be passed on to the residents;

THEREFORE BE IT RESOLVED that staff report back with costs and implications of a rain barrel program.

#### **2. Compost Containers**

WHEREAS rats are a considerable nuisance and are attracted to composting materials;

THEREFORE BE IT RESOLVED that staff report back on costs and implications of implementing a rat proof compost container program.

#### **3. North Island College Pay Parking**

WHEREAS the city has banned pay parking in the PA- 4 Zone for the betterment of the community;

THEREFORE BE IT RESOLVED that the City send a letter to North Island College requesting the removal of pay parking at the Courtenay campus.

### **3. In Camera Meeting**

That notice is hereby given that a Special In-Camera meeting closed to the public will be held June 19<sup>th</sup>, 2017 at the conclusion of the Regular Council Meeting pursuant to the following sub-sections of the *Community Charter*:

- 90 (1) (c) labour relations or other employee relations.

**9.00 UNFINISHED BUSINESS**

- 81 1. Greenhouse Gas Emission Fuel Pump Labels Updated Information
2. Delegation from the June 12, 2017 regular Council meeting
- Gary Guthrie – Budget Process

**10.00 NOTICE OF MOTION**

**11.00 NEW BUSINESS**

**12.00 BYLAWS**

**For Third Reading and Final Adoption**

- 97 1. “Zoning Amendment Bylaw No. 2872, 2017”  
(To allow a secondary suite at 1986 4<sup>th</sup> Street East)

**For Final Adoption**

- 99 2. “Water Efficiency Reserve Fund Bylaw No. 2885, 2017”  
(To establish a water efficiency reserve fund)
- 101 3. “Land Sales and Use Reserve Fund Bylaw No. 2886, 2017”  
(To establish a land sales and use reserve fund)

**13.00 ADJOURNMENT**





THE CORPORATION OF THE CITY OF COURTENAY

## STAFF REPORT

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**To:** Council  
**From:** Chief Administrative Officer  
**Subject:** 2016 Audited Financial Statements

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**File No.:** 1870-02 [2016]

**Date:** June 19, 2017

### PURPOSE:

The purpose of this report is to request approval of the audited financial statements for the year ended December 31, 2016.

### POLICY ANALYSIS:

Section 171 of the *Community Charter* requires that the municipal auditor report to Council on the annual financial statements. Council is responsible for the review and approval of the financial statements. This is one of the key roles that Council fulfils to ensure that the City's financial and organizational resources are sound.

### EXECUTIVE SUMMARY:

The firm of MNP LLP was appointed by Council to undertake the independent audit for the 2016 year. Under the terms of their engagement, the interim audit work was performed in December 2016, and final audit work undertaken in March to early June 2017.

### CAO RECOMMENDATIONS:

That based on the June 19, 2017 staff report "2016 Audited Financial Statements" Council approve OPTION 1 which approves the Audited Financial Statements for the year ended December 31, 2016.

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM  
Chief Administrative Officer

### BACKGROUND:

Section 171 of the *Community Charter* requires that the municipal auditor report to Council on the annual financial statements.

The auditor's responsibility is to report on whether the annual consolidated statements present fairly, in all material respects, the financial position, results of operations, change in net financial assets and cash flows of the City in accordance with Canadian Public Sector Accounting Standards. In addition, their role is to provide reasonable, but not absolute, assurance of detecting misstatements, fraud or non-compliance with laws and regulations having a material effect on the consolidated financial statements as a whole.

Council is responsible for the review and approval of the annual financial statements.

#### **DISCUSSION:**

The firm of MNP LLP was appointed by Council to undertake the annual independent financial audit of the City for the 2016 calendar year. On December 19, 2016 Staff provided MNP's Audit Service Plan to Council. Audit staff were on site to complete the 2016 audit procedures in the latter part of March and continued to interact with staff through to June 12, 2017. The Audit work is now complete and MNP, in conjunction with this report, has prepared an overview of the City's financial position as well as their opinion and approval of the 2016 consolidated financial statements.

Attached are the following documents for Council's reference:

1. Audit Findings Report for the year ended December 31, 2016 including the Audit Independence Letter, MNP LLP
2. City of Courtenay, Audited Financial Statements for the year ended December 31, 2016

#### **FINANCIAL IMPLICATIONS:**

Total fees of \$32,130 charged to the City for audit services are as quoted in the Audit Service Plan presented to Council in December 2016.

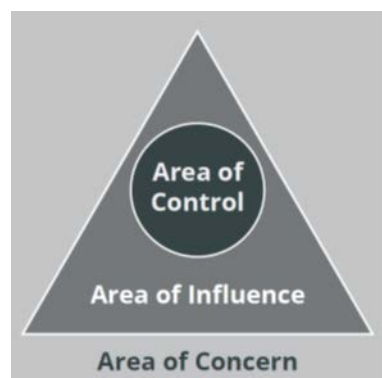
#### **ADMINISTRATIVE IMPLICATIONS:**

Upon Council review and approval of the financial statements, staff will compile and distribute the statements as required to various authorities. In addition, the financial statements will be made publically available via the City's website and incorporated into the City's 2016 Annual Report.

#### **STRATEGIC PLAN REFERENCE:**

**We focus on organizational and governance excellence**

- We support meeting the fundamental corporate and statutory obligations



- **Area of Control**  
The policy, works and programming matters that fall within Council's jurisdictional authority to act.
- ▲ **Area of Influence**  
Matters that fall within shared or agreed jurisdiction between Council and another government or party.
- **Area of Concern**  
Matters of interest outside Council's jurisdictional authority to act.

While the annual audit work and compilation of the consolidated financial statements are not specifically identified in the City's strategic plan, staff resources are used to complete this annual statutory requirement.

**OFFICIAL COMMUNITY PLAN REFERENCE:**

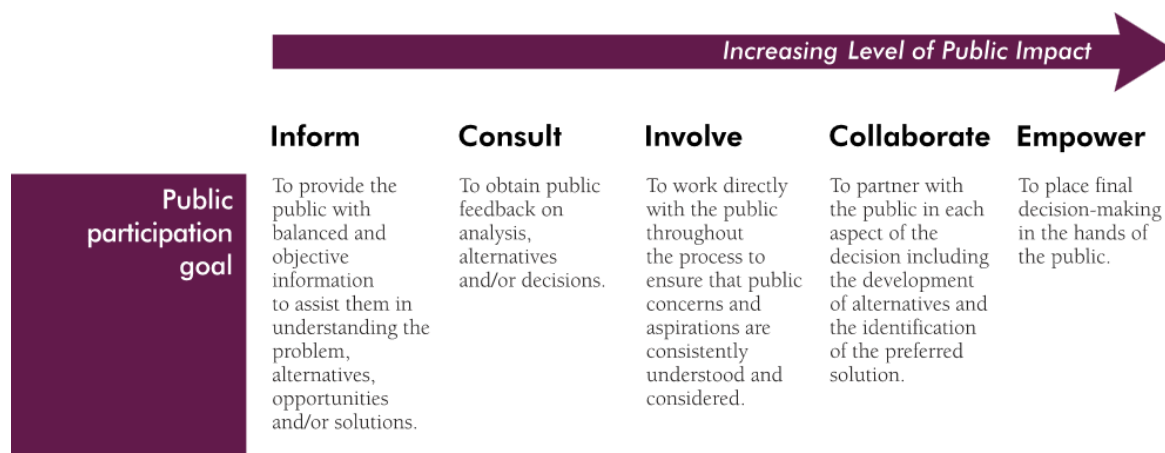
N/A

**REGIONAL GROWTH STRATEGY REFERENCE:**

N/A

**CITIZEN/PUBLIC ENGAGEMENT:**

The public will be **informed** of the outcome of Council's consideration of the 2016 Audited Financial Statements based on level one of the IAP2 Spectrum of Public Participation.



**OPTIONS:**

**OPTION 1:** That Council approve the City of Courtenay Audited Financial Statements for the year ended December 31, 2016. (Recommended)

**OPTION 2:** That staff provide a subsequent report for Council consideration.

Prepared by:

Brian Parschauer, BA, CPA-CMA  
Director, Financial Services

Attachments :

1. 2016 Audit Findings
2. Consolidated Financial Statements for Year Ending December 31, 2016

**City of Courtenay  
Report to Council**

*For the Year Ending December 31, 2016*

For presentation at the Council meeting June 19, 2017

June 19, 2017

Mayor and Council of the City of Courtenay

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of City of Courtenay (the "City") as at December 31, 2016 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as Mayor and Council.

We have completed our audit of the consolidated financial statements of the City which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Audit Report will provide an unqualified opinion to the Mayor and Council of the City. A draft copy of our proposed Independent Auditors' Report is attached at the end of this report.

This report is intended solely for the information and use of Council and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

**MNP LLP**  
**Chartered Professional Accountants**

/jvo

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## INTRODUCTION

As auditors, we report to the Mayor and Council on the results of our examination of the consolidated financial statements of City of Courtenay (the "City") as at and for the year ended December 31, 2016. The purpose of this Audit Findings Report is to assist you, as Mayor and Council, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

## ENGAGEMENT STATUS

We have completed our audit of the consolidated financial statements of the City and are prepared to sign our Auditors' Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmations;
- The Council's review and approval of the consolidated financial statements.

We expect to have the above procedures completed and to release our Audit Report on June 21, 2017. Our draft report, which will provide an unqualified opinion, is attached at the end of this report.

## SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

### CHANGES FROM AUDIT SERVICE PLAN

There were no deviations from the Audit Service Plan previously presented to you.

### AREAS OF AUDIT EMPHASIS

The following lists the key areas of our audit emphasis for your City:

- Contingencies, Lawsuits and Commitments;
- Financial Statement Presentation and Disclosure; and
- Fraud and Error.

Detailed information on Areas of Audit Emphasis is included as Appendix B to this report.

### FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the City, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was \$1,000,000 for December 31, 2016, calculated as approximately 2% of annual revenues.

## **SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to Council on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.

## **DIFFICULTIES ENCOUNTERED**

No significant limitations were placed on the scope or timing of our audit.

## **IDENTIFIED OR SUSPECTED FRAUD**

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

## **IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS**

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.

## **MATTERS ARISING IN CONNECTION WITH RELATED PARTIES**

No significant matters arose during the course of our audit in connection with related parties of the City.

## **GOING CONCERN**

We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern.

We are of the opinion that the going concern assumption is appropriate in preparation of the consolidated financial statements.

## AUDITORS' VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian public sector accounting standards allows and requires the City to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your City's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

### ***Accounting Policies***

- The accounting policies used by the City are appropriate and have been consistently applied.
- No new accounting policies, or changes in accounting policies were applied.

### ***Accounting Estimates***

#### **Employee future benefits**

- Accrual made for expected future payments for employee sick leave and vacation pay.

#### **Allowance for doubtful accounts**

- Provision for the uncollectible accounts receivable.

#### **Amortization period of tangible capital assets**

- Amortized over the estimated useful life of the respective assets. All assets were amortized under the straight-line method, over 5 to 80 years.

### ***Financial Statement Disclosures***

The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.

## MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the City.

There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

## MATTERS ARISING IN THE AUDIT OF COMPONENTS

- There were no significant matters that arose from the audit of components that in our judgment need to be brought to your attention.

## SIGNIFICANT DIFFERENCES

No significant differences were proposed to management with respect to the December 31, 2016 consolidated financial statements. A summary of all differences is available on request.

## **MODIFICATIONS TO THE INDEPENDENT AUDITORS' REPORT**

As discussed earlier, our independent auditors' report will provide an unqualified opinion to the Mayor and Council.

## **MANAGEMENT REPRESENTATIONS**

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit.

## **AUDITOR INDEPENDENCE**

We confirm to Council that we are independent of the City. Our letter to Council discussing our independence is included as part of the additional materials attached to this report.

## APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the City and its environment, including management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
- Not directly related to items that are material to the consolidated financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

## **APPENDIX B – Areas of Audit Emphasis**

### **FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE**

#### **Audit Procedures:**

- We have reviewed the consolidated financial statements and concluded that the corresponding presentation and disclosure is in accordance with Canadian Public Sector Accounting Standards.
- We have participated in discussions with Management on all significant transactions during the course of the past 12 months, and have assisted in ensuring appropriate treatment and disclosure.

We have concluded that the City's consolidated financial statements have been appropriately presented and appropriate disclosures have been made in accordance with Canadian Public Sector Accounting Standards.

### **CONTINGENCIES, LAWSUITS AND COMMITMENTS**

#### **Audit Procedures:**

- We made detailed inquiries of Management and reviewed both minute books and legal files to identify contingencies, lawsuits and commitments. No items not already brought to our attention and/or disclosed in the notes to the financial statements were noted.
- We have received Management's representation letter attesting to the completeness of issues of this nature.
- We discussed claims with management and obtained legal responses with respect to likelihood of success and potential for payouts.

We have concluded that contingencies, lawsuits and commitments disclosed in the City's consolidated financial statements.

### **FRAUD AND ERROR**

#### **Audit Procedures:**

- Obtained from Management an assessment of the entity's susceptibility to material misstatements arising from fraud or error.
- Discussed with Management the entity's susceptibility to material misstatements arising from fraud or error.
- Obtained Management representations concerning fraud and error.

We concur with Management's assessment that the City's susceptibility to material misstatements arising from fraud or error is reasonably low.

## Independent Auditors' Report

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To the Mayor and Council of the City of Courtenay:

We have audited the consolidated statement of financial position of The Corporation of the City of Courtenay as at December 31, 2016 and the consolidated statements of operations, change in net financial assets and cash flow, and related schedules 1, 3, 4 and 5 for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for 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 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 an audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2016 the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matters*

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information, including schedules 1 to 5, has been presented for purposes of additional analysis. The supplementary information in Schedules 1, 3, 4 and 5 has been subjected to the auditing procedures applied in the consolidated financial statements and in our opinion, this supplementary information is presented fairly, in all material respects, in relation to the consolidated financial statements taken as a whole. We do not express an opinion on Schedule 2 because our examination did not extend to the detailed information therein.

Courtenay, British Columbia

June 19, 2017

Chartered Professional Accountants

## Independence Communication

June 19, 2017

Mayor and Council  
City of Courtenay  
830 Cliffe Avenue  
Courtenay, BC V9N 2J7

Dear Mayor and Council:

We have been engaged to audit the consolidated financial statements of City of Courtenay (the "City") as at December 31, 2016 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the City and its related entities or persons in financial reporting oversight roles at the City and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are aware of the following relationships between the City and MNP that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from January 1, 2016 to the date of this letter.

MNP was engaged to provide consulting services for the Engineering Department. In order to mitigate the independence risk, separate teams were used for the consulting engagement and the audit of the financial statements.

This report is intended solely for the use of Mayor and Council, management and others within the City and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



**MNP LLP**  
**Chartered Professional Accountants**

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**THE CORPORATION OF  
THE CITY OF COURTENAY**

***Consolidated Financial Statements***

***Year Ending December 31, 2016***

**THE CORPORATION OF THE CITY OF COURTENAY**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2016**

Management's Responsibility for Financial Reporting

Independent Auditors Report

Consolidated Statements

- A Consolidated Statement of Financial Position
- B Consolidated Statement of Operations
- C Consolidated Statement of Change in Net Financial Assets
- D Consolidated Statement of Cash Flow

Notes to Consolidated Financial Statements

Supporting Schedules

- 1 Consolidated Schedule of Segment Disclosure by Service
- 2 Consolidated Schedule of Accumulated Surplus & Reserves (Unaudited)
- 3 Consolidated Schedule of Tangible Capital Assets
- 4 Consolidated Schedule of Debenture and Other Long-Term Debt
- 5 Consolidated Schedule of Investments

## **THE CORPORATION OF THE CITY OF COURTENAY**

### **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 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 City's independent auditors, have audited the accompanying financial statements. Their report accompanies this statement.

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Brian Parschauer, BA, CPA, CMA  
Director of Financial Services

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Larry Jangula  
Mayor

## Independent Auditors' Report

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To the Mayor and Council of the City of Courtenay:

We have audited the consolidated statement of financial position of The Corporation of the City of Courtenay as at December 31, 2016 and the consolidated statements of operations, change in net financial assets and cash flow, and related schedules 1, 3, 4 and 5 for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for 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 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 an audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2016 the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matters*

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information, including schedules 1 to 5, has been presented for purposes of additional analysis. The supplementary information in Schedules 1, 3, 4 and 5 has been subjected to the auditing procedures applied in the consolidated financial statements and in our opinion, this supplementary information is presented fairly, in all material respects, in relation to the consolidated financial statements taken as a whole. We do not express an opinion on Schedule 2 because our examination did not extend to the detailed information therein.

Courtenay, British Columbia

June 19, 2017

Chartered Professional Accountants

**THE CORPORATION OF THE CITY OF COURTENAY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

**STATEMENT A**

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash on Hand and on Deposit (Schedule 5)	\$ 11,940,239	\$ 24,589,693
Receivables (Note 1i)	3,178,840	3,755,852
Term Deposits (Schedule 5)	31,409,482	16,239,121
	<u>46,528,561</u>	<u>44,584,666</u>
<b>LIABILITIES</b>		
Accounts Payable (Note 1j)	8,271,606	6,773,433
Trust and Other Deposits	4,742,503	4,052,355
Deferred Revenue - Development Cost Charges (Note 6)	4,481,601	3,873,262
Deferred Revenue - Other (Note 8)	1,409,770	1,713,694
Long-Term Debt (Schedule 4)	14,189,703	15,474,182
	<u>33,095,183</u>	<u>31,886,926</u>
<b>NET FINANCIAL ASSETS</b>	<u>13,433,378</u>	<u>12,697,740</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventories	188,408	179,937
Prepaid Expenses	491,324	331,018
Tangible Capital Assets (Note 12 & Schedule 3)	135,242,213	131,104,017
	<u>135,921,945</u>	<u>131,614,972</u>
<b>ACCUMULATED SURPLUS (Schedule 2)</b>	<u>\$ 149,355,323</u>	<u>\$ 144,312,712</u>

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

**THE CORPORATION OF THE CITY OF COURTENAY  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

REVENUE	2016		2016		2015
	Budget (Note 13)				
Taxes for Municipal Purposes	\$ 24,147,300	\$	24,263,225	\$	23,359,764
Sale of Services	14,436,832		13,425,663		12,499,386
Revenue From Own Sources	2,872,600		3,154,810		3,568,322
Federal Transfers	2,654,500		1,094,108		1,162,778
Provincial Transfers	423,900		1,383,979		1,234,578
Other Local Government Transfers	436,800		220,726		250,165
Contributions	3,650,467		4,118,205		3,782,730
DCC Revenue	-		260,138		172,009
Investment Income and Taxation Penalties	897,700		922,476		958,161
Other	434,600		682,242		569,615
Actuarial adjustment	-		45,551		146,868
Gain on Sale of Tangible Capital Assets	-		6,785		22,740
<b>TOTAL REVENUE</b>	<b>49,954,699</b>		<b>49,577,908</b>		<b>47,727,116</b>
<b>EXPENSES</b>					
General Government Services	4,904,336		4,730,658		4,611,266
Protective Services	9,442,609		8,125,236		8,374,891
Transportation Services	7,517,209		7,037,780		6,267,696
Sewer and Water Facilities	10,008,264		10,191,449		8,224,013
Environmental Health Services	3,298,875		3,291,499		3,088,829
Public Health and Welfare Services	264,192		259,991		266,639
Environmental Development Services	1,359,933		1,249,548		828,767
Recreational and Cultural Services	9,868,744		9,649,136		8,205,654
<b>TOTAL EXPENSES</b>	<b>46,664,162</b>		<b>44,535,297</b>		<b>39,867,755</b>
<b>ANNUAL SURPLUS (Schedule 1)</b>	<b>3,290,537</b>		<b>5,042,611</b>		<b>7,859,361</b>
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>	<b>144,312,712</b>		<b>144,312,712</b>		<b>136,453,351</b>
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>	<b>\$ 147,603,249</b>	<b>\$</b>	<b>149,355,323</b>	<b>\$</b>	<b>144,312,712</b>

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

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**STATEMENT C**

	2016 Budget (Note 13)	2016	2015
ANNUAL SURPLUS	\$ 3,290,537	\$ 5,042,611	\$ 7,859,361
Acquisition of tangible capital assets	(6,069,983)	(5,625,947)	(9,013,394)
Amortization of tangible capital assets	4,890,442	4,890,442	4,569,989
(Gains)/losses and other adjustments to tangible capital assets		194,159	(22,740)
Proceeds on sale of tangible capital assets		13,675	64,604
Developer tangible capital asset contribution	(3,606,717)	(3,606,717)	(3,027,059)
	<u>(4,786,258)</u>	<u>(4,134,388)</u>	<u>(7,428,600)</u>
Acquisition of supplies inventories	-	(402,965)	(370,001)
Acquisition of prepaid expense	-	(714,847)	(376,517)
Consumption of supplies inventories	-	390,686	347,091
Use of prepaid expense	-	554,541	587,512
	<u>-</u>	<u>(172,585)</u>	<u>188,085</u>
CHANGE IN NET FINANCIAL ASSETS	(1,495,721)	735,638	618,846
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>12,697,740</u>	<u>12,697,740</u>	<u>12,078,894</u>
NET FINANCIAL ASSETS AT END OF YEAR	<u>\$ 11,202,019</u>	<u>\$ 13,433,378</u>	<u>\$ 12,697,740</u>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE CITY OF COURTENAY  
CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**STATEMENT D**

	2016	2015
<b>CASH PROVIDED BY (APPLIED TO) FINANCING TRANSACTIONS</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus	\$ 5,042,611	\$ 7,859,361
Changes in non-cash items including amortization		
Increase in amortization	4,890,442	4,569,989
Change in receivables	577,012	1,236,329
Change in accounts payable	1,498,173	852,389
Change in trust and other deposits	690,148	(771,846)
Change in deferred revenue	304,415	34,001
Change in inventories	(8,471)	(22,909)
Change in prepaids	(160,306)	210,994
Net (gains)/losses and other adjustments to tangible capital assets	190,351	(22,740)
Developer Tangible Capital Asset Contribution	(3,606,717)	(3,027,059)
Actuarial adjustment	(333,874)	(501,082)
	<u>9,083,784</u>	<u>10,417,427</u>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(5,625,947)	(9,013,394)
Proceeds on sale of tangible capital assets	13,675	64,604
	<u>(5,612,272)</u>	<u>(8,948,790)</u>
<b>INVESTING TRANSACTIONS</b>		
Term deposits	<u>(15,170,361)</u>	<u>(4,035,406)</u>
<b>FINANCING TRANSACTIONS</b>		
Repayment of long-term debt	<u>(950,605)</u>	<u>(1,215,206)</u>
<b>INCREASE (DECREASE) IN CASH ON HAND AND ON DEPOSIT</b>	(12,649,454)	(3,781,975)
<b>CASH ON HAND AND ON DEPOSIT AT BEGINNING OF YEAR</b>	<u>24,589,693</u>	<u>28,371,670</u>
<b>CASH ON HAND AND ON DEPOSIT AT END OF YEAR</b>	<u><u>\$ 11,940,239</u></u>	<u><u>\$ 24,589,693</u></u>
 Interest paid on outstanding debt and included in annual surplus above	 \$ 713,928	 \$ 823,506

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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The Corporation of the City of Courtenay was incorporated in 1915 under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of local government services to the residents of the Municipality.

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

It is the policy of the City to follow Canadian public sector accounting standards and to apply such principles consistently. The consolidated financial statements include the operations of General, Water Utility, Sewer, Capital, Reserve Funds, and the Sid Williams Theatre Society, a controlled entity. Transactions between these funds, and between the City and the Sid Williams Theatre Society, have been eliminated on consolidation. The consolidated financial statements have been prepared using guidelines issued by the Public Sector Accounting Board of CPA Canada. The financial resources and operations of the City have been consolidated for financial statement purposes and include the accounts of all of the funds and equity in tangible capital assets of the City. As part of the supplementary information, the resources and operation of the City 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.

**(b) Revenue and Expense Recognition**

Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.

Amortization is based on the estimated useful lives of tangible capital assets.

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Amounts that have been received from non-government sources in advance of services being rendered are recorded as deferred revenue until the City discharges the obligations that led to the collection of funds. Following are the types of revenue received and a description of their recognition:

Taxes for Municipal Purposes are recognized in the year levied.

Sale of Services are recognized in the year that the service is provided or the amount is earned, provided the amount can be estimated and collection is reasonably assured.

Revenues from own sources are recognized in the period in which the transactions or events that gave rise to the revenue occur or are earned, provided the amount can be estimated and collection is reasonably assured.

The City recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the City recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Contributions are recorded when the event giving rise to the contribution occurs.

DCC Revenue is recorded in the year that it is used to fund a capital project and has been authorized by bylaw.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investment income, taxation penalties, and actuarial earnings are recorded in the year they are earned.

**(c) Accrued Payroll Benefits**

Earned but unpaid vacation is fully accrued and recorded in the financial statements.

Post employment benefits are accrued and recorded in the financial statements. This amount is provided by an Actuary that the City has engaged.

**(d) Use of Estimates**

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts Receivable are stated after evaluation of their collectability. Post employment benefits are calculated by an Actuary. Amortization is based on the estimated useful lives of tangible capital assets. These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in earnings in the periods in which they become known. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the City of Courtenay is responsible for.

**(e) Inventories**

Inventories are valued at the lower of cost and replacement cost.

**(f) Tangible Capital Assets**

Tangible capital assets are recorded at cost, net of capital asset disposals, write-downs and amortization. Tangible capital asset expenditures exceeding the following thresholds per major category are capitalized. The average useful life is applied straight line to calculate amortization. In the year of acquisition and disposal, amortization is taken at one-half of the calculated amounts.

<b>Major Asset Category</b>	<b>Threshold</b>	<b>Average Useful Life</b>
Land	\$1	Indefinite
Land Improvements	\$10,000	Varies from 10 to 40 years
Building	\$10,000	Varies from 25 to 60 years
Vehicles, Machinery/Equipment	\$5,000 to \$10,000	Varies from 5 to 25 years
Engineering Structures		
Roads	\$5,000 to \$50,000	Varies from 10 to 60 years
Water	\$5000 to \$10,000	Varies from 8 to 80 years
Sewer	\$10,000	Varies from 8 to 60 years
Other – Includes Storm	\$10,000	Varies from 25 to 75 years
Other Tangible Capital Assets (includes IT software)	\$5,000	5 years

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Carrying costs directly attributable to the acquisition, construction or development activity, excluding interest costs, are capitalized to the point in time the asset is substantially complete and ready for use. Contributed tangible capital assets are recorded at their fair value on the date of contribution. Assets under construction are not amortized until the asset is in use.

(g) Financial Instruments

Financial Instruments consist of cash on hand and deposit, term deposits, receivables, accounts payable, trusts and other deposits, and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency, exchange, or credit risk arising from these financial instruments.

(h) Debt Charges

Interest payments are charged against current fund balances in the period they become payable and have been accrued to December 31, 2016. Actuarial adjustments are offset against interest charged. Principal payments are applied directly to loan balances in the period they accrue.

(i) Receivables

Following is a breakdown of receivables outstanding at December 31, 2016 with 2015 comparatives:

	<u>2016</u>	<u>2015</u>
Federal Government	\$ 206,198	\$ 179,108
Provincial Government	566,788	397,979
Regional and other Local Governments	160,397	136,689
Property Taxes	1,489,508	1,526,701
Other	<u>755,949</u>	<u>1,515,375</u>
Total Receivables	<u>\$ 3,178,840</u>	<u>\$ 3,755,852</u>

(j) Accounts Payable

Following is a breakdown of accounts payable and accrued liabilities outstanding at December 31, 2016 with 2015 comparatives:

	<u>2016</u>	<u>2015</u>
Federal Government	\$ 1,237,832	\$ 56,763
Provincial Government	362,370	281,965
Regional and other Local Governments	1,381,811	948,585
Employee Retirement Benefits	926,000	875,700
Trade and accrued liabilities	<u>4,363,593</u>	<u>4,610,420</u>
Total Accounts Payable	<u>\$ 8,271,606</u>	<u>\$ 6,773,433</u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) 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 City of Courtenay 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, 2016.

At each financial reporting date, the City of Courtenay reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period when revisions are made. The City of Courtenay 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.

**(l) Recent Accounting Pronouncements**

*PS 2200 Related Party Disclosures*

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3210 Assets*

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained. Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions. The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3320 Contingent Assets*

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3380 Contractual Rights*

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right. Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right. Disclosures should include descriptions about nature, extent, and timing.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3430 Restructuring Transactions*

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction. A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration. Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense. Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date. The financial position and results of operations prior to the restructuring date are not restated. Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**2. CONTINGENT LIABILITIES AND COMMITMENTS**

- (a) 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 Corporation of the City of Courtenay. Readers are referred to the Comox Valley Regional District 2016 Audited Financial Statements for specific information and detail.
- (b) Principal repayments on long-term debt in each of the next five years are estimated as follows:

2017	\$	951,244
2018		951,899
2019		934,845
2020		935,534
2021		885,800
	\$	<u>4,659,322</u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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- (c) The Municipality is obligated to collect and transmit the tax levies of the following bodies:

Provincial Government – Schools  
Comox Valley Regional District  
Comox-Strathcona Regional Hospital District  
Municipal Finance Authority  
British Columbia Assessment Authority  
Vancouver Island Regional Library  
Downtown Courtenay Business Improvement Area

These levies are not included in the revenues of the Municipality.

- (d) As at December 31, 2016, there existed outstanding claims against the City. These claims have been referred to legal counsel and to the City's liability insurers. It is not possible to determine the City's potential liability, if any, with respect to these matters. Management has determined that any potential liabilities arising from these outstanding claims are not significant.

**3. PENSION LIABILITY**

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2015, the Plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local government.

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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018 with results available in 2019.

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 City of Courtenay paid \$867,334 (2015 - \$809,258) for employer contributions to the Plan in fiscal 2016.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**4. HOST FINANCIAL ASSISTANCE AGREEMENT**

The City of Courtenay is a host community for a casino gaming facility operated under agreement with the British Columbia Lottery Corporation. The City receives a percentage of the net gaming income generated by the Chances Courtenay Gaming Centre to be used for public benefit through a quarterly unrestricted transfer from the Province of British Columbia.

**5. FEDERAL GAS TAX AGREEMENT FUNDS**

Gas Tax Agreement funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the local government and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

The City of Courtenay received the first contribution of Gas Tax funding in 2005 and reports the balance in a General Fund Reserve – New Works Community Gas Tax Funds (Schedule 2) until it is used to fund the specified projects outlined in the funding agreement. Interest is accrued and allocated monthly to the balance.

Following is a schedule of Gas Tax receipts and disbursements received in 2016 with comparatives to 2015.

	<u>2016</u>	<u>2015</u>
<b>Opening Balance of Unspent Funds</b>	<b>\$ 3,735,925</b>	<b>\$ 4,008,322</b>
Additions:		
Amounts Received During the Year	1,069,107	1,034,277
Interest Earned	15,865	20,774
Deductions:		
Amount Spent on Projects	<u>(87,500)</u>	<u>(1,327,448)</u>
<b>Closing Balance of Unspent Funds</b>	<b><u>\$ 4,733,397</u></b>	<b><u>\$ 3,735,925</u></b>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. DEFERRED REVENUE - DEVELOPMENT COST CHARGES**

In order to conform with the Public Sector Accounting Board of CPA Canada, the unspent development cost charges in the following financial statements have been recorded as a liability. Following is a breakdown of cash increases and decreases for the General, Water, and Sewer development costs charge reserves for 2016 and 2015.

	2016				
	General Reserve DCC BL #2840	Water Utility Reserve DCC BL #2840	Sewer Utility Reserve DCC BL #2840	Sewer Utility Reserve DCC BL #1638	2016 Total
<b>Balance Forward</b>	\$ 3,049,041	\$ 463,577	\$ 327,170	\$ 33,474	\$ 3,873,262
<b>Increases</b>					
Interest	13,300	1,967	1,511	134	16,912
Other Contributions	638,568	73,593	139,404	-	851,565
	651,868	75,560	140,915	134	868,477
<b>Decreases</b>					
Revenue Recognized to Fund Capital Projects	(250,200)	(9,300)	(638)	-	(260,138)
<b>Ending Balance Deferred Revenue - DCC</b>	<u>\$ 3,450,709</u>	<u>\$ 529,837</u>	<u>\$ 467,447</u>	<u>\$ 33,608</u>	<u>\$ 4,481,601</u>

	2015				
	General Reserve DCC BL #2426	Water Utility Reserve DCC BL #2426	Sewer Utility Reserve DCC BL #2426	Sewer Utility Reserve DCC BL #1638	2015 Total
<b>Balance Forward</b>	\$ 2,491,051	\$ 365,857	\$ 161,701	\$ 33,307	\$ 3,051,916
<b>Increases</b>					
Interest	13,280	2,033	1,227	167	16,707
Other Contributions	712,454	99,952	164,242	-	976,648
	725,734	101,985	165,469	167	993,355
<b>Decreases</b>					
Revenue Recognized to Fund Capital Projects	(167,744)	(4,265)	-	-	(172,009)
<b>Ending Balance Deferred Revenue - DCC</b>	<u>\$ 3,049,041</u>	<u>\$ 463,577</u>	<u>\$ 327,170</u>	<u>\$ 33,474</u>	<u>\$ 3,873,262</u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. TRUST AND ENDOWMENT FUNDS**

- (a) The Cemetery Perpetual Care Fund has been assigned to the City to be administered as directed by statute. The City holds the assets for the benefit of, and stands in fiduciary relationship to, the beneficiary. Following is a summary of the financial position and activities for 2016 and 2015, which has been excluded from the City's financial statements.

**CEMETERY PERPETUAL CARE FUND  
FINANCIAL POSITION**

	<u>2016</u>	<u>2015</u>
<b>Financial Assets</b>		
Cash on Hand	\$ 82,201	\$ 71,736
Investments - MFA	<u>236,023</u>	<u>234,169</u>
<b>Liabilities</b>		
Interest Payable to City	<u>5,303</u>	<u>2,696</u>
<b>Net Financial Position</b>	<u><u>\$ 312,921</u></u>	<u><u>\$ 303,209</u></u>

**CEMETERY PERPETUAL CARE FUND  
FINANCIAL ACTIVITIES**

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Fees Levied	\$ 9,711	\$ 11,966
Interest Revenue	<u>2,608</u>	<u>2,696</u>
<b>Expenditure</b>		
Interest Expense	<u>2,608</u>	<u>2,696</u>
<b>Excess Revenue over Expenditure</b>	<u><u>\$ 9,711</u></u>	<u><u>\$ 11,966</u></u>

- (b) The Sid Williams Theatre has endowment funds on deposit with the Comox Valley Community Foundation in the amount of \$384,442 (2015 - \$323,031). The principal amount of this endowment cannot be utilized or withdrawn and as such are not considered assets of the City of Courtenay. The endowment funds are not reported as an asset on the statement of financial position.

**8. DEFERRED REVENUE – OTHER**

Other Deferred Revenue recorded in the Liability section of the City's Financial Statements consists of the revenues related to Development Cost Charge instalment payments owing from Developers and to be received in future years, business license revenue levied and to be recognized in future years, Government transfers received prior to revenue recognition criteria being met, and gift certificates issued and to be redeemed in future years at the Sid Williams Theatre. Following is a breakdown of the change in this balance for 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<b>Opening Balance</b>	<b>\$ 1,713,694</b>	<b>\$ 2,501,039</b>
Additions to Deferred Revenue	1,406,868	1,700,823
Revenue Recognized	(1,710,791)	(2,488,168)
<b>Ending Balance Deferred Revenue Other</b>	<u><u>\$ 1,409,770</u></u>	<u><u>\$ 1,713,694</u></u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

PAGE 11 OF 14

**9. MFA DEBT RESERVE FUNDS**

The City secures its long term borrowing through the Municipal Finance Authority. As a condition of these borrowings a portion of the debenture proceeds are retained by the Authority as a debt reserve fund. These funds are not reported in the financial statements as they are eliminated upon consolidation. As at December 31, 2016 the City had debt reserve funds of \$327,368 (\$318,466 in 2015).

**10. EMPLOYEE RETIREMENT BENEFIT LIABILITY**

Employees with 10 years of continuous service retiring under the terms of the Municipal Superannuation Act are entitled to a payout of up to 72 days of their accumulated unused sick leave bank and up to a maximum of 8 additional severance days for each year of service in which the employee used no sick leave. Additionally, upon death of the employee, the bank, up to a maximum of 72 days, will be payable to the employee's life benefit beneficiary. The value of this liability is calculated by an Actuary engaged by the City and reflects the likelihood that all eligible City employees will become entitled to this benefit. Actuarial valuation assumptions for 2016 were based on an interest (discount) rate of 3.3% per annum (2015 - 3.10%). The total estimated employee retirement benefit liability at December 31, 2016 is \$926,000 (\$875,700 in 2015) and is included in the accounts payable balance on Statement A. Following is a breakdown of the benefit liability:

	<u>2016</u>	<u>2015</u>
Accrued benefit liability at beginning of year	875,700	892,500
Expense	124,300	114,800
Benefit Payments	<u>(74,000)</u>	<u>(131,600)</u>
Accrued benefit liability at end of year	<u>\$ 926,000</u>	<u>\$ 875,700</u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**PAGE 12 OF 14**

**11. CONSOLIDATED SEGMENT DISCLOSURE BY SERVICE**

The City of Courtenay Consolidated Financial Statements includes the financial activities of various services made available to the community. Following is a description of the types of services included in each of the main service segments of the City's financial statements. A detailed summary of the 2016 revenues and expenses with 2015 comparatives for each segment can be found in Schedule 1 of the accompanying financial statements.

**General Government Services**

Provide services related to general corporate and legislative administration as well as human resources, information technology, financial management, and revenues received from the Province related to gaming.

**Protective Services**

Includes services related to providing fire protection, bylaw enforcement, and building inspection to the City, as well as the City's share of expenses related to providing police protection to the Comox Valley.

**Transportation Services**

Includes the delivery of municipal public works services related to planning, development and maintenance of roadway systems, street lighting, and other public works and engineering related services.

**Environmental Health Services**

Includes services related to the collection of garbage, recycling, and yard waste, as well as environmental testing and monitoring.

**Public Health and Welfare Services**

Includes cemetery services.

**Environmental Development Services**

Includes services related to planning, zoning, sustainability, and hotel taxes, as well as actions relating to homelessness.

**Recreational and Cultural Services**

Provides recreation and leisure services to the community and includes parks and facilities that allow for fitness, aquatic, cultural, and other activities for the public to enjoy.

**Water Utility Services**

Provides for the delivery of water to users and includes the planning, development and maintenance of the City's water infrastructure.

**Sewer Utility Services**

Provides for the delivery of sewerage removal and includes the planning, development and maintenance of the City's sewer infrastructure.

**Other Services**

Includes the operations of the Sid Williams Theatre.

**THE CORPORATION OF THE CITY OF COURTENAY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**PAGE 13 OF 14**

**12. TANGIBLE CAPITAL ASSET DETAILS**

(See Schedule 3 for further details)

Contributed capital assets received and recognized in the year from developers, for various infrastructure works and related land and parks, and recorded on the financial statements in 2016 is \$3,606,717 (\$3,027,059 in 2015).

Tangible capital assets include land under the City's roads, recorded at a nominal amount.

Art and historic treasures are displayed at various city facilities and consist of paintings, historical photographs, sculptures, carvings, and other cultural artefacts. These items have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**PAGE 14 OF 14**

**13. RESTATEMENT OF 2016 BUDGET**

The budget amounts presented throughout these financial statements are based upon the Five Year Financial Plan approved by Council on May 9, 2016 except in regard to budget amounts for amortization, developer contributions for tangible capital assets, gains and losses on tangible capital asset disposals, and the use of debt, reserves and prior year surpluses.

The budget amounts presented throughout these financial statements for the tangible capital asset related budgets are the actual values determined at the completion of the municipalities' tangible capital asset accounting process. These values have been added to the May 9, 2016 budget and actual values in the Financial Statements.

The summary below shows the adjustments to the May 9, 2016 budget approved by Council after adjusting the budget values by the actual revenues and expenses incurred for tangible capital asset related items (amortization, developer contributions for tangible capital assets, and gains and losses on tangible capital asset disposals) and other transfers that were not included in the approved 2016 budget.

**Adjustments to 2016 Budgeted Annual Surplus**

<b>Budgeted Surplus per Council approved Budget</b>	<b>\$ -</b>
Sid Williams Theatre	2,374
Amortization	(4,890,442)
Capital Contributions	3,606,717
Purchase of Capital Assets	6,069,983
PSAB Adjustments	(957,082)
Use of Prior Year Surplus	(5,577,100)
Debt principle repayments in Financial Plan	950,605
Transfers to Reserves (net)	<u>4,085,482</u>
<b>Budgeted Surplus per Consolidated Statement of Operations</b>	<b><u>\$ 3,290,537</u></b>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE BY SERVICE**  
**YEAR ENDED DECEMBER 31, 2016**  
(Audited)

SCHEDULE 1  
(Note 13)  
Page 1 of 2

	General Government Services		Protective Services		Transportation Services		Environmental Health Services		Public Health and Welfare Services	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE:</b>										
Taxation	\$ 21,603,976	\$ 20,746,851								
Sales of Services			887,972	806,693			3,073,262	3,023,920		
Revenue from Own Sources			858,811	1,240,560	47,356	86,600	-	-	88,353	90,532
Government Transfers	1,196,053	1,284,803	76,006	17,825	1,158,804	1,060,403	-	-	128,455	143,966
Other Revenue	94,430	86,543			132,218	50,666				
Other Contributions	-	166,309			2,306,421	1,793,030	661,925	409,432		
Interest Earned	848,349	856,382	2,106	5,974	27,320	35,368				
Actuarial Adjustment	45,549	26,881								
Proceeds on sale of TCA	-	2,000	200	119,987	6,585	20,740				
<b>Total Revenues</b>	<b>23,788,357</b>	<b>23,169,769</b>	<b>1,825,095</b>	<b>2,191,039</b>	<b>3,678,704</b>	<b>3,046,807</b>	<b>3,735,187</b>	<b>3,433,352</b>	<b>216,808</b>	<b>234,498</b>
<b>EXPENSES</b>										
Salaries and Benefits	3,090,741	2,886,969	1,905,934	1,610,394	2,357,809	1,979,066	55,009	55,794	162,794	163,223
Goods and Services	1,260,600	1,132,525	5,835,208	6,217,957	1,806,460	1,343,946	2,909,185	2,747,548	72,805	81,396
Amortization Expense	170,291	170,925	345,789	292,512	2,618,140	2,462,585	318,718	280,487	24,392	22,020
Debt Servicing	16,080	24,034	35,907	80,007	236,551	263,575				
Other Expenditures	191,383	396,813	2,398	174,021	15,323	218,524	430	5,000	-	-
Loss on Disposal of TCA	1,563				3,497		8,157			
<b>Total Expenses</b>	<b>4,730,658</b>	<b>4,611,266</b>	<b>8,125,236</b>	<b>8,374,891</b>	<b>7,037,780</b>	<b>6,267,696</b>	<b>3,291,499</b>	<b>3,088,829</b>	<b>259,991</b>	<b>266,639</b>
<b>ANNUAL SURPLUS</b>	<b>19,057,699</b>	<b>18,558,503</b>	<b>(6,300,141)</b>	<b>(6,183,852)</b>	<b>(3,359,076)</b>	<b>(3,220,889)</b>	<b>443,688</b>	<b>344,523</b>	<b>(43,183)</b>	<b>(32,141)</b>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE BY SERVICE**  
**YEAR ENDED DECEMBER 31, 2016**  
**(Audited)**

SCHEDULE 1  
 (Note 13)  
 Page 2 of 2

	Environmental Development Services		Recreational and Cultural Services		Water Utility Services		Sewer Utility Services		Other Services		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE:</b>												
Taxation					\$	\$	\$	\$			\$	\$
Sales of Services					709,738	697,061	1,949,511	1,915,852			24,263,225	23,359,764
Revenue from Own Sources					4,956,600	4,643,240	3,883,643	3,518,427			13,425,663	12,499,386
Government Transfers					122,574	116,095	2,445	49,000	624,186		3,154,810	3,568,322
Other Revenue					-	36,700	10,000		67,500		2,698,813	2,647,521
Other Contributions					12,000						682,242	569,615
Interest Earned					504,275	307,486	475,163	839,531	55,912		4,378,343	3,994,739
Actuarial Adjustment					6,952	8,473	5,547	5,960	14,523		922,476	958,161
Proceeds on sale of TCA											45,551	146,868
<b>Total Revenues</b>	<b>1,057,724</b>	<b>854,449</b>	<b>1,875,462</b>	<b>1,997,253</b>	<b>6,312,139</b>	<b>5,809,055</b>	<b>6,326,309</b>	<b>6,328,770</b>	<b>762,121</b>	<b>662,124</b>	<b>49,577,908</b>	<b>47,727,116</b>
<b>EXPENSES</b>												
Salaries and Benefits												
Goods and Services												
Amortization Expense												
Debt Servicing												
Other Expenditures												
Loss on Disposal of TCA												
<b>Total Expenses</b>	<b>1,249,548</b>	<b>828,767</b>	<b>8,629,245</b>	<b>7,329,767</b>	<b>4,032,342</b>	<b>3,745,645</b>	<b>6,159,107</b>	<b>4,478,368</b>	<b>1,019,891</b>	<b>875,887</b>	<b>44,535,297</b>	<b>39,867,755</b>
<b>ANNUAL SURPLUS</b>	<b>\$ (191,824)</b>	<b>\$ 25,682</b>	<b>\$ (6,753,783)</b>	<b>\$ (5,332,514)</b>	<b>\$ 2,279,797</b>	<b>\$ 2,063,410</b>	<b>\$ 1,67,202</b>	<b>\$ 1,850,402</b>	<b>\$ (257,770)</b>	<b>\$ (213,763)</b>	<b>\$ 5,042,611</b>	<b>\$ 7,859,361</b>

**SCHEDULE 2**

**THE CORPORATION OF THE CITY OF COURTENAY  
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS & RESERVES  
YEAR ENDED DECEMBER 31, 2016  
(Unaudited)**

	<b>2016</b>	<b>2015</b>
<b>SURPLUS</b>		
Invested in Tangible Capital Assets	\$ 121,052,517	\$ 115,629,835
General Operating Fund	4,693,224	5,121,949
General Capital Fund	1,724,307	2,814,469
Water Utility Operating Fund	677,363	2,249,523
Water Utility Capital Fund	108,869	108,869
Sewer Utility Operating Fund	944,924	3,456,602
Sewer Utility Capital Fund	21,706	21,706
Sid Williams Theatre Society	220,987	195,757
Gaming Fund	1,515,339	1,672,672
Total Surplus	<u>130,959,236</u>	<u>131,271,382</u>
<b>RESERVES</b>		
General Fund Reserves:		
Machinery and Equipment	1,478,260	1,465,639
Land Sale	149,738	159,012
New Works and Equipment	3,969,896	3,826,857
New Works - Community Gas Tax Funds (Note 5)	4,733,397	3,735,925
General Asset Management Reserve	650,474	243,000
Risk Reserve	100,401	100,000
Public Parking	44,068	36,879
Parkland Acquisition	209,019	208,185
Housing Amenity	449,161	342,143
Tree Reserve	4,012	-
Amenity	286,744	180,375
	<u>12,075,170</u>	<u>10,298,015</u>
Water Utility Reserves:		
Water Utility	1,516,303	1,499,008
Water Asset Management Reserve	1,322,838	-
Machinery and Equipment	253,053	222,109
	<u>3,092,194</u>	<u>1,721,117</u>
Sewer Utility Reserves:		
Sewer Utility	476,139	471,948
Sewer Asset Management Reserve	2,125,000	-
Machinery and Equipment	627,584	550,241
	<u>3,228,723</u>	<u>1,022,189</u>
Total Reserves	<u>18,396,087</u>	<u>13,041,321</u>
ACCUMULATED SURPLUS (Statement A)	<u>\$ 149,355,323</u>	<u>\$ 144,312,712</u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(Audited)

	Land	Land Improvements	Buildings	Equipment/ Furniture/ Vehicles	Engineering Structures				Other Tangible Capital Assets	Total	2015
					Roads	Water	Sewer	Other			
<b>COST</b>											
Opening Balance Construction-in-progress (CIP)	-	334,777	538,982	21,040	2,721,247	552,660	306,677	855,238	49,952	\$ 5,380,573	3,245,696
Add: Construction-in-progress (CIP)	-	79,974	15,215	195,985	306,600	27,148	11,652	24,240	-	660,814	3,765,453
Less: Transfers into Service	-	(261,386)	(375,550)	(17,529)	(2,318,339)	(517,670)	(306,676)	(855,238)	(29,710)	(4,682,098)	(1,630,576)
Closing Balance Construction-in-progress	-	153,365	178,647	199,496	709,508	62,138	11,653	24,240	20,242	1,359,289	5,380,573
Opening Balance Tangible Capital Assets	21,396,279	6,016,729	29,272,497	16,104,427	85,110,945	17,051,223	9,515,394	18,968,315	711,551	204,147,360	194,622,144
Add: Opening Adjustment				(11,034)			(36,155)	(86,414)		(133,603)	
Add: Additions (including Transfers into Service)	213,370	563,138	761,077	838,322	5,188,711	2,069,287	1,004,443	2,574,086	42,517	13,254,951	9,905,576
Less: Disposals			(25,715)	(231,029)	(114,682)	(79,366)	(5,970)	(32,777)		(489,539)	(380,360)
Closing Balance Tangible Capital Assets and CIP	21,609,649	6,733,232	30,186,506	16,900,182	90,894,482	19,103,282	10,489,365	21,447,450	774,310	218,138,458	209,527,932
<b>ACCUMULATED AMORTIZATION</b>											
Opening Balance	-	2,363,491	9,841,400	9,474,183	41,111,188	6,245,702	1,502,787	7,223,488	661,694	78,423,934	74,192,423
Add: Writedown				276			603	2,161		3,040	
Add: Amortization	-	225,368	679,696	735,657	2,221,164	339,441	187,051	483,568	18,497	4,890,442	4,569,989
Less: Accum Amortization on Disposals	-		(4,714)	(212,639)	(111,185)	(67,634)	(4,875)	(20,124)		(421,171)	(338,479)
	-	2,588,859	10,516,382	9,997,477	43,221,167	6,517,509	1,685,566	7,689,093	680,191	82,896,245	78,423,934
<b>Net Book Value for year ended</b>											
<b>December 31, 2016</b>	\$ 21,609,649	\$ 4,144,373	\$ 19,670,124	\$ 6,902,705	\$ 47,673,315	\$ 12,585,773	\$ 8,803,799	\$ 13,758,357	\$ 94,119	\$ 135,242,213	\$ 131,104,017

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF DEBTENTURE AND OTHER LONG-TERM DEBT**  
**YEAR ENDED DECEMBER 31, 2016**  
**(Audited)**

**SCHEDULE 4**

Bylaw Number	Maturity Date	Interest Rate	Principal Outstanding Dec 31/15	Current Year Borrowing	Actuarial Adjustment/ Princ. Reduction	Principal Outstanding Dec 31/16
<b>General Capital Fund</b>						
Debtenture Debt						
2171 Library	2021	3.05	1,018,217	-	149,696	868,521
2266 Infrastructure Works - MFA	2018	4.78	100,354	-	31,833	68,521
2266 Fifth Street Bridge	2023	5.15	277,039	-	30,066	246,973
2304 Lerwick Road Ext. Prop Acquisition	2029	4.86	702,333	-	35,836	666,497
2227 City Hall Retaining Wall	2020	5.00	64,064	-	11,828	52,236
2354 Repaving Program	2025	5.75	281,310	-	25,052	256,258
2355 Lerwick Road Extension	2030	5.75	498,197	-	24,881	473,316
2356 City Hall Renovation	2020	5.50	340,342	-	62,836	277,506
2425 Lerwick Road Construction	2026	4.66	464,120	-	34,414	429,706
2453 Police Property Acquisition	2026	4.43	921,472	-	68,326	853,146
2458 Public Works Maintenance Building	2022	4.52	850,234	-	107,648	742,586
2539 Capital Infrastructure Work	2023	4.13	2,106,537	-	199,053	1,907,484
2538 Native Sons Hall Renovation	2025	4.50	437,702	-	36,457	401,245
2680 Lewis Centre Renovation	2027	2.90	3,545,236	-	235,943	3,309,293
2681 Infrastructure Works - Road Paving	2027	2.90	1,316,802	-	87,636	1,229,166
TOTAL GENERAL CAPITAL FUND			12,923,959	-	1,141,505	11,782,454
<b>Water Capital Fund</b>						
Debtenture Debt						
2424 Water Extension - Lerwick Road	2026	4.66	386,767	-	28,678	358,088
TOTAL WATER CAPITAL FUND			386,767	-	28,678	358,088
<b>Sewer Capital Fund</b>						
Debtenture Debt						
2305 Sewer Extension	2029	4.86	526,750	-	26,877	499,873
2353 Sewer Extension	2030	5.00	1,402,068	-	70,021	1,332,047
2423 Sewer Extension - Lerwick Road	2026	4.66	234,638	-	17,398	217,240
TOTAL SEWER CAPITAL FUND			2,163,456	-	114,296	2,049,160
TOTAL ALL CAPITAL FUNDS			15,474,182	-	1,284,479	14,189,703

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(Audited)**

**SCHEDULE 5**

	<u>2016</u>	<u>2015</u>
<b>GENERAL OPERATING FUND</b>		
Cash on Hand	\$ 10,224,738	\$ 22,797,955
<b>GAMING FUND</b>		
Cash on Hand	\$ 1,322,459	\$ 1,445,068
<b>SID WILLIAMS THEATRE SOCIETY</b>		
Cash on Hand	\$ 393,042	\$ 346,670
Total Cash on Hand and on Deposit	<u>\$ 11,940,239</u>	<u>\$ 24,589,693</u>
<b>GENERAL OPERATING FUND TERM DEPOSITS</b>		
Municipal Finance Authority, Money Market Fund at fluctuating rate, no maturity date	16,773	16,634
Raymond James, various guaranteed investment certificates	20,095,914	5,034,767
The Bank of Nova Scotia, various guaranteed investment certificates	11,296,795	11,187,720
Total Term Deposits	<u>31,409,482</u>	<u>16,239,121</u>
<b>TOTAL CASH AND INVESTMENTS</b>	<u>\$ 43,349,721</u>	<u>\$ 40,828,814</u>



THE CORPORATION OF THE CITY OF COURTENAY

## STAFF REPORT

**To:** Council

**File No.:** 1870-06 [2016]

**From:** Chief Administrative Officer

**Date:** June 19, 2017

**Subject:** Financial Information Act – 2016 Statement of Financial Information (SOFI)

### PURPOSE:

The purpose of this report is to request Council approval of the Statement of Financial Information for the year ended December 31, 2016.

### POLICY ANALYSIS:

The *Financial Information Act* and the *Financial Information Act Regulation 371/93* require local governments to prepare an annual statement of financial information. In addition, Section 168 of the *Community Charter* requires the City to prepare an annual reporting of council remuneration, expenses and contracts. Section 168 reporting is included in the City's Annual Statement of Financial Information.

### CAO RECOMMENDATIONS:

That based on the June 19, 2017 staff report "Financial Information Act – 2016 Statement of Financial Information", Council approve OPTION 1 and approve the City of Courtenay Statement of Financial Information for the year ended December 31, 2016.

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM  
Chief Administrative Officer

### BACKGROUND:

Under the terms of *Financial Information Act*, each local government in British Columbia is deemed to be a "corporation" and must prepare an annual Statement of Financial Information (SOFI) for submission to the Province by June 30<sup>th</sup> each year.

### DISCUSSION:

Attached for Council's review and approval is the City of Courtenay Statement of Financial Information for the year ended December 31, 2016. The attached report contains a draft Auditor's Report (Page 3), which will be replaced with an approved version for final SOFI submission upon Council's approval of the 2016 Financial Statements.

As prescribed by legislation, this annual report includes information on the City's audited financial statements, a schedule of remuneration and expenses for both Council and City employees, a schedule of payments made for supplies and services used by the City, as well as information on any active guarantee and indemnity agreements in place for the 2016 operational year.

In the schedules of remuneration and expenses, Total Remuneration includes salary, wages, and taxable benefits. Taxable benefits include premiums paid by the employer for Medical Services Plan, group term life insurance, vehicle allowance, parking, contributions made to an employee's RRSP, and may include housing or moving expenses paid by the employer. Expenses include registration fees, travel expenses, memberships and certification fees, and tuition.

**FINANCIAL IMPLICATIONS:**

N/A

**ADMINISTRATIVE IMPLICATIONS:**

Preparing the annual SOFI report for submission to Council utilizes resources from both the Finance and the Human Resources departments.

**ASSET MANAGEMENT IMPLICATIONS:**

N/A

**STRATEGIC PRIORITIES REFERENCE:**

This matter is an annual statutory requirement that staff must comply with and is presented for Council to review and approve.

**We focus on organizational and governance excellence**

- We support meeting the fundamental corporate and statutory obligations



- **Area of Control**  
The policy, works and programming matters that fall within Council's jurisdictional authority to act.
- ▲ **Area of Influence**  
Matters that fall within shared or agreed jurisdiction between Council and another government or party.
- **Area of Concern**  
Matters of interest outside Council's jurisdictional authority to act.

**OFFICIAL COMMUNITY PLAN REFERENCE:**

N/A

**REGIONAL GROWTH STRATEGY REFERENCE:**

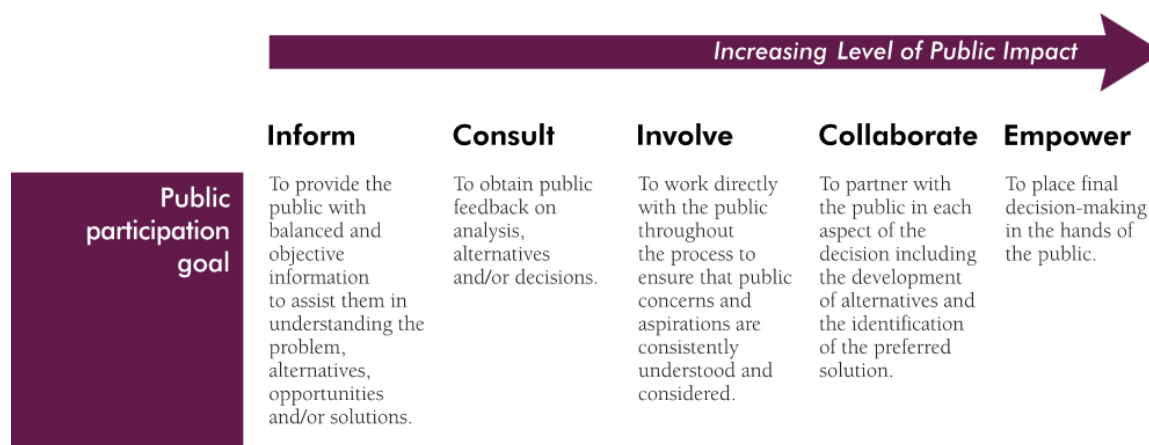
N/A

## CITIZEN/PUBLIC ENGAGEMENT:

While public engagement is not required, the SOFI report must be approved by Council and submitted to the Province by June 30<sup>th</sup>.

Staff will **inform** the public based on the IAP2 Spectrum of Public Participation as noted below.

[http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum\\_vertical.pdf](http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf)



## OPTIONS:

- 1: That Council approves the City of Courtenay Statement of Financial Information for the year ended December 31, 2016. (Recommended)
- 2: That Council request a subsequent report and not approve the 2016 Statement of Financial Information.

Prepared by:

Brian Parschauer, BA, CPA-CMA  
 Director, Financial Services

*Attachments: City of Courtenay, Statement of Financial Information for the year ended December 31, 2016*



**THE CORPORATION OF  
THE CITY OF COURTENAY**

**Statement of Financial Information  
For the Year Ended December 31, 2016**

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## MANAGEMENT REPORT

The Financial Statements contained in this Statement of Financial Information under the *Financial Information Act* have been prepared by management in accordance with Canadian Public Sector Accounting Standards and are outlined under "Significant Accounting Policies" in the notes to the financial statements, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council of the City of Courtenay is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The external auditors, MNP LLP, conduct an independent examination, in accordance with Canadian Public Sector accounting standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the Act. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

On behalf of the Corporation of the City of Courtenay:

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Brian Parschauer, BA, CPA, CMA  
Director of Financial Services  
June 19, 2017

## Independent Auditors' Report

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To the Mayor and Council of the City of Courtenay:

We have audited the consolidated statement of financial position of The Corporation of the City of Courtenay as at December 31, 2016 and the consolidated statements of operations, change in net financial assets and cash flow, and related schedules 1, 3, 4 and 5 for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for 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 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 an audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2016 the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matters*

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information, including schedules 1 to 5, has been presented for purposes of additional analysis. The supplementary information in Schedules 1, 3, 4 and 5 has been subjected to the auditing procedures applied in the consolidated financial statements and in our opinion, this supplementary information is presented fairly, in all material respects, in relation to the consolidated financial statements taken as a whole. We do not express an opinion on Schedule 2 because our examination did not extend to the detailed information therein.

Courtenay, British Columbia

June 19, 2017

Chartered Professional Accountants

**THE CORPORATION OF THE CITY OF COURTENAY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

**STATEMENT A**

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash on Hand and on Deposit (Schedule 5)	\$ 11,940,239	\$ 24,589,693
Receivables (Note 1i)	3,178,840	3,755,852
Term Deposits (Schedule 5)	31,409,482	16,239,121
	<u>46,528,561</u>	<u>44,584,666</u>
<b>LIABILITIES</b>		
Accounts Payable (Note 1j)	8,271,606	6,773,433
Trust and Other Deposits	4,742,503	4,052,355
Deferred Revenue - Development Cost Charges (Note 6)	4,481,601	3,873,262
Deferred Revenue - Other (Note 8)	1,409,770	1,713,694
Long-Term Debt (Schedule 4)	14,189,703	15,474,182
	<u>33,095,183</u>	<u>31,886,926</u>
<b>NET FINANCIAL ASSETS</b>	<u>13,433,378</u>	<u>12,697,740</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventories	188,408	179,937
Prepaid Expenses	491,324	331,018
Tangible Capital Assets (Note 12 & Schedule 3)	135,242,213	131,104,017
	<u>135,921,945</u>	<u>131,614,972</u>
<b>ACCUMULATED SURPLUS (Schedule 2)</b>	<u>\$ 149,355,323</u>	<u>\$ 144,312,712</u>

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

## STATEMENT B

**THE CORPORATION OF THE CITY OF COURTENAY  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

REVENUE	2016 Budget (Note 13)	2016	2015
Taxes for Municipal Purposes	\$ 24,147,300	\$ 24,263,225	\$ 23,359,764
Sale of Services	14,436,832	13,425,663	12,499,386
Revenue From Own Sources	2,872,600	3,154,810	3,568,322
Federal Transfers	2,654,500	1,094,108	1,162,778
Provincial Transfers	423,900	1,383,979	1,234,578
Other Local Government Transfers	436,800	220,726	250,165
Contributions	3,650,467	4,118,205	3,782,730
DCC Revenue	-	260,138	172,009
Investment Income and Taxation Penalties	897,700	922,476	958,161
Other	434,600	682,242	569,615
Actuarial adjustment	-	45,551	146,868
Gain on Sale of Tangible Capital Assets	-	6,785	22,740
<b>TOTAL REVENUE</b>	<b>49,954,699</b>	<b>49,577,908</b>	<b>47,727,116</b>
<b>EXPENSES</b>			
General Government Services	4,904,336	4,730,658	4,611,266
Protective Services	9,442,609	8,125,236	8,374,891
Transportation Services	7,517,209	7,037,780	6,267,696
Sewer and Water Facilities	10,008,264	10,191,449	8,224,013
Environmental Health Services	3,298,875	3,291,499	3,088,829
Public Health and Welfare Services	264,192	259,991	266,639
Environmental Development Services	1,359,933	1,249,548	828,767
Recreational and Cultural Services	9,868,744	9,649,136	8,205,654
<b>TOTAL EXPENSES</b>	<b>46,664,162</b>	<b>44,535,297</b>	<b>39,867,755</b>
<b>ANNUAL SURPLUS (Schedule 1)</b>	<b>3,290,537</b>	<b>5,042,611</b>	<b>7,859,361</b>
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>	<b>144,312,712</b>	<b>144,312,712</b>	<b>136,453,351</b>
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>	<b>\$ 147,603,249</b>	<b>\$ 149,355,323</b>	<b>\$ 144,312,712</b>

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

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**STATEMENT C**

	2016 Budget (Note 13)	2016	2015
ANNUAL SURPLUS	\$ 3,290,537	\$ 5,042,611	\$ 7,859,361
Acquisition of tangible capital assets	(6,069,983)	(5,625,947)	(9,013,394)
Amortization of tangible capital assets	4,890,442	4,890,442	4,569,989
(Gains)/losses and other adjustments to tangible capital assets		194,159	(22,740)
Proceeds on sale of tangible capital assets		13,675	64,604
Developer tangible capital asset contribution	(3,606,717)	(3,606,717)	(3,027,059)
	<u>(4,786,258)</u>	<u>(4,134,388)</u>	<u>(7,428,600)</u>
Acquisition of supplies inventories	-	(402,965)	(370,001)
Acquisition of prepaid expense	-	(714,847)	(376,517)
Consumption of supplies inventories	-	390,686	347,091
Use of prepaid expense	-	554,541	587,512
	<u>-</u>	<u>(172,585)</u>	<u>188,085</u>
CHANGE IN NET FINANCIAL ASSETS	(1,495,721)	735,638	618,846
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	12,697,740	12,697,740	12,078,894
NET FINANCIAL ASSETS AT END OF YEAR	<u>\$ 11,202,019</u>	<u>\$ 13,433,378</u>	<u>\$ 12,697,740</u>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE CITY OF COURTENAY  
CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**STATEMENT D**

	2016	2015
<b>CASH PROVIDED BY (APPLIED TO) FINANCING TRANSACTIONS</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus	\$ 5,042,611	\$ 7,859,361
Changes in non-cash items including amortization		
Increase in amortization	4,890,442	4,569,989
Change in receivables	577,012	1,236,329
Change in accounts payable	1,498,173	852,389
Change in trust and other deposits	690,148	(771,846)
Change in deferred revenue	304,415	34,001
Change in inventories	(8,471)	(22,909)
Change in prepaids	(160,306)	210,994
Net (gains)/losses and other adjustments to tangible capital assets	190,351	(22,740)
Developer Tangible Capital Asset Contribution	(3,606,717)	(3,027,059)
Actuarial adjustment	(333,874)	(501,082)
	<u>9,083,784</u>	<u>10,417,427</u>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(5,625,947)	(9,013,394)
Proceeds on sale of tangible capital assets	13,675	64,604
	<u>(5,612,272)</u>	<u>(8,948,790)</u>
<b>INVESTING TRANSACTIONS</b>		
Term deposits	<u>(15,170,361)</u>	<u>(4,035,406)</u>
<b>FINANCING TRANSACTIONS</b>		
Repayment of long-term debt	<u>(950,605)</u>	<u>(1,215,206)</u>
<b>INCREASE (DECREASE) IN CASH ON HAND AND ON DEPOSIT</b>	(12,649,454)	(3,781,975)
<b>CASH ON HAND AND ON DEPOSIT AT BEGINNING OF YEAR</b>	<u>24,589,693</u>	<u>28,371,670</u>
<b>CASH ON HAND AND ON DEPOSIT AT END OF YEAR</b>	<u><u>\$ 11,940,239</u></u>	<u><u>\$ 24,589,693</u></u>
 Interest paid on outstanding debt and included in annual surplus above	 \$ 713,928	 \$ 823,506

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE BY SERVICE**  
**YEAR ENDED DECEMBER 31, 2016**  
**(Audited)**

SCHEDULE 1  
 (Note 13)  
 Page 1 of 2

	General Government Services		Protective Services		Transportation Services		Environmental Health Services		Public Health and Welfare Services	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE:</b>										
Taxation	\$ 21,603,976	\$ 20,746,851								
Sales of Services										
Revenue from Own Sources			887,972	806,693			3,073,262	3,023,920		
Government Transfers	1,196,053	1,284,803	858,811	1,240,560	47,356	86,600	-	-	88,353	90,532
Other Revenue	94,430	86,543	76,006	17,825	1,158,804	1,060,403	-	-	128,455	143,966
Other Contributions	-	166,309			132,218	50,666				
Interest Earned	848,349	856,382			2,306,421	1,793,030	661,925	409,432		
Actuarial Adjustment	45,549	26,881	2,106	5,974	27,320	35,368				
Proceeds on sale of TCA	-	2,000	200	119,987	6,585	20,740				
<b>Total Revenues</b>	<b>23,788,357</b>	<b>23,169,769</b>	<b>1,825,095</b>	<b>2,191,039</b>	<b>3,678,704</b>	<b>3,046,807</b>	<b>3,735,187</b>	<b>3,433,352</b>	<b>216,808</b>	<b>234,498</b>
<b>EXPENSES</b>										
Salaries and Benefits	3,090,741	2,886,969	1,905,934	1,610,394	2,357,809	1,979,066	55,009	55,794	162,794	163,223
Goods and Services	1,260,600	1,132,525	5,835,208	6,217,957	1,806,460	1,343,946	2,909,185	2,747,548	72,805	81,396
Amortization Expense	170,291	170,925	345,789	292,512	2,618,140	2,462,585	318,718	280,487	24,392	22,020
Debt Servicing	16,080	24,034	35,907	80,007	236,551	263,575				
Other Expenditures	191,383	396,813	2,398	174,021	15,323	218,524	430	5,000	-	-
Loss on Disposal of TCA	1,563				3,497		8,157			
<b>Total Expenses</b>	<b>4,730,658</b>	<b>4,611,266</b>	<b>8,125,236</b>	<b>8,374,891</b>	<b>7,037,780</b>	<b>6,267,696</b>	<b>3,291,499</b>	<b>3,088,829</b>	<b>259,991</b>	<b>266,639</b>
<b>ANNUAL SURPLUS</b>	<b>19,057,699</b>	<b>18,558,503</b>	<b>(6,300,141)</b>	<b>(6,183,852)</b>	<b>(3,359,076)</b>	<b>(3,220,889)</b>	<b>443,688</b>	<b>344,523</b>	<b>(43,183)</b>	<b>(32,141)</b>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE BY SERVICE**  
**YEAR ENDED DECEMBER 31, 2016**  
**(Audited)**

SCHEDULE 1  
(Not 13)  
Page 2 of 2

	Environmental Development Services		Recreational and Cultural Services		Water Utility Services		Sewer Utility Services		Other Services		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE:</b>												
Taxation					\$ 709,738	\$ 697,061	\$ 1,949,511	\$ 1,915,852			\$ 24,263,225	\$ 23,359,764
Sales of Services					4,956,600	4,643,240	3,883,643	3,518,427			13,425,663	12,499,386
Revenue from Own Sources	510,715	482,351	1,612,910	1,593,716	122,574	116,095	2,445	49,000	624,186	507,106	3,154,810	3,568,322
Government Transfers	20,000	1,100	82,097	92,408	-	36,700	10,000		67,500	63,750	2,698,813	2,647,521
Other Revenue	290,282	227,915	24,857	60,525	12,000						682,242	569,615
Other Contributions	233,188	139,500	141,459	234,845	504,275	307,486	475,163	839,531	55,912	64,606	4,378,343	3,954,739
Interest Earned	3,539	3,583	14,139	15,759	6,952	8,473	5,547	5,960	14,523	26,662	922,476	958,161
Actuarial Adjustment											45,551	146,868
Proceeds on sale of TCA											6,785	22,740
<b>Total Revenues</b>	<b>1,057,724</b>	<b>854,449</b>	<b>1,875,462</b>	<b>1,997,253</b>	<b>6,312,139</b>	<b>5,809,055</b>	<b>6,326,309</b>	<b>6,328,770</b>	<b>762,121</b>	<b>662,124</b>	<b>49,577,908</b>	<b>47,727,116</b>
<b>EXPENSES</b>												
Salaries and Benefits	712,196	547,205	4,304,997	3,652,569	681,696	608,242	449,920	350,897	643,891	575,559	14,364,987	12,429,918
Goods and Services	440,246	272,741	2,752,573	2,306,143	2,915,963	2,723,450	943,956	810,026	376,000	300,328	19,312,996	17,936,060
Amortization Expense	2,533	2,533	800,883	786,895	371,577	353,082	238,117	199,680			4,890,442	4,569,989
Debt Servicing			118,425	42,269	7,451	20,745	20,334	47,845			434,748	478,475
Other Expenditures	94,573	6,288	644,699	541,891	37,158	40,126	4,484,685	3,069,188			5,470,649	4,451,851
Loss on Disposal of TCA			7,668		18,497		22,095	732			61,477	732
<b>Total Expenses</b>	<b>1,249,548</b>	<b>828,767</b>	<b>8,629,245</b>	<b>7,329,767</b>	<b>4,032,342</b>	<b>3,745,645</b>	<b>6,159,107</b>	<b>4,478,368</b>	<b>1,019,891</b>	<b>875,887</b>	<b>44,535,297</b>	<b>39,867,755</b>
<b>ANNUAL SURPLUS</b>	<b>\$ (191,824)</b>	<b>\$ 25,682</b>	<b>\$ (6,753,783)</b>	<b>\$ (5,332,514)</b>	<b>\$ 2,279,797</b>	<b>\$ 2,063,410</b>	<b>\$ 167,202</b>	<b>\$ 1,850,402</b>	<b>\$ (257,770)</b>	<b>\$ (213,763)</b>	<b>\$ 5,042,611</b>	<b>\$ 7,859,361</b>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**PAGE 1 OF 14**

The Corporation of the City of Courtenay was incorporated in 1915 under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of local government services to the residents of the Municipality.

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

It is the policy of the City to follow Canadian public sector accounting standards and to apply such principles consistently. The consolidated financial statements include the operations of General, Water Utility, Sewer, Capital, Reserve Funds, and the Sid Williams Theatre Society, a controlled entity. Transactions between these funds, and between the City and the Sid Williams Theatre Society, have been eliminated on consolidation. The consolidated financial statements have been prepared using guidelines issued by the Public Sector Accounting Board of CPA Canada. The financial resources and operations of the City have been consolidated for financial statement purposes and include the accounts of all of the funds and equity in tangible capital assets of the City. As part of the supplementary information, the resources and operation of the City 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.

**(b) Revenue and Expense Recognition**

Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.

Amortization is based on the estimated useful lives of tangible capital assets.

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Amounts that have been received from non-government sources in advance of services being rendered are recorded as deferred revenue until the City discharges the obligations that led to the collection of funds. Following are the types of revenue received and a description of their recognition:

Taxes for Municipal Purposes are recognized in the year levied.

Sale of Services are recognized in the year that the service is provided or the amount is earned, provided the amount can be estimated and collection is reasonably assured.

Revenues from own sources are recognized in the period in which the transactions or events that gave rise to the revenue occur or are earned, provided the amount can be estimated and collection is reasonably assured.

The City recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the City recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Contributions are recorded when the event giving rise to the contribution occurs.

DCC Revenue is recorded in the year that it is used to fund a capital project and has been authorized by bylaw.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

PAGE 2 OF 14

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investment income, taxation penalties, and actuarial earnings are recorded in the year they are earned.

(c) **Accrued Payroll Benefits**

Earned but unpaid vacation is fully accrued and recorded in the financial statements.

Post employment benefits are accrued and recorded in the financial statements. This amount is provided by an Actuary that the City has engaged.

(d) **Use of Estimates**

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts Receivable are stated after evaluation of their collectability. Post employment benefits are calculated by an Actuary. Amortization is based on the estimated useful lives of tangible capital assets. These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in earnings in the periods in which they become known. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the City of Courtenay is responsible for.

(e) **Inventories**

Inventories are valued at the lower of cost and replacement cost.

(f) **Tangible Capital Assets**

Tangible capital assets are recorded at cost, net of capital asset disposals, write-downs and amortization. Tangible capital asset expenditures exceeding the following thresholds per major category are capitalized. The average useful life is applied straight line to calculate amortization. In the year of acquisition and disposal, amortization is taken at one-half of the calculated amounts.

<b>Major Asset Category</b>	<b>Threshold</b>	<b>Average Useful Life</b>
Land	\$1	Indefinite
Land Improvements	\$10,000	Varies from 10 to 40 years
Building	\$10,000	Varies from 25 to 60 years
Vehicles, Machinery/Equipment	\$5,000 to \$10,000	Varies from 5 to 25 years
Engineering Structures		
Roads	\$5,000 to \$50,000	Varies from 10 to 60 years
Water	\$5000 to \$10,000	Varies from 8 to 80 years
Sewer	\$10,000	Varies from 8 to 60 years
Other – Includes Storm	\$10,000	Varies from 25 to 75 years
Other Tangible Capital Assets (includes IT software)	\$5,000	5 years

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Carrying costs directly attributable to the acquisition, construction or development activity, excluding interest costs, are capitalized to the point in time the asset is substantially complete and ready for use. Contributed tangible capital assets are recorded at their fair value on the date of contribution. Assets under construction are not amortized until the asset is in use.

**(g) Financial Instruments**

Financial Instruments consist of cash on hand and deposit, term deposits, receivables, accounts payable, trusts and other deposits, and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency, exchange, or credit risk arising from these financial instruments.

**(h) Debt Charges**

Interest payments are charged against current fund balances in the period they become payable and have been accrued to December 31, 2016. Actuarial adjustments are offset against interest charged. Principal payments are applied directly to loan balances in the period they accrue.

**(i) Receivables**

Following is a breakdown of receivables outstanding at December 31, 2016 with 2015 comparatives:

	<u>2016</u>	<u>2015</u>
Federal Government	\$ 206,198	\$ 179,108
Provincial Government	566,788	397,979
Regional and other Local Governments	160,397	136,689
Property Taxes	1,489,508	1,526,701
Other	<u>755,949</u>	<u>1,515,375</u>
Total Receivables	<u>\$ 3,178,840</u>	<u>\$ 3,755,852</u>

**(j) Accounts Payable**

Following is a breakdown of accounts payable and accrued liabilities outstanding at December 31, 2016 with 2015 comparatives:

	<u>2016</u>	<u>2015</u>
Federal Government	\$ 1,237,832	\$ 56,763
Provincial Government	362,370	281,965
Regional and other Local Governments	1,381,811	948,585
Employee Retirement Benefits	926,000	875,700
Trade and accrued liabilities	<u>4,363,593</u>	<u>4,610,420</u>
Total Accounts Payable	<u>\$ 8,271,606</u>	<u>\$ 6,773,433</u>

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(k) 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 City of Courtenay 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, 2016.

At each financial reporting date, the City of Courtenay reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period when revisions are made. The City of Courtenay 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.

(l) Recent Accounting Pronouncements

*PS 2200 Related Party Disclosures*

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3210 Assets*

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained. Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions. The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3320 Contingent Assets*

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3380 Contractual Rights*

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right. Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right. Disclosures should include descriptions about nature, extent, and timing.

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

*PS 3430 Restructuring Transactions*

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction. A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration. Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense. Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date. The financial position and results of operations prior to the restructuring date are not restated. Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged. The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**2. CONTINGENT LIABILITIES AND COMMITMENTS**

- (a) 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 Corporation of the City of Courtenay. Readers are referred to the Comox Valley Regional District 2016 Audited Financial Statements for specific information and detail.
- (b) Principal repayments on long-term debt in each of the next five years are estimated as follows:

2017	\$	951,244
2018		951,899
2019		934,845
2020		935,534
2021		885,800
	\$	<u>4,659,322</u>

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- (c) The Municipality is obligated to collect and transmit the tax levies of the following bodies:

Provincial Government – Schools  
Comox Valley Regional District  
Comox-Strathcona Regional Hospital District  
Municipal Finance Authority  
British Columbia Assessment Authority  
Vancouver Island Regional Library  
Downtown Courtenay Business Improvement Area

These levies are not included in the revenues of the Municipality.

- (d) As at December 31, 2016, there existed outstanding claims against the City. These claims have been referred to legal counsel and to the City's liability insurers. It is not possible to determine the City's potential liability, if any, with respect to these matters. Management has determined that any potential liabilities arising from these outstanding claims are not significant.

### **3. PENSION LIABILITY**

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2015, the Plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local government.

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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018 with results available in 2019.

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 City of Courtenay paid \$867,334 (2015 - \$809,258) for employer contributions to the Plan in fiscal 2016.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. HOST FINANCIAL ASSISTANCE AGREEMENT**

The City of Courtenay is a host community for a casino gaming facility operated under agreement with the British Columbia Lottery Corporation. The City receives a percentage of the net gaming income generated by the Chances Courtenay Gaming Centre to be used for public benefit through a quarterly unrestricted transfer from the Province of British Columbia.

**5. FEDERAL GAS TAX AGREEMENT FUNDS**

Gas Tax Agreement funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the local government and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

The City of Courtenay received the first contribution of Gas Tax funding in 2005 and reports the balance in a General Fund Reserve – New Works Community Gas Tax Funds (Schedule 2) until it is used to fund the specified projects outlined in the funding agreement. Interest is accrued and allocated monthly to the balance.

Following is a schedule of Gas Tax receipts and disbursements received in 2016 with comparatives to 2015.

	<u>2016</u>	<u>2015</u>
<b>Opening Balance of Unspent Funds</b>	<b>\$ 3,735,925</b>	<b>\$ 4,008,322</b>
Additions:		
Amounts Received During the Year	1,069,107	1,034,277
Interest Earned	15,865	20,774
Deductions:		
Amount Spent on Projects	<u>(87,500)</u>	<u>(1,327,448)</u>
<b>Closing Balance of Unspent Funds</b>	<b><u>\$ 4,733,397</u></b>	<b><u>\$ 3,735,925</u></b>

**THE CORPORATION OF THE CITY OF COURTENAY**  
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**6. DEFERRED REVENUE - DEVELOPMENT COST CHARGES**

In order to conform with the Public Sector Accounting Board of CPA Canada, the unspent development cost charges in the following financial statements have been recorded as a liability. Following is a breakdown of cash increases and decreases for the General, Water, and Sewer development costs charge reserves for 2016 and 2015.

	2016				
	General Reserve DCC BL #2840	Water Utility Reserve DCC BL #2840	Sewer Utility Reserve DCC BL #2840	Sewer Utility Reserve DCC BL #1638	2016 Total
<b>Balance Forward</b>	\$ 3,049,041	\$ 463,577	\$ 327,170	\$ 33,474	\$ 3,873,262
<b>Increases</b>					
Interest	13,300	1,967	1,511	134	16,912
Other Contributions	638,568	73,593	139,404	-	851,565
	651,868	75,560	140,915	134	868,477
<b>Decreases</b>					
Revenue Recognized to Fund Capital Projects	(250,200)	(9,300)	(638)	-	(260,138)
<b>Ending Balance Deferred Revenue - DCC</b>	<u>\$ 3,450,709</u>	<u>\$ 529,837</u>	<u>\$ 467,447</u>	<u>\$ 33,608</u>	<u>\$ 4,481,601</u>

	2015				
	General Reserve DCC BL #2426	Water Utility Reserve DCC BL #2426	Sewer Utility Reserve DCC BL #2426	Sewer Utility Reserve DCC BL #1638	2015 Total
<b>Balance Forward</b>	\$ 2,491,051	\$ 365,857	\$ 161,701	\$ 33,307	\$ 3,051,916
<b>Increases</b>					
Interest	13,280	2,033	1,227	167	16,707
Other Contributions	712,454	99,952	164,242	-	976,648
	725,734	101,985	165,469	167	993,355
<b>Decreases</b>					
Revenue Recognized to Fund Capital Projects	(167,744)	(4,265)	-	-	(172,009)
<b>Ending Balance Deferred Revenue - DCC</b>	<u>\$ 3,049,041</u>	<u>\$ 463,577</u>	<u>\$ 327,170</u>	<u>\$ 33,474</u>	<u>\$ 3,873,262</u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. TRUST AND ENDOWMENT FUNDS**

- (a) The Cemetery Perpetual Care Fund has been assigned to the City to be administered as directed by statute. The City holds the assets for the benefit of, and stands in fiduciary relationship to, the beneficiary. Following is a summary of the financial position and activities for 2016 and 2015, which has been excluded from the City's financial statements.

**CEMETERY PERPETUAL CARE FUND  
FINANCIAL POSITION**

	<u>2016</u>	<u>2015</u>
<b>Financial Assets</b>		
Cash on Hand	\$ 82,201	\$ 71,736
Investments - MFA	<u>236,023</u>	<u>234,169</u>
<b>Liabilities</b>		
Interest Payable to City	<u>5,303</u>	<u>2,696</u>
<b>Net Financial Position</b>	<u><u>\$ 312,921</u></u>	<u><u>\$ 303,209</u></u>

**CEMETERY PERPETUAL CARE FUND  
FINANCIAL ACTIVITIES**

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Fees Levied	\$ 9,711	\$ 11,966
Interest Revenue	<u>2,608</u>	<u>2,696</u>
<b>Expenditure</b>		
Interest Expense	<u>2,608</u>	<u>2,696</u>
<b>Excess Revenue over Expenditure</b>	<u><u>\$ 9,711</u></u>	<u><u>\$ 11,966</u></u>

- (b) The Sid Williams Theatre has endowment funds on deposit with the Comox Valley Community Foundation in the amount of \$384,442 (2015 - \$323,031). The principal amount of this endowment cannot be utilized or withdrawn and as such are not considered assets of the City of Courtenay. The endowment funds are not reported as an asset on the statement of financial position.

**8. DEFERRED REVENUE – OTHER**

Other Deferred Revenue recorded in the Liability section of the City's Financial Statements consists of the revenues related to Development Cost Charge instalment payments owing from Developers and to be received in future years, business license revenue levied and to be recognized in future years, Government transfers received prior to revenue recognition criteria being met, and gift certificates issued and to be redeemed in future years at the Sid Williams Theatre. Following is a breakdown of the change in this balance for 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<b>Opening Balance</b>	<b>\$ 1,713,694</b>	<b>\$ 2,501,039</b>
Additions to Deferred Revenue	1,406,868	1,700,823
Revenue Recognized	(1,710,791)	(2,488,168)
<b>Ending Balance Deferred Revenue Other</b>	<u><u>\$ 1,409,770</u></u>	<u><u>\$ 1,713,694</u></u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
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**9. MFA DEBT RESERVE FUNDS**

The City secures its long term borrowing through the Municipal Finance Authority. As a condition of these borrowings a portion of the debenture proceeds are retained by the Authority as a debt reserve fund. These funds are not reported in the financial statements as they are eliminated upon consolidation. As at December 31, 2016 the City had debt reserve funds of \$327,368 (\$318,466 in 2015).

**10. EMPLOYEE RETIREMENT BENEFIT LIABILITY**

Employees with 10 years of continuous service retiring under the terms of the Municipal Superannuation Act are entitled to a payout of up to 72 days of their accumulated unused sick leave bank and up to a maximum of 8 additional severance days for each year of service in which the employee used no sick leave. Additionally, upon death of the employee, the bank, up to a maximum of 72 days, will be payable to the employee's life benefit beneficiary. The value of this liability is calculated by an Actuary engaged by the City and reflects the likelihood that all eligible City employees will become entitled to this benefit. Actuarial valuation assumptions for 2016 were based on an interest (discount) rate of 3.3% per annum (2015 - 3.10%). The total estimated employee retirement benefit liability at December 31, 2016 is \$926,000 (\$875,700 in 2015) and is included in the accounts payable balance on Statement A. Following is a breakdown of the benefit liability:

	<u>2016</u>	<u>2015</u>
Accrued benefit liability at beginning of year	875,700	892,500
Expense	124,300	114,800
Benefit Payments	<u>(74,000)</u>	<u>(131,600)</u>
Accrued benefit liability at end of year	<u>\$ 926,000</u>	<u>\$ 875,700</u>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**11. CONSOLIDATED SEGMENT DISCLOSURE BY SERVICE**

The City of Courtenay Consolidated Financial Statements includes the financial activities of various services made available to the community. Following is a description of the types of services included in each of the main service segments of the City's financial statements. A detailed summary of the 2016 revenues and expenses with 2015 comparatives for each segment can be found in Schedule 1 of the accompanying financial statements.

**General Government Services**

Provide services related to general corporate and legislative administration as well as human resources, information technology, financial management, and revenues received from the Province related to gaming.

**Protective Services**

Includes services related to providing fire protection, bylaw enforcement, and building inspection to the City, as well as the City's share of expenses related to providing police protection to the Comox Valley.

**Transportation Services**

Includes the delivery of municipal public works services related to planning, development and maintenance of roadway systems, street lighting, and other public works and engineering related services.

**Environmental Health Services**

Includes services related to the collection of garbage, recycling, and yard waste, as well as environmental testing and monitoring.

**Public Health and Welfare Services**

Includes cemetery services.

**Environmental Development Services**

Includes services related to planning, zoning, sustainability, and hotel taxes, as well as actions relating to homelessness.

**Recreational and Cultural Services**

Provides recreation and leisure services to the community and includes parks and facilities that allow for fitness, aquatic, cultural, and other activities for the public to enjoy.

**Water Utility Services**

Provides for the delivery of water to users and includes the planning, development and maintenance of the City's water infrastructure.

**Sewer Utility Services**

Provides for the delivery of sewerage removal and includes the planning, development and maintenance of the City's sewer infrastructure.

**Other Services**

Includes the operations of the Sid Williams Theatre.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**12. TANGIBLE CAPITAL ASSET DETAILS**

(See Schedule 3 for further details)

Contributed capital assets received and recognized in the year from developers, for various infrastructure works and related land and parks, and recorded on the financial statements in 2016 is \$3,606,717 (\$3,027,059 in 2015).

Tangible capital assets include land under the City's roads, recorded at a nominal amount.

Art and historic treasures are displayed at various city facilities and consist of paintings, historical photographs, sculptures, carvings, and other cultural artefacts. These items have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property.

**THE CORPORATION OF THE CITY OF COURTENAY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. RESTATEMENT OF 2016 BUDGET**

The budget amounts presented throughout these financial statements are based upon the Five Year Financial Plan approved by Council on May 9, 2016 except in regard to budget amounts for amortization, developer contributions for tangible capital assets, gains and losses on tangible capital asset disposals, and the use of debt, reserves and prior year surpluses.

The budget amounts presented throughout these financial statements for the tangible capital asset related budgets are the actual values determined at the completion of the municipalities' tangible capital asset accounting process. These values have been added to the May 9, 2016 budget and actual values in the Financial Statements.

The summary below shows the adjustments to the May 9, 2016 budget approved by Council after adjusting the budget values by the actual revenues and expenses incurred for tangible capital asset related items (amortization, developer contributions for tangible capital assets, and gains and losses on tangible capital asset disposals) and other transfers that were not included in the approved 2016 budget.

**Adjustments to 2016 Budgeted Annual Surplus**

<b>Budgeted Surplus per Council approved Budget</b>	<b>\$ -</b>
Sid Williams Theatre	2,374
Amortization	(4,890,442)
Capital Contributions	3,606,717
Purchase of Capital Assets	6,069,983
PSAB Adjustments	(957,082)
Use of Prior Year Surplus	(5,577,100)
Debt principle repayments in Financial Plan	950,605
Transfers to Reserves (net)	<u>4,085,482</u>
<b>Budgeted Surplus per Consolidated Statement of Operations</b>	<b><u>\$ 3,290,537</u></b>

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(Audited)

	Land	Land Improvements	Buildings	Equipment/ Furniture/ Vehicles	Engineering Structures				Other Tangible Capital Assets	Total	2015
					Roads	Water	Sewer	Other			
<b>COST</b>											
Opening Balance Construction-in-progress (CIP)	-	334,777	538,982	21,040	2,721,247	552,660	306,677	855,238	49,952	\$ 5,380,573	3,245,696
Add: Construction-in-progress (CIP)	-	79,974	15,215	195,985	306,600	27,148	11,652	24,240	-	660,814	3,765,453
Less: Transfers into Service	-	(261,386)	(375,550)	(17,529)	(2,318,339)	(517,670)	(306,676)	(855,238)	(29,710)	(4,682,098)	(1,630,576)
Closing Balance Construction-in-progress	-	153,365	178,647	199,496	709,508	62,138	11,653	24,240	20,242	1,359,289	5,380,573
Opening Balance Tangible Capital Assets	21,396,279	6,016,729	29,272,497	16,104,427	85,110,945	17,051,223	9,515,394	18,968,315	711,551	204,147,360	194,622,144
Add: Opening Adjustment				(11,034)			(36,155)	(86,414)		(133,603)	
Add: Additions (including Transfers into Service)	213,370	563,138	761,077	838,322	5,188,711	2,069,287	1,004,443	2,574,086	42,517	13,254,951	9,905,576
Less: Disposals			(25,715)	(231,029)	(114,682)	(79,366)	(5,970)	(32,777)		(489,539)	(380,360)
Closing Balance Tangible Capital Assets and CIP	21,609,649	6,733,232	30,186,506	16,900,182	90,894,482	19,103,282	10,489,365	21,447,450	774,310	218,138,458	209,527,932
<b>ACCUMULATED AMORTIZATION</b>											
Opening Balance	-	2,363,491	9,841,400	9,474,183	41,111,188	6,245,702	1,502,787	7,223,488	661,694	78,423,934	74,192,423
Add: Writedown				276			603	2,161		3,040	
Add: Amortization	-	225,368	679,696	735,657	2,221,164	339,441	187,051	483,568	18,497	4,890,442	4,569,989
Less: Accum Amortization on Disposals	-		(4,714)	(212,639)	(111,185)	(67,634)	(4,875)	(20,124)		(421,171)	(338,479)
Net Book Value for year ended December 31, 2016	\$ 21,609,649	\$ 4,144,373	\$ 19,670,124	\$ 6,902,705	\$ 47,673,315	\$ 12,585,773	\$ 8,803,799	\$ 13,758,357	\$ 94,119	\$ 135,242,213	\$ 131,104,017

**THE CORPORATION OF THE CITY OF COURTENAY**  
**CONSOLIDATED SCHEDULE OF DEBTENTURE AND OTHER LONG-TERM DEBT**  
**YEAR ENDED DECEMBER 31, 2016**

(Audited)

Bylaw Number	Maturity Date	Interest Rate	Principal Outstanding Dec 31/15	Current Year Borrowing	Actuarial Adjustment/ Princ. Reduction	Principal Outstanding Dec 31/16
<b>General Capital Fund</b>						
Debtenture Debt						
2171 Library	2021	3.05	1,018,217	-	149,696	868,521
2266 Infrastructure Works - MFA	2018	4.78	100,354	-	31,833	68,521
2266 Fifth Street Bridge	2023	5.15	277,039	-	30,066	246,973
2304 Lerwick Road Ext. Prop Acquisition	2029	4.86	702,333	-	35,836	666,497
2227 City Hall Retaining Wall	2020	5.00	64,064	-	11,828	52,236
2354 Repaving Program	2025	5.75	281,310	-	25,052	256,258
2355 Lerwick Road Extension	2030	5.75	498,197	-	24,881	473,316
2356 City Hall Renovation	2020	5.50	340,342	-	62,836	277,506
2425 Lerwick Road Construction	2026	4.66	464,120	-	34,414	429,706
2453 Police Property Acquisition	2026	4.43	921,472	-	68,326	853,146
2458 Public Works Maintenance Building	2022	4.52	850,234	-	107,648	742,586
2539 Capital Infrastructure Work	2023	4.13	2,106,537	-	199,053	1,907,484
2538 Native Sons Hall Renovation	2025	4.50	437,702	-	36,457	401,245
2680 Lewis Centre Renovation	2027	2.90	3,545,236	-	235,943	3,309,293
2681 Infrastructure Works - Road Paving	2027	2.90	1,316,802	-	87,636	1,229,166
TOTAL GENERAL CAPITAL FUND			12,923,959	-	1,141,505	11,782,454
<b>Water Capital Fund</b>						
Debtenture Debt						
2424 Water Extension - Lerwick Road	2026	4.66	386,767	-	28,678	358,088
TOTAL WATER CAPITAL FUND			386,767	-	28,678	358,088
<b>Sewer Capital Fund</b>						
Debtenture Debt						
2305 Sewer Extension	2029	4.86	526,750	-	26,877	499,873
2353 Sewer Extension	2030	5.00	1,402,068	-	70,021	1,332,047
2423 Sewer Extension - Lerwick Road	2026	4.66	234,638	-	17,398	217,240
TOTAL SEWER CAPITAL FUND			2,163,456	-	114,296	2,049,160
TOTAL ALL CAPITAL FUNDS			15,474,182	-	1,284,479	14,189,703

THE CORPORATION OF THE CITY OF COURTENAY

Statement of Financial Information  
(as required under the Financial Information Act)  
2016 Report of Remuneration and Expenses of  
Elected Officials

Prepared under the Financial Information Regulation, Schedule 1, Section 6

Remuneration and Expense Payments

<u>Elected Official</u>		<u>Remuneration</u>	<u>Expenses</u>
Jangula, Larry	Mayor	\$ 52,433	\$ 3,036
Frisch, David	Councillor	\$ 22,538	\$ 3,950
Hillian, Douglas A.	Councillor	\$ 22,538	\$ 2,923
Eriksson, Erik	Councillor	\$ 22,538	\$ 4,740
Theos, Manno	Councillor	\$ 22,788	\$ 4,317
Lennox, Rebecca	Councillor	\$ 22,538	\$ -
Wells, Robert	Councillor	\$ 22,538	\$ 6,117
TOTALS		<u>\$ 187,917</u>	<u>\$ 25,083</u>

Benefits

Insurance Policy Coverage: Personal Accident Insurance, Mayor and Council

*Industrial Alliance Pacific Insurance & Financial Services*

<i>Principal Sum:</i>	\$ 150,000
<i>Weekly Accident Indemnity:</i>	\$ 400
<i>Accidental Dental Reimbursement Benefit:</i>	\$ 3,000
<i>Accidental Medical Reimbursement Benefit:</i>	\$ 5,000

Total premium - all members \$ 500.00

Section 107 Disclosure of Contracts with Council Members  
and Former Council Members

No contracts

**THE CORPORATION OF THE CITY OF COURTENAY**

**Statement of Financial Information  
(as required under the Financial Information Act)  
Statement of Salaries, Wages and Expenses for the Year 2016  
*Prepared under the Financial Information Regulation, Schedule 1, Section 6***

<u>Employee</u>	<u>Position</u>	<u>Total Remuneration</u> (Includes Taxable Benefits)	<u>Expenses</u>
Allen, D.	Chief Administrative Officer	\$ 169,228	\$ 7,246
Armstrong, R.	Manager of Infrastructure Planning	\$ 88,414	\$ 6,757
Bardonnex, D.	Fire Chief	\$ 110,932	\$ 8,304
Boguski, B.	Roads Foreman	\$ 82,782	\$ 296
Borecky, N.	GIS Coordinator	\$ 77,278	\$ 1,170
Buck, I.	Director of Development Services	\$ 113,809	\$ 2,666
Collins, C.	Manager of Finance	\$ 88,729	\$ 4,318
Collins, K.	Manager of Recreation Programming	\$ 81,296	\$ -
Craven, D.	Carpenter	\$ 75,391	\$ -
Dojack, T.	Carpenter	\$ 75,255	\$ -
Donley, M.	Manager of Human Resources	\$ 93,325	\$ 2,888
Feucht, R.	Development Engineer	\$ 95,745	\$ 1,549
Fisher, K.	Utilities Mtce - Water 2	\$ 79,734	\$ 80
Guderjahn, B.	Manager of Purchasing	\$ 91,750	\$ 2,552
Guillo, A.	Manager of Communications	\$ 87,986	\$ -
Hatch, L.	Director of Engineering & Public Works	\$ 124,960	\$ 3,649
Henderson, D.	Deputy Fire Chief / Training Officer	\$ 96,296	\$ 838
Jernslet, E.	Manager of Civic Properties Mtce.	\$ 82,332	\$ 3,639
Johns, T.	Horticulture Supervisor	\$ 75,612	\$ 812
Kellinghusen, J.	Equipment Operator	\$ 84,493	\$ 2,004
Kerr, C.	EVT / Fire Inspector	\$ 82,075	\$ 1,292
Knapman, P.	Occupational Health & Safety Coordinator	\$ 83,141	\$ 3,829
Kushner, T.	Director of Public Works	\$ 128,549	\$ 6,193
Lamb, G.	Fire Inspector	\$ 78,013	\$ 50
Love, D.	Senior Advisor - Strategic Initiatives	\$ 108,773	\$ 3,570
MacDonald, K.	Deputy Fire Chief	\$ 97,539	\$ 2,950
Millar, C.	Manager of Recreation Facilities Operations	\$ 81,822	\$ -
Moore, B.	Shop Foreman	\$ 81,425	\$ 1,619
Neufeld, K.	Property Management Supervisor	\$ 77,022	\$ 1,595
Perry, C.	Manager of Transportation & Utilities - Engineering	\$ 106,366	\$ 4,074
Parschauer, B.	Director of Financial Services	\$ 113,759	\$ 4,482
Rasmussen, R.	Turfgrass Supervisor	\$ 92,639	\$ -
Rix, R.	Utilities Mtce - Sewer 2	\$ 76,570	\$ 80
Rose, L.	Utilities Mtce - Water 2	\$ 77,404	\$ 879
Setta, T.	Manager of Planning	\$ 89,486	\$ 2,896
Shaw, D.	Sewer Foreman	\$ 85,232	\$ 2,784
Snider, D.	Director of Recreation & Cultural Services	\$ 112,099	\$ 4,571
Sorichta, W.	Manager of Public Works Administration	\$ 86,346	\$ 6,041
Ward, J.	Director of Legislative Services / Deputy CAO	\$ 128,165	\$ 2,565
Welsh, J.	Fire Inspector	\$ 77,957	\$ 1,506
Woods, M.	Manager of Information Systems	\$ 84,484	\$ -
Total for employees where remuneration is > \$75,000		\$ 3,824,214	\$ 99,743
Consolidated total for employees where remuneration < \$75,000		6,950,271	61,679
Elected Officials, direct payments		187,917	25,083
<b>TOTALS</b>		<b>\$ 10,962,402</b>	<b>\$ 186,505</b>

**Statement of Severance Agreements**

There was one severance agreement under which payment commenced between the City of Courtenay and its non-employees during the fiscal year 2016. This agreement represents from 12 months of compensation.

*Prepared under the Financial Information Regulation, Schedule 1, Section 6(7)*

**THE CORPORATION OF THE CITY OF COURTENAY**

**Statement of Individual Vendors Paid**

*Prepared under the Financial Information Regulation, Schedule 1, Section 7*

<b>Vendor Name</b>	<b>Amount Paid YTD</b>
RAYMOND JAMES LTD.	\$ 25,000,000
COMOX VALLEY REGIONAL DISTRICT	16,709,687
RECEIVER GENERAL FOR CANADA	9,396,656
MINISTER OF FINANCE	4,343,415
REGIONAL HOSPITAL DISTRICT OF COMOX-STRATHCONA	4,064,398
EMTERRA ENVIRONMENTAL	1,653,592
VANCOUVER ISLAND REGIONAL LIBRARY	1,185,428
KNAPPETT INDUSTRIES (2006) LTD.	1,029,681
BC HYDRO	799,898
SCOTIABANK VISA	778,012
WINDLEY CONTRACTING LTD.	673,582
COURTENAY RECREATION ASSOCIATION	673,238
EDGETT EXCAVATING	566,915
URBAN SYSTEMS LTD.	557,371
TAYCO PAVING	529,871
ASSOCIATED ENGINEERING (B.C.) LTD.	489,952
PACIFIC BLUE CROSS	466,119
ARDEN ROAD DEVELOPMENTS	387,188
COMMISSIONAIRES (THE)	372,570
MCELHANNEY CONSULTING	345,288
COMOX VALLEY ECONOMIC DEVELOPMENT	299,947
BC ASSESSMENT AUTHORITY	292,706
BAILEY WESTERN STAR	280,811
CROWN PACIFIC DEVELOPMENT CORP	264,381
SID WILLIAMS THEATRE SOCIETY	247,365
TLC HOME & PROPERTY MAINTENANCE	232,526
WACOR HOLDINGS LTD.	230,219
WORKERS COMPENSATION BOARD	206,159
AON REED STENHOUSE INC.	199,314
ARDEN PROJECTS LTD.	196,036
BC LIFE AND CASUALTY COMPANY	186,292
ANDREW SHERET LTD.	183,281
MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA	181,208
MEDICAL SERVICES PLAN	180,563
INTERACTIONS HR SOLUTIONS INC.	168,000
UPLAND CONTRACTING LTD.	167,450
ROYAL BANK	149,400
SURESPAN STRUCTURES	135,400
CHEVRON CANADA LTD.	134,511
COURTENAY & DISTRICT MUSEUM	130,400
RICOH CANADA INC.	120,908
CUPE LOCAL 556	115,213
FORTIS BC-NATURAL GAS	109,092
SUNCORP VALUATIONS LTD.	104,186
ESC AUTOMATION	101,483
OAKCREEK GOLF & TURF INC.	100,218
CANADIAN RECREATION SOLUTIONS INC.	94,120
LEIGHTON CONTRACTING (2009) LTD.	94,046
TEMPEST DEVELOPMENT	85,979
ABOVE & BEYOND TREE SERVICE	85,937
MONK OFFICE SUPPLY LTD.	85,238
COMOX VALLEY BOBCAT & EXC LTD.	80,970
SOFTCHOICE CORPORATION	78,632
BLACK PRESS GROUP	78,096
TELUS COMMUNICATIONS (BC)	74,842
COMOX VALLEY DODGE CHRYSLER	73,635
CURRENT ENVIRONMENTAL LTD.	72,691
SILVERADO LAND CORP.	71,381
LIFESTYLE METAL VENTURES INC.	71,287
WESTERN TRAFFIC	70,251
MUCHALAT CONSTRUCTION LTD.	68,795
AARDVARK PAVEMENT MARKING SERVICES	68,612
LIDSTONE & COMPANY	66,054

**THE CORPORATION OF THE CITY OF COURTENAY**

**Statement of Individual Vendors Paid**

*Prepared under the Financial Information Regulation, Schedule 1, Section 7*

<b>Vendor Name</b>	<b>Amount Paid YTD</b>
DKI SERVICES LTD.	65,595
HARTMAN AUTO SUPPLY LTD.	65,320
GUILLEVIN INTERNATIONAL INC.	64,827
STEVE MARSHALL MOTORS (FORD) LTD.	64,674
VANCOUVER ISLAND INSURANCE CENTRES	64,562
COURTENAY DOWNTOWN BUSINESS ASSOCIATION	60,275
AFC CONSTRUCTION LTD.	60,231
LANDTEC GROUND EXPERTS	59,850
DIAMOND SOFTWARE INC.	59,124
ONDECK SYSTEMS INC.	57,410
WESTREK GEOTECHNICAL SERVICES	56,049
DILLON CONSULTING LTD.	54,204
TELUS MOBILITY (BC)	53,775
MEYERS NORRIS PENNY LLP	53,303
JENNER CHEVROLET BUICK GMC	52,396
CENTRAL BUILDERS SUPPLY LTD.	50,579
MICROSOFT LICENSING GP	50,242
IMS INFRASTRUCTURE MANAGEMENT SERVICES	48,686
KOERS & ASSOCIATES ENGINEERING	47,244
SHADES TANKERS (1976) LTD.	45,920
YOUNG ANDERSON	45,719
CIBC	45,351
MVH URBAN PLANNING & DESIGN LTD.	43,089
METRO MOTORS LTD.	42,646
DUNCAN ELECTRIC MOTOR LTD.	41,943
7 STORY CIRCUS	40,754
THE BANK OF NOVA SCOTIA	40,562
DRIFTWOOD MALL & 5275 INVESTMENTS	40,178
PLANET CLEAN COURTENAY	40,114
WEST ISLAND CAPITAL CORPORATION	39,114
COMOX BAY SAILING CLUB	38,221
TOWER FENCE PRODUCTS	38,213
RIVERSIDE NISSAN 860817 BC LTD.	38,032
CUMBERLAND READY MIX LTD.	38,028
L'ARCHE COMOX VALLEY	37,500
E B HORSMAN & SON	37,311
1051735 BC LTD.	36,879
DIRECTDIAL.COM	36,008
ESRI CANADA	34,930
ANDERSEN'S NURSEY LTD.	34,867
RAYLEC POWER LTD.	34,741
COLUMBIA FUELS	34,079
KMI COLUMBARIA	33,891
HOTELS	31,619
GROW TREE CARE	31,383
SAFESIDEWALKS CANADA INC.	31,233
PILON TOOL RENTALS (1972) LTD.	31,176
ASSOCIATED FIRE & SAFETY	30,187
STRATEGIC DYNAMICS	30,170
HYLAND PRECAST INC.	30,149
LAFARGE CANADA INC.	29,723
PROFIRE EMERGENCY EQUIPMENT	27,399
BEE CLEAN BUILDING MAINTENANCE	27,329
R HENN & ASSOCIATES	26,135
ACME SUPPLIES LTD.	26,104
ASTROGRAPHIC INDUSTRIES	25,372
GARDAWORLD CASH SERVICES CANADA	25,172
<b>TOTAL VENDORS OVER \$25,000</b>	<b>\$78,490,081</b>
<b>TOTAL VENDORS LESS THAN \$25, 000</b>	<b>\$3,056,296</b>
<b>TOTAL VENDORS</b>	<b>\$81,546,377</b>

## SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS

The City of Courtenay describes guarantees and indemnities in the Notes to the Consolidated Financial Statements. For 2016, the schedule and additional notes are not required and have been omitted.

STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned, as authorized by the Financial Information Regulation, Schedule 1, subsection 9(2), approves all the statements and schedules included in this Statement of Financial Information, produced under the *Financial Information Act*.

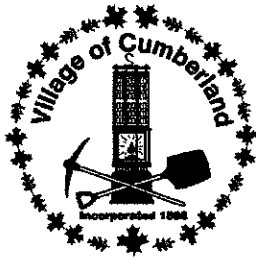
\_\_\_\_\_  
Larry Jangula  
Mayor

\_\_\_\_\_  
Brian Parschauer, BA, CPA, CMA  
Director of Financial Services

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date





# Corporation of the Village of Cumberland

2673 Dunsmuir Avenue  
P.O. Box 340  
Cumberland, BC V0R 1S0  
Telephone: 250-336-2291  
Fax: 250-336-2321  
cumberland.ca

File No. 0400-60

June 14, 2017

Sent via email only: council@comox.ca  
bjolliffe@comoxvalleyrd.ca  
ljangula@courtenay.ca

Mayor Paul Ives and Council  
Town of Comox

Chair Bruce Jolliffe and Board of Directors  
Comox Valley Regional District

Mayor Larry Jangula and Council  
City of Courtenay

Dear Comox Council, CVRD Board of Directors and Courtenay Council:

**Re: Comox Valley Air Quality**

---

In response to concerns raised by residents and Island Health, the Village of Cumberland has prioritized investigating the issue of wood smoke and air quality in 2017.

At the June 12 Village Council meeting, Council considered a number of steps to improve air quality in Cumberland and the Comox Valley. Council determined to implement the following steps, in this order:

- Amend the Village's Fire Protection Services and Regulation Bylaw to prohibit all land-clearing burns that are not forestry-related
- Undertake an air quality education and/or incentive campaign
- Enact a bylaw regulating solid fuel-burning appliances, to include the following regulations:
  - That non-certified wood-burning appliances and pellet stoves be removed upon sale or transfer of any real property
  - That wood-burning appliances and pellet stoves not be used during Air Quality advisories unless the appliance is the only heating appliance, and
  - That all new construction include a second form of space heating

This is in addition to prohibiting yard waste fires as of February 2017, and installing "No Smoking Area" signs at playgrounds and trail kiosks. Cumberland still permits recreational fires, which have a number of restrictions, including size.

Council believes that air quality is a regional issue, and while the Village is moving forward with these steps, Council is interested in working with Comox, the CVRD and Courtenay to improve air quality and the health of our residents. Moving forward, Cumberland staff will coordinate with your staff to share information and ensure that there is no duplication of effort. Please do not hesitate to contact the Village of Cumberland to discuss air quality data or initiatives.

Yours sincerely,



Leslie Baird  
Mayor

Cc: Sundance Topham, Chief Administrative Officer  
Adriana Proton, Deputy Corporate Officer  
Richard Kanigan, Chief Administrative Officer, Town of Comox  
Shelly Russwurm, Deputy Corporate Administrator, Town of Comox  
Russell Dyson, Chief Administrative Officer, Comox Valley Regional District  
Vince Van Tongeren, Policy and Sustainability Analyst, Comox Valley Regional District  
David Allen, Chief Administrative Officer, City of Courtenay  
John Ward, Director of Legislative Services, City of Courtenay



THE CORPORATION OF THE CITY OF COURTENAY

## STAFF REPORT

**To:** Council

**File No.:** 650-20

**From:** Chief Administrative Officer

**Date:** June 19, 2017

**Subject:** Greenhouse Gas Emission Fuel Pump Labels Updated Information

### PURPOSE:

The purpose of the report is to provide Council with updated information regarding Greenhouse Gas Emission labels on fuel pumps at gas stations.

### CAO RECOMMENDATIONS: No recommendation

- Option1: That Council direct staff to draft amendments to the Business Licence Bylaw No. 2523, 2008 requiring gas stations to place Greenhouse Gas Emission information labels on all fuel pumps.
- Option 2: That Council not take any action at this time regarding fuel pump Greenhouse Gas Emission information labels and allow the marketplace to evolve.
- Option 3: That Council direct staff to seek other options or conditions regarding Greenhouse Gas Emission fuel pump information labels.

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM  
Chief Administrative Officer

### BACKGROUND:

On September 14, 2015, Matt Hulse, Campaign Director for "Our Horizon" made a presentation regarding gas pump information labels. He requested that Council support the resolution at the upcoming UBCM and implement the labels in the City of Courtenay.

At the UBCM Convention held in September 2015, the following resolution was endorsed:

***B112 Warning Labels for all Fossil Based Liquid Fuels  
Endorsed as Amended***

*Therefore be it resolved that UBCM support, and that member local governments will implement, where possible, legislation to require retailers of petroleum products to provide plastic sleeves (nozzle toppers) with warning labels on pump handles for all fossil based liquid fuels.*

At its regular meeting held October 13, 2015 Council passed the following resolution:

*"That Council request a report from staff on the costs and options and implications of implementing gas pump information labels in the City of Courtenay."*

At its regular meeting held February 1<sup>st</sup>, 2016 Council passed the following resolution:

*"That Council postpone the February 1, 2016 staff report "Greenhouse Gas Emission Fuel Pump Labels" for a 3 month period."*

At its regular meeting held August 2<sup>nd</sup>, 2016 Council passed the following resolution:

*"That the staff report regarding greenhouse gas fuel pump labels be postponed to January 1, 2017."*

**DISCUSSION:**

The City of North Vancouver (CNV) has implementing a Greenhouse Gas Fuel pump label program for its 6 gas stations. For comparison, the City of Courtenay has 13 gas stations within its boundaries.

City of Courtenay staff have recently been in contact with CNV staff and have determined that its program is now in place. The CNV staff worked closely with the *Smart Fuelling campaign* <http://www.smartfuelling.ca/> to get Chevron, Esso and Husky on board, and in the end used their graphic design people to develop some consistency in the label design.

The CNV then provided initial prototypes for all companies to use.

***Petro Canada already had an initiative underway, and has now introduced its own labels Canada wide. City of Courtenay staff have confirmed that the Petro Canada in Courtenay has installed the labels.***

**FINANCIAL IMPLICATIONS:**

Financial implications to the City for development and purchase of the labels are not known at this time; however they are estimated to cost approximately \$1,000. Ongoing costs for maintenance and replacement are not known.

**ADMINISTRATIVE IMPLICATIONS:**

Development and/or purchase of the labels would be coordinated through the City's Communications staff in the Legislative Services Department. Administrative implications are not expected to be significant.

Administration of the Business Licence Bylaw is included in the general statutory duties of the Legislative Services Department (Bylaw Enforcement) work plan.

## ASSET MANAGEMENT IMPLICATIONS:

None.

## STRATEGIC PRIORITIES REFERENCE:

We proactively plan and invest in our natural and built environment

- Continued focus on asset management for sustainable service delivery



- **Area of Control**  
The policy, works and programming matters that fall within Council's jurisdictional authority to act.
- ▲ **Area of Influence**  
Matters that fall within shared or agreed jurisdiction between Council and another government or party.
- **Area of Concern**  
Matters of interest outside Council's jurisdictional authority to act.

## OFFICIAL COMMUNITY PLAN REFERENCE:

Section 10 of the Official Community Plan contains goals and objectives towards reduced community greenhouse gases. The addition of climate change labels on gas pumps fits with the overarching goals to address climate change and energy efficiency.

## REGIONAL GROWTH STRATEGY REFERENCE:

The Regional Growth Strategy contains the following objective - Objective 8-B: Reduce GHG emissions created by the on-road transportation sector. The addition of climate change labels on gas pumps is consistent with this objective.

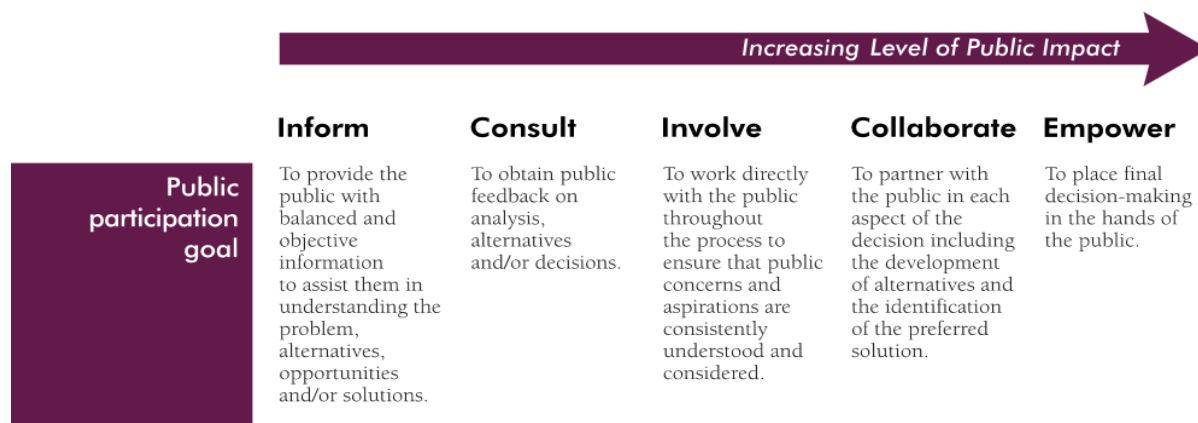
## CITIZEN/PUBLIC ENGAGEMENT:

Public notice is required for changes to the Business Licence Bylaw pursuant to section 59 of the *Community Charter*:

- 59 (2) *Before adopting a bylaw under subsection (1) or section 8 (6) [business regulation], a council must*
- (a) give notice of its intention in accordance with subsection (3), and*
  - (b) provide an opportunity for persons who consider they are affected by the bylaw to make representations to council.*
- (3) *Notice required under subsection (2) (a) may be provided in the form and manner, at the times and as often as the council considers reasonable.*

Council would **consult** the public based on the IAP2 Spectrum of Public Participation:

[http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum\\_vertical.pdf](http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf)



#### OPTIONS:

- Option 1: That Council direct staff to draft amendments to the Business Licence Bylaw No. 2523, 2008 requiring gas stations to place Greenhouse Gas Emission information labels on all fuel pumps.
- Option 2: That Council not take any action at this time regarding fuel pump Greenhouse Gas Emission information labels and allow the marketplace to evolve.
- Option 3: That Council direct staff to seek other options or conditions regarding Greenhouse Gas Emission fuel pump information labels.

Prepared by:

John Ward, CMC  
Director of Legislative Services

#### Attachments:

1. Gas Pump Label Examples
2. February 2016 Staff Report





**SMART FUELLING**

[www.smartfuelling.ca](http://www.smartfuelling.ca)

*Reduce Emissions  
Save Money*

# SWITCH IT OFF



Idling more than 10 seconds uses  
more gas than restarting

**REDUCING EMISSIONS HELPS  
FIGHT CLIMATE CHANGE**

86

**city**  
of north  
vancouver

As required by bylaw 8437



**SMART FUELLING**

[www.smartfuelling.ca](http://www.smartfuelling.ca)

*Reduce Emissions  
Save Money*

# KEEP THE PRESSURE ON



Properly inflated tires increases fuel efficiency

**REDUCING EMISSIONS HELPS  
FIGHT CLIMATE CHANGE**

**87**

**city**  
of north  
vancouver

As required by bylaw 8437



**SMART FUELLING**  
[www.smartfuelling.ca](http://www.smartfuelling.ca)

*Reduce Emissions  
Save Money*

# A WELL-OILED MACHINE



Regular vehicle maintenance helps  
reduce emissions

**REDUCING EMISSIONS HELPS  
FIGHT CLIMATE CHANGE**

88

**city**  
of north  
vancouver

As required by bylaw 8437

## Chevron and Husky Labels



**SMART FUELLING**  
www.smartfuelling.ca

Reduce Emissions  
Save Money



# SWITCH IT OFF

Idling more than 10 seconds uses more gas than restarting

**BURNING FOSSIL FUELS  
CONTRIBUTES TO CLIMATE CHANGE**

city  
of north  
vancouver



**SMART FUELLING**  
www.smartfuelling.ca

Reduce Emissions  
Save Money



# KEEP THE PRESSURE ON

Properly inflated tires increases fuel efficiency

**BURNING FOSSIL FUELS  
CONTRIBUTES TO CLIMATE CHANGE**

city  
of north  
vancouver



**SMART FUELLING**  
www.smartfuelling.ca

Reduce Emissions  
Save Money

# A WELL-OILED MACHINE



Regular vehicle maintenance helps  
reduce emissions

**BURNING FOSSIL FUELS  
CONTRIBUTES TO CLIMATE CHANGE**

city  
of north  
vancouver



THE **COPY FOR REFERENCE**  
**STAFF REPORT**

**To:** Council  
**From:** Chief Administrative Officer  
**Subject:** Greenhouse Gas Emission Fuel Pump Labels

**File No.:** 650-20  
**Date:** February 1, 2016

**PURPOSE:**

The purpose of the report is to provide Council with options and implications of implementing Greenhouse Gas Emission labels on fuel pumps at gas stations in the City of Courtenay.

**CAO RECOMMENDATIONS:**

That, based on the February 1, 2016 staff report, "Greenhouse Gas Emission Fuel Pump Labels", Council provide direction to staff regarding the implementation of Greenhouse Gas Emission fuel pump labels and associated amendments to the City's Business Licence Bylaw based on options provided in this report.

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM  
Chief Administrative Officer

**BACKGROUND:**

On September 14, 2015, Matt Hulse, Campaign Director for "Our Horizon" made a presentation regarding gas pump information labels. He requested that Council support the resolution at the upcoming UBCM and implement the labels in the City of Courtenay.

At the UBCM Convention held in September 2015, the following resolution was endorsed:

***B112 Warning Labels for all Fossil Based Liquid Fuels  
Endorsed as Amended***

*Therefore be it resolved that UBCM support, and that member local governments will implement, where possible, legislation to require retailers of petroleum products to provide plastic sleeves (nozzle toppers) with warning labels on pump handles for all fossil based liquid fuels.*

At its regular meeting held October 13, 2015 Council passed the following resolution:

*"That Council request a report from staff on the costs and options and implications of implementing gas pump information labels in the City of Courtenay."*

## **DISCUSSION:**

The City of North Vancouver (CNV) is implementing a Greenhouse Gas Fuel pump label program for its 6 gas stations. For comparison, the City of Courtenay has 13 gas stations within its boundaries.

City of Courtenay staff have recently been in contact with CNV staff in attempt to gather information on the costs, implications and procedures for the program. The CNV will be developing its own labels in house to provide to the gas stations, and cover the cost of the labels and staff time to implement. Costs to implement the program have not been determined; but costs are estimated to be a few hundred dollars per year for maintenance and replacement.

If Council resolves to proceed with the bylaw amendment, staff are suggesting following wording similar to the City of North Vancouver (reflecting the appropriate City position) as follows:

*“Greenhouse Gas Emissions Labels for Gas Pumps” means a legible and conspicuous label affixed to each pump or pump nozzle used to dispense gasoline or other motor fuel to the public. The Greenhouse Gas Emissions Labels will contain a statement, approved by the Director, Community Development, to encourage the public to make choices that reduce greenhouse gas emissions and to increase general awareness of climate change.*

*Every operator of a Gasoline Station is required to post or cause to be posted on each pump or pump nozzle used to dispense gasoline or other motor fuel to the public, a legible and conspicuous Greenhouse Gas Emissions Label that has been approved by the Director, Community Development.”*

In addition, if the initiative proceeds, staff would recommend an amendment to the Municipal Ticket Information Bylaw No. 2435, 2008 to allow the issuance of fines for failing to comply with the gas pump information bylaw.

Staff believe it would be most cost effective for the City of Courtenay to create and provide the labels; rather than requiring gas stations to purchase them. This will hopefully require less enforcement effort in the future.

Another option would be to simply purchase the labels from “Our Horizon” and provide them to the gas stations.

## **FINANCIAL IMPLICATIONS:**

Financial implications to the City for development and purchase of the labels are not known at this time; however they are estimated to cost approximately \$1000. Ongoing costs for maintenance and replacement are not anticipated to be significant.

## **ADMINISTRATIVE IMPLICATIONS:**

Development and/or purchase of the labels would be coordinated through the City’s Communications staff in the Legislative Services Department. Administrative implications are not expected to be significant.

Administration of the Business Licence Bylaw is included in the general statutory duties of the Legislative Services Department (Bylaw Enforcement) work plan.

## **ASSET MANAGEMENT IMPLICATIONS:**

None.

### STRATEGIC PRIORITIES REFERENCE:

Not referenced.

### OFFICIAL COMMUNITY PLAN REFERENCE:

Section 10 of the Official Community Plan contains goals and objectives towards reduced community greenhouse gases. The addition of climate change labels on gas pumps fits with the overarching goals to address climate change and energy efficiency.

### REGIONAL GROWTH STRATEGY REFERENCE:

The Regional Growth Strategy contains the following objective - Objective 8-B: Reduce GHG emissions created by the on-road transportation sector. The addition of climate change labels on gas pumps is consistent with this objective.

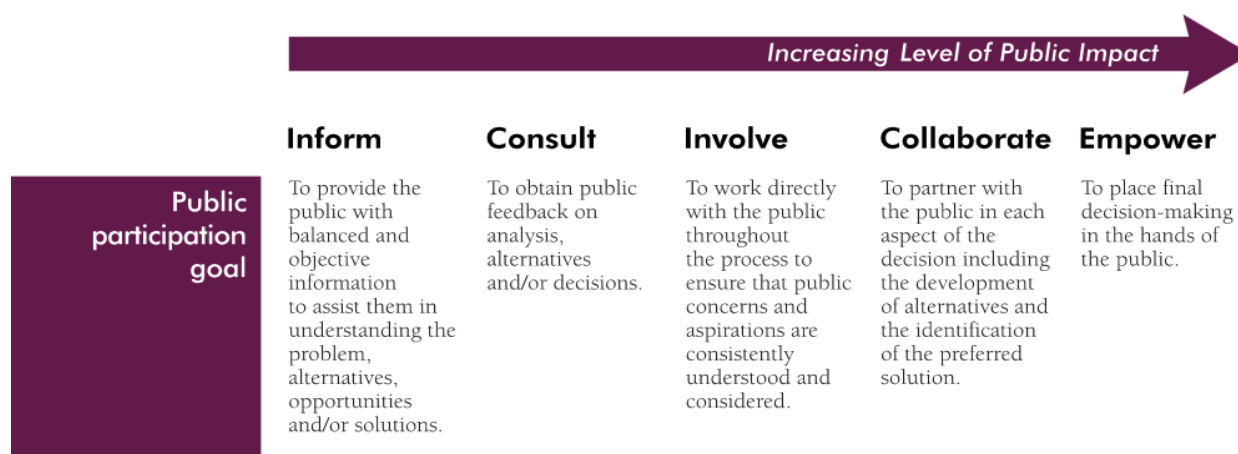
### CITIZEN/PUBLIC ENGAGEMENT:

Public notice is required for changes to the Business Licence Bylaw pursuant to section 59 of the *Community Charter*:

- 59 (2) *Before adopting a bylaw under subsection (1) or section 8 (6) [business regulation], a council must*
- (a) give notice of its intention in accordance with subsection (3), and*
  - (b) provide an opportunity for persons who consider they are affected by the bylaw to make representations to council.*
- (3) *Notice required under subsection (2) (a) may be provided in the form and manner, at the times and as often as the council considers reasonable.*

Council would consult the public based on the IAP2 Spectrum of Public Participation:

[http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum\\_vertical.pdf](http://c.ymcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf)



**OPTIONS:**

- Option 1: That Council direct staff to draft amendments to the Business Licence Bylaw No. 2523, 2008 requiring gas stations to place Greenhouse Gas Emission information labels on all fuel pumps.
- Option 2: That Council not take any action at this time regarding fuel pump Greenhouse Gas Emission information labels.
- Option 3: That Council direct staff to seek other options or conditions regarding Greenhouse Gas Emission fuel pump information labels.

Prepared by:

A handwritten signature in black ink, appearing to read "J. Ward", with a large circular flourish at the beginning.

John Ward, CMC  
Director of Legislative Services

*Attachments:*

1. *City of North Vancouver Bylaw No. 8437.*

**THE CORPORATION OF THE CITY OF NORTH VANCOUVER**

**BYLAW NO. 8437**

**A Bylaw to amend “Business Licence Bylaw, 2004, No. 7584”**

The Council of The Corporation of the City of North Vancouver, in open meeting assembled, enacts as follows:

1. This Bylaw shall be known and cited for all purposes as **“Business Licence Bylaw, 2004, No. 7584, Amendment Bylaw, 2015, No. 8437” (Greenhouse Gas Emissions Labels for Gas Pumps)**.
2. “Business Licence Bylaw, 2004, No. 7584”, is hereby amended as follows:

- A. In **PART 3. INTERPRETATION**, add the following:

**“335A Gasoline Station**

“Gasoline Station” means a premise where gasoline, diesel fuel or other motor fuels derived from petroleum are sold to the public.

**335B Greenhouse Gas Emissions Labels for Gas Pumps**

“Greenhouse Gas Emissions Labels for Gas Pumps” means a legible and conspicuous label affixed to each pump or pump nozzle used to dispense gasoline or other motor fuel to the public. The Greenhouse Gas Emissions Labels will contain a statement, approved by the Director, Community Development, to encourage the public to make choices that reduce greenhouse gas emissions and to increase general awareness of climate change.”

- B. In **PART 3. INTERPRETATION**, renumber as follows:

**“335A Group Child Care Facility to 335C Group Child Care Facility”**

- C. In **PART 5. GENERAL REGULATIONS**, add the following:

**“511.1 Greenhouse Gas Emissions Labels for Gas Pumps**

Every operator of a Gasoline Station is required to post or cause to be posted on each pump or pump nozzle used to dispense gasoline or other motor fuel to the public, a legible and conspicuous Greenhouse Gas Emissions Label that has been approved by the Director, Community Development.”

D. In **PART 5. GENERAL REGULATIONS**, renumber as follows:

**“511.1 Group Child Care Facility to 511.2 Group Child Care Facility”**

READ a first time by the Council on the 20<sup>th</sup> day of July, 2015.

READ a second time by the Council on the 16<sup>th</sup> day of November, 2015.

READ a third time and passed by the Council on the 16<sup>th</sup> day of November, 2015.

ADOPTED by the Council, signed by the Mayor and City Clerk and affixed with the Corporate Seal on the 23<sup>rd</sup> day of November, 2015.

\_\_\_\_\_  
“Darrell R. Mussatto”

MAYOR

\_\_\_\_\_  
“Karla D. Graham”

CITY CLERK



# THE CORPORATION OF THE CITY OF COURTENAY

# BYLAW NO. 2872

## **A bylaw to amend Zoning Bylaw No. 2500, 2007**

The Council of the Corporation of the City of Courtenay in open meeting assembled enacts as follows:

1. This bylaw may be cited for all purposes as “**Zoning Amendment Bylaw No. 2872, 2017**”.
2. That “Zoning Bylaw No. 2500, 2007” be hereby amended as follows:
  - (a) by rezoning Lot 23, District Lot 159, Comox District, Plan 30920 (1986 4<sup>th</sup> Street East), as shown in bold outline on **Attachment A** which is attached hereto and forms part of this bylaw, from Residential One Zone (R-1) to Residential One S Zone (R-1S); and
  - (b) That Schedule No. 8, Zoning Map be amended accordingly.
3. This bylaw shall come into effect upon final adoption hereof.

Read a first time this 15<sup>th</sup> day of May, 2017

Read a second time this 15<sup>th</sup> day of May, 2017

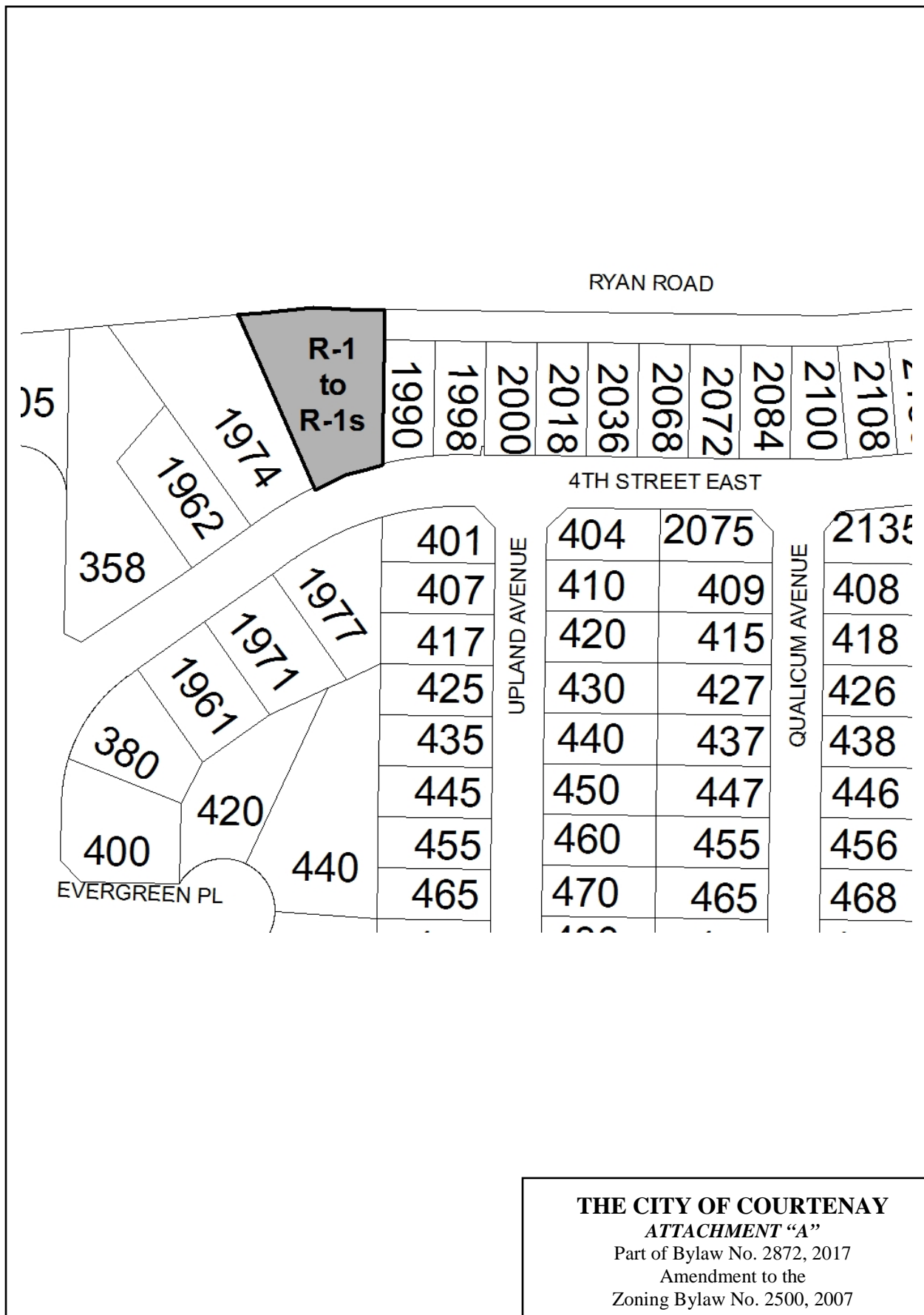
Considered at a Public Hearing this 12<sup>th</sup> day of June, 2017

Read a third time this \_\_\_\_\_ day of \_\_\_\_\_, 2017

Finally passed and adopted this                      day of                      , 2017

Mayor

Director of Legislative Services



**THE CITY OF COURTENAY**

**ATTACHMENT "A"**

Part of Bylaw No. 2872, 2017

Amendment to the

Zoning Bylaw No. 2500, 2007

# THE CORPORATION OF THE CITY OF COURTENAY

## BYLAW NO. 2885

### **A Bylaw to establish Water Efficiency Reserve Fund to improve water efficiencies**

The Municipal Council of the Corporation of the City of Courtenay in open meeting assembled, enacts as follows:

#### **CITATION**

1. This Bylaw may be cited for all purposes as the **"Water Efficiency Reserve Fund Bylaw No. 2885, 2017."**

#### **ESTABLISHMENT**

2. Subject to section 188 of the *Community Charter*, this bylaw establishes a reserve fund for a specified purpose and directs that money be placed to the credit of the reserve fund.
3. Funds reserved under the "Courtenay Utilities Reserve Fund Bylaw No. 365 of 1939" shall be deemed to be reserves under this Bylaw.
4. Monies in this reserve fund and interest earned on it must be used only for the purposes for which the reserve fund was established.
5. Monies are to be received through budget transfers or other Council approved allocations as authorized by the *Community Charter* and other applicable legislation and regulations.
6. From time to time as deemed appropriate a portion of any surplus monies generated by the provision of water services to customers of the City of Courtenay may be contributed to this reserve fund.
7. Amounts included in the Financial Plan adopted under Section 165 of the *Community Charter* for the purpose of undertaking water efficiency programs, or other allocations approved by Council, may from time to time be paid into this reserve fund.

#### **ADMINISTRATION**

8. The accumulated funds in the Water Efficiency Reserve Fund will be used to promote the operational improvements to the City's water distribution system and/or to promote and implement programs that encourage residents to use water more efficiently.
9. All expenditures of money from the Water Efficiency Reserve shall be provided for in the annual Financial Plan or approved by Council amendment thereto.
10. Council hereby authorizes the Director of Finance as responsible for the administration of this bylaw.

## **SEVERANCE**

11. If a portion of this bylaw is held invalid by a Court of competent jurisdiction, then the invalid portion must be severed and the remainder of this bylaw is deemed to have been adopted without the severed portion.

## **EFFECTIVE DATE**

12. This Bylaw will come into force on the date of its adoption.

## **REPEAL**

13. “Courtenay Utilities Reserve Fund Bylaw No. 365, 1939” is hereby repealed.

Read a first time this 12<sup>th</sup> day of June, 2017

Read a second time this 12<sup>th</sup> day of June, 2017

Read a third time this 12<sup>th</sup> day of June, 2017

Finally passed and adopted this      day of June, 2017

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Mayor

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Director of Legislative Services

# THE CORPORATION OF THE CITY OF COURTENAY

## BYLAW NO. 2886

### A Bylaw to establish a Land Sales and Use Reserve

The Municipal Council of the Corporation of the City of Courtenay in open meeting assembled enacts as follows:

#### CITATION

1. This Bylaw may be cited for all purposes as the "**Land Sales and Use Reserve Bylaw No. 2886, 2017.**"

#### ESTABLISHMENT

2. Subject to section 188 of the *Community Charter*, this bylaw establishes a reserve for a specified purpose and directs that money be placed to the credit of the reserve.
3. Funds reserved under the "Land Sale Reserve Fund Bylaw No. 1911 of 1996" shall be deemed to be reserves under this Bylaw.
4. Monies in this reserve and interest earned on it must be used only for the purposes for which the reserve was established.
5. Monies are to be received through budget transfers or other Council approved allocations as authorized by the *Community Charter* and other applicable legislation and regulations.
6. Monies generated by the sale of land, improvements, and/or land and improvements shall be contributed to this reserve.
7. Amounts included in the Financial Plan adopted under Section 165 of the *Community Charter* or other allocations approved by Council, may from time to time be paid into this reserve.

#### ADMINISTRATION

8. The accumulated funds in the Land Sales and Use Reserve shall be used only for capital expenditures.
9. All expenditures of money from the Land Sales and Use Reserve shall be provided for in the annual Financial Plan or approved by Council amendment thereto.
10. Council hereby authorizes the Director of Finance as responsible for the administration of this bylaw.

## **SEVERANCE**

11. If a portion of this bylaw is held invalid by a Court of competent jurisdiction, then the invalid portion must be severed and the remainder of this bylaw is deemed to have been adopted without the severed portion.

## **EFFECTIVE DATE**

12. This Bylaw will come into force on the date of its adoption.

## **REPEAL**

13. “Land Sale Reserve Fund Bylaw No. 1911, 1996” is hereby repealed.

Read a first time this 12<sup>th</sup> day of June, 2017

Read a second time this 12<sup>th</sup> day of June, 2017

Read a third time this 12<sup>th</sup> day of June, 2017

Finally passed and adopted this      day of June, 2017

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Mayor

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Director of Legislative Services