

CITY OF CAMPBELL RIVER

ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2010

**CITY OF CAMPBELL RIVER
CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2010**

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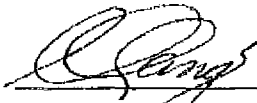
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CITY OF CAMPBELL RIVER

Management's Responsibility for Financial Reporting

The preparation and presentation of the Consolidated Financial Statement is the responsibility of the management of the City of Campbell River. The Consolidated Financial Statements have been prepared pursuant to Section 167 of the Community Charter and in accordance with generally accepted accounting principles approved by the Public Sector Accounting Board (PSAB). The financial information contained herein necessarily involves the use of estimates and judgments, which have been based on careful assessment of the data, made available through the City's information systems. The City maintains a system of internal accounting controls designed to safeguard our assets and provide reliable financial information.

MNP LLP has been appointed by Council of the City of Campbell River as the City's independent auditor. Their report accompanies the Consolidated Financial Statements.



C. Douglas Lang, CGA
Acting Finance Manager



Laura Ciarniello
General Manager, Corporate Services



Independent Auditors' Report

To the Mayor and Council of the City of Campbell River:

We have audited the accompanying consolidated financial statements of the City of Campbell River, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies, schedules and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Campbell River as at December 31, 2010 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Campbell River, British Columbia

July 26, 2011

MNP LLP
Chartered Accountants



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**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2010**

	2010	2009 (restated, note 20)
FINANCIAL ASSETS		
Cash and equivalents (note 3)	33,396,038	37,936,881
Accounts receivable (note 5)	15,290,878	9,954,086
Inventory held for sale	81,990	55,839
Land held for sale (note 6)	-	470,806
Deposits	9,739	9,739
	48,778,645	48,427,351
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	9,955,779	8,211,815
Deferred revenue (note 9)	13,144,685	13,782,591
Capital lease (note 11 & schedule 3)	845,071	1,252,048
Long-term debt (note 12 & schedule 3)	10,547,686	12,354,548
	34,493,221	35,601,002
NET FINANCIAL ASSETS	14,285,424	12,826,349
NON FINANCIAL ASSETS		
Inventory of supplies and prepaids	315,394	282,851
Tangible capital assets (schedule 1)	215,120,489	202,400,464
	215,435,883	202,683,315
ACCUMULATED SURPLUS (note 13)	229,721,307	215,509,664

See Commitment and Contingencies Note 14 and 15.

The Financial Statement Notes are an integral part of the Financial Statements.


 C. Douglas Lang, C.G.A.
 Acting Finance Manager


 Laura Ciarniello
 General Manager, Corporate Services

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2010**

	2010 Budget (revised, note 21)	2010 Actual	2009 Actual (restated, note 20)
REVENUE			
Municipal property taxes	26,355,913	26,474,005	25,896,754
Payments in lieu of taxes	1,253,334	1,372,301	1,325,488
Sale of services	11,563,228	11,408,191	11,475,056
Services provided to other governments	1,074,659	1,055,538	969,165
Transfers from other governments	18,128,642	12,530,945	4,555,349
Investment and other income	195,000	1,103,825	1,663,941
Other revenue	5,561,608	3,639,140	2,717,560
Development cost charges recognized	2,837,646	2,263,732	370,945
Developer contributed capital assets	1,592,179	1,592,179	221,714
Proceeds from sale of capital assets	-	189,887	321,120
	68,562,209	61,629,743	49,517,092
EXPENSES			
General government	5,713,094	6,414,704	5,280,616
Protective services	12,699,173	12,642,166	12,127,150
Transportation services	11,138,413	10,516,897	11,117,693
Environmental health services	1,862,859	1,382,813	1,312,049
Public health services	171,868	172,209	178,176
Development services	1,428,206	1,356,845	1,042,960
Recreation and cultural services	7,178,496	6,903,833	6,922,783
Sewer services	4,223,423	3,901,218	3,624,129
Water services	4,156,567	4,127,415	3,566,726
	48,572,099	47,418,100	45,172,282
ANNUAL SURPLUS/(DEFICIT)	19,990,110	14,211,643	4,344,810
Accumulated Surplus, Beginning of Year			
As Previously Stated	215,867,413	215,867,413	211,494,302
Prior Period Restatement (Note 20)	-	(357,749)	(329,448)
Accumulated Surplus, Beginning of Year, Restated	215,867,413	215,509,664	211,164,854
ACCUMULATED SURPLUS, End of Year	235,857,523	229,721,307	215,509,664

See Legislative Compliance Note 18.

The Financial Statement Notes are an integral part of the Financial Statements.

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010**

	2010	2009 (restated, note 20)
OPERATING ACTIVITIES		
Annual surplus	14,211,643	4,344,810
Non-cash items included in annual surplus:		
Amortization expense	7,925,848	7,644,524
Contributed tangible capital assets	(1,592,179)	(221,714)
(Gain)/loss on disposed of tangible capital assets	320,222	(294,830)
Long-term debt actuarial adjustment	(628,040)	(817,083)
(Increase)/decrease in inventory of supplies	(32,543)	(60,872)
Changes in financial assets and liabilities:		
Accounts receivable	(5,336,792)	(4,752,355)
Inventory held for resale	(26,151)	(19,975)
Land held for resale	470,806	-
Accounts payable and accrued liabilities	1,743,964	(362,437)
Deferred revenue	(637,906)	953,742
	16,418,872	6,413,810
CAPITAL ACTIVITIES		
Proceeds from sale of tangible capital assets	189,887	321,120
Reclassification of land held for resale	(400,000)	-
Built/purchased tangible capital assets	(19,163,803)	(7,726,300)
	(19,373,916)	(7,405,180)
FINANCING ACTIVITIES		
Debt proceeds	635,417	133,520
Debt and lease principal repaid	(2,221,216)	(2,909,913)
	(1,585,799)	(2,776,393)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(4,540,843)	(3,767,763)
Cash & equivalents, beginning of year	37,936,881	41,704,644
CASH AND EQUIVALENTS, END OF YEAR	33,396,038	37,936,881
Interest paid	1,432,923	1,850,475
Interest received	325,234	260,279

The Financial Statement Notes are an integral part of the Financial Statements.

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2010**

	2010 Budget (revised note 21)	2010 Actual	2009 Actual (restated, note 20)
ANNUAL SURPLUS	19,990,110	14,211,643	4,344,810
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(32,831,833)	(19,163,803)	(7,726,300)
Contributed tangible capital assets	(1,592,179)	(1,592,179)	(221,714)
Reclassification of land held for resale	-	(400,000)	-
Amortization	7,919,805	7,925,848	7,644,524
Net book value of disposed of tangible capital assets	510,109	510,109	26,290
	(25,994,098)	(12,720,025)	(277,200)
OTHER NON-FINANCIAL ASSETS			
Increase in inventory and prepaids	-	(32,543)	(60,872)
INCREASE IN NET FINANCIAL ASSETS	(6,003,988)	1,459,075	4,006,738
Net Financial Assets, Beginning of Year	12,826,349	12,826,349	8,819,611
NET FINANCIAL ASSETS, END OF YEAR	6,822,361	14,285,424	12,826,349

The Financial Statement Notes are an integral part of the Financial Statements.

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

The City of Campbell River ("City") was incorporated as a municipal district in 1947 under the provisions of the *British Columbia Municipal Act*, and was reincorporated as a city by letters patent in 2005. Its principal activities are the provision of local government services to the residents of the City, as governed by the *Community Charter* and the *Local Government Act*.

The notes to the Consolidated Financial Statements are an integral part of these statements. They provide detailed information and explain the significant accounting and reporting policies and principles that form the basis for these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the Consolidated Financial Statements.

1. Significant accounting policies

a) Basis of presentation

The Consolidated Financial Statements of the City are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Budget information has been aggregated to comply with these reporting standards. Certain comparative figures have been reclassified to conform to the current year's presentation.

b) Reporting entity

The Consolidated Financial Statements reflect the assets, liabilities, revenues, expenses, and changes in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to Council and are owned or controlled by the City. This includes Campbell River Economic Development Corporation (Rivercorp). All inter-fund balances and transactions are eliminated.

The Cemetery Trust Funds administered by the City are specifically excluded from the consolidated financial statements and are reported separately (Note 4).

c) Accrual accounting

Items recognized in the financial statements are accounted for in accordance with the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which they occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Liabilities are recognized until the obligation or condition(s) underlying the liability is partly or wholly satisfied. Assets are recognized until the future economic benefit underlying the asset is partly or wholly used or lost.

d) Revenue recognition

Taxation

Annual levies for non-optional City services and general administrative services are recorded as General Taxation. Levies imposed by other taxing authorities (Note 16) are not included in these financial statements.

Government transfers

Unconditional grant revenue is recognized either when it is received or when collectability is assured. Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled.

Development cost charges and other deferred revenues

Receipts which are restricted by the legislation of senior governments or by agreement with external parties are reported as Deferred Revenue at the time they are received. When the qualifying expenditures are incurred the related Deferred Revenue is brought into revenue. Deferred Revenues are comprised of the amounts shown in Note 8.

Investment income

Investments are recorded at cost, except Municipal Finance Authority (MFA) Pooled Investment Funds which are recorded at market value. The carrying value of investments is reduced if, in management's opinion, there is a permanent decline in value.

e) Cash equivalents and investments

Investments are held with the MFA. The Money Market Fund provides a method by which municipalities in British Columbia can access high quality investments not otherwise available to them while retaining a high degree of security and liquidity. The interest rate is variable and the funds are redeemable upon 24 hours notice. The carrying value of investments is based on the cost method whereby the cost of the investment is adjusted to reflect investment income, which is accruing, and any permanent decline in market value. The investments balances detailed in Note 3 are reported at market value which is also cost on December 31, 2010.

f) Long-term debt

All long-term debt is borrowed from the Municipal Finance Authority of BC (MFA). Interest payments and actuarial earnings related to long-term debt obligations are recorded on an accrual basis. Actuarial revenue is investment earnings on the City's principal payments made to, and invested by, the MFA, prior to the MFA using these funds to retire the related debt. The actuarial interest rate is set when the debt is issued to the City and may be adjusted by MFA during the term of the debt if market conditions dictate that the rate can no longer be achieved. For all MFA debt issued prior to 2005 the interest rate is 5%, and for issues in 2005 and later the rate is 4%. Actual actuarial earnings beyond the set rate are paid to the City when the related debt has been retired. Actuarial revenue is recognized and compounded annually starting in the second year of the debt term.

g) Financial instruments

The City's financial instruments consist of cash and equivalents, accounts receivable, deposits, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency, or credit risk arising from these financial instruments. Interest rates for the capital lease and long-term debt are set at fixed rates for the term. The City does not have significant foreign currency denominated transactions. Accounts receivable are due from a broad base of customers, except as otherwise commented on in note 5, and property taxes receivable collections are assured through the tax sale provisions of the *Local Government Act*.

h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Intangible capital assets, such as water rights and mineral resources, are not recorded in the financial statements.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost, net of disposals, write-downs and amortization. The useful life is applied on a straight line basis to calculate amortization that is calculated when the asset is put in use.

Asset	Useful Life (Years)
Land	n/a
Buildings	20-60
Furniture, machinery & equipment	3-25
Drainage infrastructure	30-80
Roads, bridges & highways	15-60
Marine infrastructure	30-40
Sewer infrastructure	20-60
Water infrastructure	20-60

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. Contributions of tangible capital assets are recorded at fair value at the date of contribution.

ii) Inventory

Inventories are recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost basis.

i) Use of estimates/measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring use of management estimates relate to the useful lives of tangible capital assets, determination of employee future benefits and the outcome of litigation and claims. Accounts receivable are recorded after considering the collectability of the amounts and setting up an allowance for doubtful accounts, if necessary. Actual results will depend on future economic events and could differ from the estimates. Adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

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2. Related party transactions

The City is the sole shareholder of Campbell River Economic Development Corporation (Rivercorp). Its purpose is to provide economic development services to the City through retention, enhancement and recruitment of business. Transactions of Rivercorp are consolidated at December 31st each year. During the year Rivercorp received \$466,099 (2009 – \$519,046) as funding contributions from the City.

3. Cash and equivalents

	<u>2010</u>	<u>2009</u>
General Operating Fund	\$ 21,860,649	\$ 25,184,192
Capital Lending Reserve Fund	3,638,264	3,461,977
Parks Acquisition and Development Reserve Fund	679,544	707,748
Parkland Reserve Fund	354,237	333,097
Facility Reserve Fund	18,075	17,962
Development cost charges deferred revenue	6,845,269	8,231,905
	<u>\$ 33,396,038</u>	<u>\$ 37,936,881</u>

4. Trust funds

The City holds trust funds under British Columbia law for the purposes of maintaining public cemeteries. These funds are excluded from the Consolidated Statement of Financial Position and are comprised of the following:

	<u>2009</u>	<u>Receipts and Interest</u>	<u>Expenditures</u>	<u>2010</u>
Campbell River Municipal Cemetery	\$ 311,151	\$ 2,640	\$ 1,968	\$ 311,823
Elk Falls Memorial Cemetery	171,256	5,821	1,060	176,017
	<u>\$ 482,407</u>	<u>\$ 8,461</u>	<u>\$ 3,028</u>	<u>\$ 487,840</u>

5. Accounts receivable

	<u>2010</u>	<u>2009</u>
		(restated, note 20)
Property taxes	\$ 1,853,599	\$ 5,578,048
User fees	72,681	58,699
Due from Federal Government	5,282,789	1,432,646
Due from Provincial Government	5,441,475	834,432
Due from Regional District and other governments	-	7,673
Airport	40,443	72,782
Development cost charges	426,349	195,234
Other	2,173,542	1,774,572
	<u>\$ 15,290,878</u>	<u>\$ 9,954,086</u>

Other receivables includes from one customer an amount of \$937,374 (2009 – \$972,927) which is a structured payment established through a local service agreement and is collected as part of the annual tax levy with the final payment occurring in 2029.

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6. Land held for sale

During the year, \$70,806 of land held for sale was sold. In addition, management reclassified \$400,000 of land held for resale to tangible capital assets as sale of the land was not reasonably anticipated to occur within the next year.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 470,806	\$ 470,806
Sale of land held for sale	(70,806)	-
Reclassification of land held for sale	(400,000)	-
Balance, end of year	<u>\$ -</u>	<u>\$ 470,806</u>

7. Accounts payable and accrued liabilities

	<u>2010</u>	<u>2009</u>
		(restated, note 20)
Due to other governments	\$ 78,873	\$ 220,291
Trade accounts payable	5,017,506	4,597,162
Accrued wages and benefits	2,478,473	2,077,874
Accrued interest	192,067	202,333
Deposits and holdbacks	2,188,860	1,114,155
	<u>\$ 9,955,779</u>	<u>\$ 8,211,815</u>

8. Restricted assets

Included in the consolidated assets are short-term investments of \$6,845,269 (2009 - \$8,231,905) and installments receivable of \$426,349 (2009 - \$195,234). These assets can only be used for expenditures as permitted by the Development Cost Charges Bylaw and the relevant sections of the *Local Government Act*, unless otherwise authorized by the Ministry of Community Sport & Cultural Services.

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9. Deferred revenue

Included in deferred revenue are contributions from developers collected under the Development Cost Charges Bylaw. These contributions will be recognized as revenue in future years when the related capital projects for which they were collected are completed.

	<u>Deferred Revenue</u>	<u>Deferred Payments</u>	<u>2010</u>	<u>2009</u> (restated, note 20)
Development cost charges				
Roads	\$ 2,747,609	\$ 72,653	\$ 2,820,262	\$ 4,043,580
Public open space	613,163	32,616	645,779	1,047,351
Water	1,789,165	53,903	1,843,068	1,725,689
Storm water drainage	340,643	140,918	481,561	212,295
Sanitary sewer	1,117,199	117,024	1,234,223	1,166,154
Other parks	237,491	9,235	246,726	232,070
	<u>6,845,270</u>	<u>426,349</u>	<u>7,271,619</u>	<u>8,427,139</u>
Other deferred revenue				
Prepaid property taxes	\$ 244,938	\$ -	\$ 244,938	\$ 254,985
Future local improvement projects	2,506,410	-	2,506,410	2,458,290
Community Works Fund (Note 17)	2,365,203	-	2,365,203	1,574,260
Parkland acquisition	354,237	-	354,237	333,097
Other	402,278	-	402,278	734,820
	<u>5,873,066</u>	<u>-</u>	<u>5,873,066</u>	<u>5,355,452</u>
	<u>\$ 12,718,336</u>	<u>\$ 426,349</u>	<u>\$ 13,144,685</u>	<u>\$ 13,782,591</u>

10. Municipal Finance Authority debt reserve fund

The Municipal Finance Authority of British Columbia provides capital financing for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the Debt Reserve Fund certain amounts set out in the debt agreements. The Authority pays into the Debt Reserve Fund these monies from which interest earned thereon less administrative expenses becomes an obligation to the regional districts. It must then use this fund if at any time there are insufficient funds to meet payments on its obligations. When this occurs the regional districts may be called upon to restore the fund.

Upon the maturity of a debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the City. The proceeds from these discharges will be credited to income in the year they are received. As at December 31, 2010 the total of the City's MFA Debt Reserve Fund is comprised of:

	<u>2010</u>	<u>2009</u>
General	\$ 898,451	\$ 1,187,887
Sanitary Sewer	709,866	857,836
	<u>\$ 1,608,317</u>	<u>\$ 2,045,723</u>

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11. Capital lease

The City has a lease with ICI/Windley Group for the Community Centre at an annual cost of \$513,180, including HST and interest at 5.97%, until December 15th, 2012. At that time the City has the option to purchase the facility for \$1.

12. Long-term debt

All debt is reported at the gross amount. The City has no debt assumed by others on its behalf, and has assumed no debt for others. The principal payments for the next five years are:

<u>Year</u>	<u>General</u>	<u>Sewer</u>	<u>Total</u>
2011	\$1,037,334	\$294,657	\$1,331,991
2012	1,005,692	294,657	1,300,349
2013	933,382	294,657	1,228,039
2014	859,999	294,657	1,154,656
2015	666,008	22,474	688,482
Totals	\$4,502,415	\$1,201,102	\$5,703,517

Refer to Schedule 3 for maturity dates, interest rates, and payments in the year.

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13. Accumulated surplus

Accumulated surplus is represented by:

	2010	2009 (restated, note 20)
Unappropriated Surplus		
General	4,368,957	4,329,803
Water	1,722,382	2,683,573
Sanitary sewer	4,353,182	4,783,683
Airport	(167,777)	(153,307)
Rivercorp	(9,486)	(17,317)
	<u>10,267,258</u>	<u>11,626,435</u>
Non-Statutory Reserves		
General	8,859,884	8,493,853
Water	524,425	546,932
Sanitary sewer	973,590	860,409
Airport	279,011	395,524
Capital to be financed in future years	(165,850)	-
Unspent debt proceeds	619,376	-
	<u>11,090,436</u>	<u>10,296,718</u>
Statutory Reserves		
Capital lending	3,938,263	3,596,126
Parkland acquisition & development	679,543	707,749
Facilities	18,075	17,962
	<u>4,635,881</u>	<u>4,321,837</u>
Investment in Land Held for Sale	-	470,806
Investment in Tangible Capital Assets	203,727,732	188,793,868
Total	<u><u>229,721,307</u></u>	<u><u>215,509,664</u></u>

The Unappropriated Surplus is the amount of Accumulated Surplus remaining after deducting the other surplus balances. It is available to temporarily finance operations until planned revenues (i.e. property taxes, grants etc.) are received, or for other operating or capital purposes as determined by Council.

The Non-Statutory Reserves are the amount of Accumulated Surplus that has been set-aside by decision of Council for a specified purpose. In the normal course of operations, these funds will be used to finance the future services or capital works for which they have been appropriated. The Reserve, "Capital to be Financed in Future Years", is equal to the tangible capital assets that have been temporarily financed with internal resources, and will be financed by long-term debt once the works are complete. The Reserve, "Unspent Debt Proceeds", is equal to long-term debt received to finance specific tangible capital assets that has not yet been spent; it is expected that these debt proceeds will be fully spent in fiscal 2011.

The Statutory Reserves have been established by bylaw in accordance with the *Community Charter* and their use is restricted by the legislation. In the normal course of operations, these funds will be used to finance the future services or capital works for which they have been appropriated.

Investment in Land Held for Sale is the purchase costs plus costs to ready the land for sale. When sold, the funds will be available to finance operations or for other operating or capital purposes, as determined by Council.

Investment in Tangible Capital Assets is equal to tangible capital assets less related long-term debt (including the capital lease debt). In the normal course of operations, the tangible capital assets will be consumed/used to provide services, and debt will be repaid by future period revenues.

14. Outstanding commitments

The City has equipment capital lease obligations with MFA Leasing Corporation. The annual lease payments, including applicable taxes for the next five years are:

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 23,479	\$ 20,619	\$ 660	\$ --

15. Contingent liabilities

a) Pension liability

The municipality and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every 3 years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009, indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The City paid \$1,135,266 (2009 - \$1,073,682) for employer contributions while employees contributed \$882,663 (2009 - \$885,714) to the plan in fiscal 2010.

b) Regional District debt

Debt issued by the Strathcona Regional District is a direct joint and several liability of the Regional District and each member municipality, including the City.

c) Claims for damages

In the normal course of a year, the City is faced with lawsuits and other claims for damages. It is the opinion of management that at year end the City's estimated exposure for such liabilities is not considered to be significant.

d) Property assessment appeals

As at December 31, 2010, there was a single assessment appeal pending. The outcome of that appeal may result in adjustments to property taxes receivable for the current and prior years. The City has a non-statutory reserve for the provision for tax refunds totaling \$1,757,337 which is part of the General Fund non-statutory reserves in Note 13.

16. Property tax collections for other governments

	<u>2010</u>	<u>2009</u>
Provincial School Levy	\$ 14,166,167	\$ 14,250,562
Comox Strathcona Regional Hospital District	3,442,237	3,499,964
Strathcona Regional District	3,463,935	3,411,591
Municipal Finance Authority	979	1,007
BC Assessment Authority	377,957	386,889
	<u>\$ 21,451,275</u>	<u>\$ 21,550,013</u>

17. Federal gas tax agreement

Gas tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the City and the Union of British Columbia Municipalities. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. The City reports the balance as deferred revenue until it is used to fund the specified projects outlined in the funding agreement. Interest is recorded and allocated to the balance.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 1,574,260	\$ 979,086
Funds received	1,242,318	1,260,881
Interest earned	11,676	11,965
	<u>2,828,254</u>	<u>2,251,932</u>
Expenses	(463,051)	(677,672)
	<u>\$ 2,365,203</u>	<u>\$ 1,574,260</u>

18. Legislative Compliance

The following table reconciles the difference between the Statement of Operations Surplus/Deficit and the Financial Plan (Budget) balance, where sources of funds equal use of funds, demonstrating how the City has complied with the legislative requirement for a balanced budget.

	2010 Budget (restated, note 21)	2010 Actual	2009 Actual (restated, note 20)
Statement of Operations, Annual Surplus	19,990,110	14,211,643	4,344,810
Adjustments for Non-Cash Items:			
Debt actuarial adjustment	-	(628,040)	(817,083)
Contributed tangible capital assets	(1,592,179)	(1,592,179)	(221,714)
Land held for sale, net book value disposal	-	70,806	-
Tangible capital assets*	8,429,914	8,435,957	7,670,814
Debt proceeds	1,511,610	635,417	133,520
Debt principal repayments	(2,174,062)	(2,221,216)	(2,909,913)
Capital expenditures	(32,831,833)	(19,163,803)	(7,726,300)
Net Transfer (to)/from statutory reserves	6,666,440	(314,044)	(413,714)
Net Transfer (to)/from non-statutory reserves	-	(793,718)	(820,354)
Net Transfer (to)/from unappropriated surplus	-	1,359,177	759,934
Budget Balance	-	-	-

*Tangible capital asset amortization, write-downs, net book value disposals

19. Segmented reporting

The City of Campbell River provides various City services within various divisions. The segmented information as disclosed in Schedule 2 reflects those functions offered by the City as summarized below:

General government – activities related to the administration of the City as a whole including central administration, finance, human resources, information systems and legislative operations.

Protective services – activities related to providing for the security of the property and citizens of the City including policing, fire protection, emergency planning, building inspection, animal control and bylaw enforcement.

Transportation services – activities related to transportation and transit services including airport operations, maintenance of roads, sidewalks, street lighting and signage.

Environmental health services – activities related to solid waste management.

Public health services – activities related to child care, victim services and cemetery maintenance.

Development services – activities related to community planning and development.

Recreation & cultural services – activities related to all recreational and cultural services including the maintenance of parks and facilities for recreational and cultural activities and the operation of the Vancouver Island Regional Library.

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Sewer utility – activities related to gathering, treating, transporting, storing and discharging sewage or reclaimed water.

Water Utility – activities related to supplying, storing, treating and transporting water.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment, in addition to amounts that are allocated to each segment on a reasonable basis. The reader is referred to Schedule 2 for segment revenue and expense detail on a comparative basis.

20. Prior period restatement

The 2009 comparative figures have been restated to account for changes in accounting policy and to correct errors made in the prior year, for the following items:

- The City changed its method of accounting for monies collected under Section 941 of the *Local Government Act* (5% in lieu of parkland provision) to recognize that the use of these funds are externally restricted, and therefore, must be treated as a liability and not part of accumulated surplus, until the restrictions are removed.
- The City included property taxes collected to fund the City's share of costs to operate the Vancouver Island Regional Library and the related, equal offsetting expense, in the amount of \$965,366. Both the tax revenue and the expense was not previously accounted for in the City's Statement of Operations.
- The City's subsidiary, Campbell River Economic Development Corporation, changed their revenue recognition policy to follow the deferral method of accounting for conditional grants, and corrected the 2009 results to include additional expenses related to website development and additional revenues related to ICET project reimbursement.

These changes in reporting have resulted in the changes to the 2009 comparative values as outlined in the table below. In summary, the changes decreased the 2009 annual surplus by \$28,301 and decreased closing accumulated surplus by \$357,749.

Impact on Annual Surplus, Statement of Operations

2009 Annual Surplus, as previously reported	\$ 4,373,111
Less: Interest revenue on S941 funds	(3,649)
Plus: Rivercorp ICET revenue	9,238
Less: Rivercorp website expenses	(15,140)
Less: Rivercorp deferred revenue	(18,750)
2009 Annual Surplus, restated	<u>\$ 4,344,810</u>

Impact on Accumulated Surplus, Statement of Financial Position

2009 Accumulated Surplus, as previously reported	\$ 215,867,413
Plus: Rivercorp ICET revenue receivable	9,238
Less: Rivercorp website expenses payable	(15,140)
Less: Rivercorp deferred revenue liability	(18,750)
Less: S941 deferred revenue liability	(333,097)
2009 Annual Surplus, restated	<u>\$ 215,509,664</u>

20. Prior period restatement (continued)

Impact on Opening Accumulated Surplus, Statement of Financial Position

2009 Opening Accumulated Surplus, as previously reported	\$ 211,494,302
Less: S941 deferred revenue liability	<u>(329,448)</u>
2009 Annual Surplus, restated	<u>\$ 211,164,854</u>

21. 2010 budget adjustments

The budget amounts presented throughout these financial statements are based on the Budget (referred to as the Financial Plan in the legislation) approved by Council on May 13, 2010, with the exception of the budgets for tangible capital asset related expenses (amortization, write-downs and loss on disposal) and contributed tangible capital asset revenue. The budgets for the tangible capital asset expenses and revenue are equal to actual expenses and revenue. This exception was made in order to improve the comparability of the budget amounts with the actual amounts given that these items are non-cash and accordingly are not required to be funded under the legislation. As well, these budgets could not have been reasonably established when the Budget was originally approved in May 2010. The budget amounts presented in these consolidated financial statements have not been audited.

The table below shows the adjustments made to the 2010 Budget values with the addition of the budgets for tangible capital asset items. The Adjusted Budget values are then comparable to the 2010 actual values, and are the budget values shown in the Statement of Operations and the Statement of Net Financial Assets.

	2010 Budget		
	Original	Adjustments For TCA*	Adjusted
Statement of Operations			
Revenues	66,970,030	1,592,179	68,562,209
Expenses			
General government	5,302,497	410,597	5,713,094
Protective services	12,228,204	470,969	12,699,173
Transportation services	5,111,338	3,481,574	8,592,912
Environmental health services	1,858,556	4,303	1,862,859
Public health services	171,868	-	171,868
Development services	1,428,206	-	1,428,206
Recreation and cultural services	6,041,261	1,137,235	7,178,496
Airport services	1,785,424	760,077	2,545,501
Sewer utility	3,109,787	1,113,636	4,223,423
Water utility	3,105,044	1,051,523	4,156,567
	<u>40,142,185</u>	<u>8,429,914</u>	<u>48,572,099</u>
Annual surplus	<u>26,827,845</u>	<u>(6,837,735)</u>	<u>19,990,110</u>
Statement of Change in Net Financial Assets			
Annual surplus	26,827,845	(6,837,735)	19,990,110
Tangible capital assets*	(32,831,833)	6,837,735	(25,994,098)
Decrease in net financial assets	<u>(6,003,988)</u>	<u>-</u>	<u>(6,003,988)</u>

*Tangible capital assets contributed and net book value disposals

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED TANGIBLE CAPITAL ASSET CONTINUITY SCHEDULE
As at December 31, 2010**

	Land	Buildings	Machinery & Equipment	Engineering Structures	Capital Assets Subtotal	Assets Under Construction	2010 Actual	2009 Actual
Opening Balance	31,191,660	31,756,423	14,788,617	251,660,359	329,397,059	1,265,767	330,662,826	322,862,168
Additions	881,899	112,292	966,072	17,267,758	19,228,021	1,927,961	21,155,982	7,948,013
Disposals	(113,188)		(258,874)	(882,562)	(1,254,624)		(1,254,624)	(147,355)
Ending Balance	31,960,371	31,868,715	15,495,815	268,045,555	347,370,456	3,193,728	350,564,184	330,662,826
Opening Accumulated Amortization	-	(13,322,357)	(9,171,441)	(105,768,564)	(128,262,362)		(128,262,362)	(120,738,903)
Amortization Current Year	-	(921,473)	(974,566)	(6,029,809)	(7,925,848)	-	(7,925,848)	(7,644,524)
Adjustment for amortization on disposals	-		234,388	510,127	744,515	-	744,515	121,065
Ending Accumulated Amortization		(14,243,830)	(9,911,619)	(111,288,246)	(135,443,695)	-	(135,443,695)	(128,262,362)
Net Book Value	31,960,371	17,624,885	5,584,196	156,757,309	211,926,761	3,193,728	215,120,489	202,400,464

CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
For the Year Ended December 31, 2010

SCHEDULE 2
(page 1 of 2)

	General Government		Protective Services		Transportation Services		Environmental Health Services		Public Health Services		Development Services	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
REVENUE												
Taxes & user fees	\$ 24,992,961	\$ 24,439,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments in lieu of taxes	1,372,301	1,325,488	-	-	-	-	-	-	-	-	-	-
Sale of services	4,852	455	266,876	457,102	1,896,641	2,103,503	1,639,370	1,623,115	45,468	65,653	14,215	-
Services provided to other governments	760,870	647,704	294,668	321,461	-	-	-	-	-	-	-	-
Conditional transfers from other governments	6,330,630	2,700,081	1,025,508	1,352,197	2,725,485	218,728	56,222	124,134	-	-	19,739	60,244
Investment and other income	610,286	861,646	-	-	-	6,350	-	-	-	-	-	-
Other revenue	946,393	1,432,105	53,368	66,652	1,673,229	182,347	21,185	913	3,028	10,510	890,443	839,143
Development cost charges recognized	2,027,890	287,110	-	-	-	-	-	-	-	-	-	-
Developer contributed tangible capital assets	1,149,069	161,939	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of tangible capital assets	189,887	321,120	-	-	-	-	-	-	-	-	-	-
	38,385,139	32,177,350	1,640,420	2,197,412	6,295,355	2,510,928	1,716,777	1,748,162	48,496	76,163	924,397	899,387
EXPENSES												
Wages & benefits	4,642,086	3,167,448	5,394,055	5,445,926	1,703,856	2,140,639	22,412	5,034	120,303	141,258	314,228	679,052
Interest & debt issue	3,556	11,373	1,358	2,473	721,574	910,064	-	-	-	-	-	8,070
Operating expenses	1,461,912	1,832,043	6,775,785	6,233,917	3,905,953	3,960,908	1,360,401	1,307,015	47,603	32,117	1,042,617	347,641
Amortization	307,150	269,752	470,968	444,834	4,185,514	4,106,082	-	-	4,303	4,801	-	8,197
	6,414,704	5,280,616	12,642,166	12,127,150	10,516,897	11,117,693	1,382,813	1,312,049	172,209	178,176	1,356,845	1,042,960
ANNUAL SURPLUS (DEFICIT)	\$ 31,970,435	\$ 26,896,734	\$ (11,001,746)	\$ (9,929,738)	\$ (4,221,542)	\$ (8,606,765)	\$ 333,964	\$ 436,113	\$ (123,713)	\$ (102,013)	\$ (432,448)	\$ (143,573)

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
For the Year Ended December 31, 2010**

**SCHEDULE 2
(page 2 of 2)**

	Recreation & Cultural Services		Total General Gov't		Sewer Utility		Water Utility		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
REVENUE										
Taxes & user fees	\$ 663,200	\$ 651,400	\$ 25,656,161	\$ 25,091,102	\$ 687,114	\$ 677,232	\$ 130,730	\$ 128,420	\$ 26,474,005	\$ 25,896,754
Payments in lieu of taxes	-	-	1,372,301	1,325,488	-	-	-	-	1,372,301	1,325,488
Sale of services	764,616	866,571	4,632,038	5,116,399	3,981,966	3,745,293	2,794,187	2,613,364	11,408,191	11,475,056
Services provided to other governments	-	-	1,055,538	969,165	-	-	-	-	1,055,538	969,165
Conditional transfers from other governments	-	-	10,157,584	4,455,384	2,373,361	59,965	-	40,000	12,530,945	4,555,349
Investment and other income	-	-	610,286	867,996	452,307	615,291	41,232	180,654	1,103,825	1,663,941
Other revenue	43,353	182,890	3,630,999	2,714,560	8,141	3,000	-	-	3,639,140	2,717,560
Development cost charges recognized	-	-	2,027,890	287,110	235,842	14,435	-	69,400	2,263,732	370,945
Developer contributed tangible capital assets	-	-	1,149,069	161,939	201,652	4,640	241,458	55,135	1,592,179	221,714
Proceeds from sale of tangible capital assets	-	-	189,887	321,120	-	-	-	-	189,887	321,120
	<u>1,471,169</u>	<u>1,700,861</u>	<u>50,481,753</u>	<u>41,310,263</u>	<u>7,940,383</u>	<u>5,119,856</u>	<u>3,207,607</u>	<u>3,086,973</u>	<u>61,629,743</u>	<u>49,517,092</u>
EXPENSES										
Wages & benefits	2,918,796	2,922,833	15,115,736	14,502,190	590,941	1,022,296	865,304	1,307,738	16,571,981	16,832,224
Interest & debt issue	2,090	100,023	728,576	1,032,003	709,422	835,288	(6,768)	41,175	1,431,232	1,908,466
Operating expenses	2,845,712	2,823,502	17,439,983	16,537,143	1,798,868	994,478	2,250,188	1,255,447	21,489,039	18,787,068
Amortization	1,137,235	1,076,425	6,105,170	5,910,091	801,987	772,067	1,018,691	962,366	7,925,848	7,644,524
	<u>6,903,833</u>	<u>6,922,783</u>	<u>39,389,467</u>	<u>37,981,427</u>	<u>3,901,218</u>	<u>3,624,129</u>	<u>4,127,415</u>	<u>3,566,726</u>	<u>47,418,100</u>	<u>45,172,282</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (5,432,664)</u>	<u>\$ (5,221,922)</u>	<u>\$ 11,092,286</u>	<u>\$ 3,328,836</u>	<u>\$ 4,039,165</u>	<u>\$ 1,495,727</u>	<u>\$ (919,808)</u>	<u>\$ (479,753)</u>	<u>\$ 14,211,643</u>	<u>\$ 4,344,810</u>

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED SCHEDULE OF LONG-TERM LIABILITIES
As at December 31, 2010
(Unaudited)**

**SCHEDULE 3
(Page 1 of 2)**

Bylaw	Description	Maturity Date	Interest Rate %	Balance at Dec 31 2009	Debt Issued	Principal Payments	Actuarial Adjust	Balance at Dec 31 2010
Chartered banks								
	Short Term Capital Borrowing							
Total chartered banks borrowing				-	-	-	-	-
Municipal Finance Authority								
Storm Drains Construction								
2805	Issue #72	27/03/10	6.45	125,188	-	85,146	40,042	-
2880	Issue #74	01/06/11	5.90	2,408	-	795	380	1,233
2958	Issue #78	03/12/12	5.25	15,870	-	3,578	1,456	10,836
3011	Issue #79	03/06/12	5.25	14,695	-	2,544	865	11,286
				<u>158,161</u>	<u>-</u>	<u>92,063</u>	<u>42,743</u>	<u>23,355</u>
Local Improvements								
2806	Issue #72	27/03/10	6.45	383,827	-	261,059	122,768	-
2879	Issue #74	01/06/11	5.90	93,431	-	30,848	14,728	47,855
2932	Issue #77	01/06/11	5.90	293,423	-	66,147	26,929	200,347
3012	Issue #79	03/06/12	5.25	409,162	-	70,838	24,092	314,232
2968	Issue #81	22/04/14	4.86	76,815	-	10,892	3,010	62,913
2969	Issue #81	22/04/14	4.86	126,154	-	17,888	4,942	103,324
3050	Issue #81	22/04/14	4.86	43,734	-	6,202	1,713	35,819
3073	Issue #85	02/12/14	4.90	1,121,374	-	159,009	43,931	918,434
2964	Issue #92	06/04/15	4.55	6,786	-	875	148	5,763
2966	Issue #92	06/04/15	4.55	5,494	-	708	121	4,665
2967	Issue #92	06/04/15	4.55	29,731	-	3,832	651	25,248
2968	Issue #92	06/04/15	4.55	17,773	-	2,290	389	15,094
3071	Issue #92	06/04/15	4.55	166,102	-	21,406	3,636	141,060
3073	Issue #92	06/04/15	4.55	1,371,791	-	176,786	30,028	1,164,977
3074	Issue #92	06/04/15	4.55	18,098	-	2,332	397	15,369
2967	Issue #99	19/10/16	5.00	853,959	-	96,118	12,002	745,839
3073	Issue #99	19/10/16	5.00	1,034,148	-	116,399	14,534	903,215
2964	Issue #102	12/01/12	4.82	145,265	-	14,576	1,189	129,500
2966	Issue #102	12/02/17	4.82	124,512	-	12,494	1,019	110,999
2967	Issue #102	12/03/17	4.82	91,309	-	9,162	747	81,400
3303	Issue #103	23/04/23	4.65	184,767	-	9,713	389	174,665
2964	Issue #104	20/11/18	5.15	544,984	-	49,516	1,981	493,487
2966	Issue #104	20/11/18	5.15	601,819	-	54,680	2,187	544,952
3074	Issue #104	20/11/18	5.15	220,010	-	19,990	800	199,220
3301	Issue #104	20/11/23	5.15	651,265	-	34,235	1,369	615,661
3302	Issue #104	20/11/23	5.15	475,029	-	24,970	999	449,060
3302	Issue #106	10/13/24	4.13	133,520	-	6,668	-	126,852
3301	Issue #112	06/10/25	3.73	-	185,417	-	-	185,417
				<u>9,224,282</u>	<u>185,417</u>	<u>1,279,633</u>	<u>314,699</u>	<u>7,815,367</u>

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
CONSOLIDATED SCHEDULE OF LONG-TERM LIABILITIES
As at December 31, 2010
(Unaudited)**

**SCHEDULE 3
(Page 2 of 2)**

Bylaw	Description	Maturity Date	Interest Rate %	Balance at Dec 31 2009	Debt Issued	Principal Payments	Actuarial Adjust	Balance at Dec 31 2010
Other								
2933	Issue #77 Cambr	01/06/12	6.06	11,462		2,584	1,052	7,826
				<u>11,462</u>	-	<u>2,584</u>	<u>1,052</u>	<u>7,826</u>
Sanitary Sewer								
2182	MFA Issue #58	10/05/14	8.95	3,126,676		272,184	293,666	2,560,826
2737	MFA Issue #70	01/06/14	3.15	-				-
2804	MFA Issue #72	01/06/10	3.15	246,675		167,775	78,900	-
3345	MFA Issue #112	06/10/25	3.73		450,000			450,000
				<u>3,373,351</u>	<u>450,000</u>	<u>439,959</u>	<u>372,566</u>	<u>3,010,826</u>
Accrued actuarial adjustment				<u>(412,708)</u>			<u>(103,020)</u>	<u>(309,688)</u>
Total Municipal Finance Authority borrowing				<u>12,354,548</u>	<u>635,417</u>	<u>1,814,239</u>	<u>628,040</u>	<u>10,547,686</u>
Total long-term debt				<u>12,354,548</u>	<u>635,417</u>	<u>1,814,239</u>	<u>628,040</u>	<u>10,547,686</u>
Capital lease								
Equipment Capital Lease				53,326	-	20,287	-	33,039
Community Centre Buildin				1,198,722	-	386,690	-	812,032
Total capital lease				<u>1,252,048</u>	<u>-</u>	<u>406,977</u>	<u>-</u>	<u>845,071</u>
Total long-term liabilities				<u>\$13,606,596</u>	<u>\$635,417</u>	<u>\$2,221,216</u>	<u>\$628,040</u>	<u>\$11,392,757</u>