



CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

Independent Auditor's Report

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CITY OF CAMPBELL RIVER
FINANCIAL REPORTING RESPONSIBILITY
For the Year Ended December 31, 2019

The preparation and presentation of the Financial Statements is the responsibility of the management of the City of Campbell River. The Financial Statements have been prepared pursuant to Section 167 of the Community Charter and in accordance with Canadian public sector accounting standards. 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 the Council of the City of Campbell River as the City's independent auditor. Their report accompanies the Financial Statements.



Alaina Maher, CPA, CMA
Deputy Chief Financial Officer



Ron Bowles, CPA, CGA
Chief Financial Officer

Independent Auditor's Report

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

Opinion

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

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Campbell River, British Columbia

July 20, 2020

MNP LLP

Chartered Professional Accountants

**CITY OF CAMPBELL RIVER
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019**

	2019	2018
FINANCIAL ASSETS		
Cash and investments (note 2)	90,898,593	87,586,763
Accounts receivable (note 4)	7,423,817	5,529,421
Inventory held for sale	29,776	60,608
	98,352,186	93,176,792
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 5)	11,053,031	9,920,350
Deposits and holdbacks	4,652,936	3,733,740
Development cost charges (note 6)	12,506,819	10,885,296
Deferred revenue (note 6)	12,738,110	11,769,378
Short-term debt (note 7)	-	4,800,000
Long-term debt (note 8 & schedule 1)	12,527,259	8,319,927
	53,478,155	49,428,691
NET FINANCIAL ASSETS	44,874,031	43,748,101
NON FINANCIAL ASSETS		
Inventory of supplies	393,777	375,302
Prepays	-	71,767
Tangible capital assets (schedule 2)	274,586,799	260,436,041
	274,980,576	260,883,110
ACCUMULATED SURPLUS (note 10)	319,854,607	304,631,211

See Contingent liabilities Note 11.



Alaina Maher, CPA, CMA
Deputy Chief Financial Officer



Ron Bowles, CPA, CGA
Chief Financial Officer

CITY OF CAMPBELL RIVER
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2019

	2019 Budget (see note 13)	2019 Actual	2018 Actual
REVENUE			
Taxes & parcel taxes (note 12)	33,980,697	34,213,916	32,528,517
Payments in lieu of taxes	635,800	683,089	716,817
Sale of services	24,440,084	25,065,270	24,535,635
Services provided to other governments	1,373,547	1,545,783	1,681,129
Transfers from other governments	8,349,371	4,961,949	5,986,445
Investment and other income	528,455	1,869,796	1,536,179
Other revenue	235,145	338,391	262,653
Development cost charges recognized	1,670,000	248,992	152,834
Contributed tangible capital assets	169,000	10,227,164	3,350,027
Loss on disposal of tangible capital assets	-	(46,126)	(72,536)
	71,382,099	79,108,224	70,677,700
EXPENSES			
General government	7,642,205	7,962,897	6,760,561
Protective services	17,698,933	18,506,359	16,572,269
Transportation services	12,267,481	12,442,699	12,000,146
Environmental health services	2,662,361	2,590,889	2,604,117
Public health services	198,671	199,877	148,775
Development services	2,789,740	2,634,950	2,226,581
Parks, recreation and cultural services	8,548,645	8,674,083	8,184,428
Sewer utility services	4,364,126	4,149,424	3,779,109
Water utility services	5,566,014	6,723,650	5,341,630
	61,738,176	63,884,828	57,617,616
ANNUAL SURPLUS	9,643,923	15,223,396	13,060,084
Accumulated Surplus, Beginning of Year	304,631,211	304,631,211	291,571,127
ACCUMULATED SURPLUS (note 10)	314,275,134	319,854,607	304,631,211

See Budget legislative compliance Note 13.

CITY OF CAMPBELL RIVER
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2019

	2019 Budget (see note 13)	2019 Actual	2018 Actual
ANNUAL SURPLUS	9,643,923	15,223,396	13,060,084
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(35,835,545)	(15,315,367)	(14,160,160)
Contributed tangible capital assets	-	(10,227,164)	(3,350,027)
Proceeds on disposal of tangible capital assets	-	90,186	16,119
Loss on disposal of tangible capital assets	-	46,126	72,536
Writedown of tangible capital assets	-	1,515,301	37,241
Amortization	8,905,000	9,740,160	9,381,614
	(26,930,545)	(14,150,758)	(8,002,677)
OTHER NON-FINANCIAL ASSETS			
Increase in inventory of supplies	-	(18,475)	(58,819)
Decrease in prepaids	-	71,767	73,402
	-	53,292	14,583
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(17,286,622)	1,125,930	5,071,990
NET FINANCIAL ASSETS, BEGINNING OF YEAR	43,748,101	43,748,101	38,676,111
NET FINANCIAL ASSETS, END OF YEAR	26,461,479	44,874,031	43,748,101

CITY OF CAMPBELL RIVER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	15,223,396	13,060,084
Non-cash items included in annual surplus:		
Long-term debt actuarial adjustment	(70,812)	(100,568)
Contributed tangible capital assets	(10,227,164)	(3,350,027)
Loss on disposal of tangible capital assets	46,126	72,536
Writedown of tangible capital assets	1,515,301	37,241
Amortization expense	9,740,160	9,381,614
Decrease in inventory of supplies	(18,475)	(58,819)
Decrease in prepaids	71,767	73,402
Changes in financial assets and liabilities:		
Accounts receivable	(1,894,396)	167,388
Inventory held for resale	30,832	(25,324)
Accounts payable and accrued liabilities	1,132,681	827,206
Deposits and holdbacks	919,198	(406,569)
Development cost charges	1,621,523	1,329,071
Deferred revenue	968,732	(1,163,843)
	19,058,869	19,843,392
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	90,186	16,146
Acquisition of tangible capital assets	(15,315,367)	(14,160,160)
	(15,225,181)	(14,144,014)
FINANCING ACTIVITIES		
Debt proceeds	-	4,800,000
Debt principal repaid	(521,858)	(414,849)
	(521,858)	4,385,151
INCREASE IN CASH AND INVESTMENTS	3,311,830	10,084,529
CASH AND INVESTMENTS BEGINNING OF YEAR	87,586,763	77,502,234
CASH AND INVESTMENTS, END OF YEAR	90,898,593	87,586,763
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INTEREST RECEIVED	1,562,309	1,130,366
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INTEREST PAID	525,724	397,407
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CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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 reinforced 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 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 Financial Statements.

1. Significant accounting policies

a) Basis of presentation

The Financial Statements of the City are the representations of management prepared in accordance with Canadian public sector accounting standards. Budget information has been aggregated to comply with these reporting standards.

b) Reporting entity

The 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. All inter-fund balances and transactions are eliminated.

The Cemetery Trust Funds administered by the City are specifically excluded from the Financial Statements and are reported separately (Note 3).

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. Assets are recognized until the future economic benefit underlying the asset is partly or wholly used or lost. Liabilities are recognized until the obligation or condition(s) underlying the liability is partly or wholly satisfied. The accrual basis of accounting recognizes expenses as they are incurred and become measurable based upon receipt of goods or services and/or creation of a legal obligation to pay.

d) Revenue recognition

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Following are the types of revenue received and a description of their recognition:

i) Taxation

Taxes for Municipal Purposes are recognized in the year levied. Levies imposed by other taxing authorities (Note 12) are not included in these financial statements.

ii) Sale of services

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.

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

iii) Transfers from other governments

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.

iv) Other revenue

Investment income, taxation penalties and actuarial earnings are recorded in the year they are earned, provided the amount can be estimated and collection is reasonably assured.

v) Development cost charges and other deferred revenues

Development cost charges are recognized in the year that they are used to fund an eligible capital project that has been authorized by bylaw. Receipts which are restricted by agreement with external parties are reported as Deferred Revenue at the time they are received. When the qualifying expenses are incurred the related Deferred Revenue is brought into revenue. Deferred Revenues are comprised of the amounts shown in Note 6.

e) Cash and investments

Investments are held with the Municipal Finance Authority of BC (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 investment balances detailed in Note 2 are reported at market value which is also cost on December 31, 2019.

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. The rates of interest on outstanding debt are 2.66% to 5.00% as disclosed on Schedule 1. Actual actuarial earnings beyond the set rate are paid to the City when the related debt is 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 investments, accounts receivable, accounts payable and accrued liabilities, deposits and holdbacks, short-term 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 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 4.

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

h) Non-financial assets

The City's non-financial assets consist of inventory of supplies, prepaids, and tangible capital 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 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. In the year of addition amortization is calculated at one-half and no amortization is recorded in the year of disposal.

The estimated useful lives that the City uses to amortize its tangible capital assets are:

Asset	Useful life (yrs)
Land	N/A
Buildings	7-60
Furniture, machinery & equipment	3-50
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 expenses 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, accrual for retroactive wages 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. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the City is responsible for.

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

j) 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 is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2019.

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

2. Cash and investments

	2019	2018
General operating fund	74,698,989	73,092,872
Development cost charges deferred revenue	12,532,602	10,771,077
Capital lending reserve fund	1,707,788	1,907,408
Parks acquisition & development reserve fund	1,307,526	1,158,995
Parkland acquisition reserve fund	497,958	504,712
Other bank investments	153,730	151,699
	90,898,593	87,586,763

The City's investment policy is designed to provide the optimal blend of investment security and rate of return while meeting the operational requirements of the City while maintaining compliance with restrictions imposed by the Community Charter. The investment policy applies to all cash assets of the City not required for immediate operational needs. All current investments are held within the MFA Money Market Fund (MMF) which are accessible within one business day. The monthly average interest rate for the MMF in 2019 was 1.85%.

3. Trust funds

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

	December 31, 2018	Collections	Expenses	December 31, 2019
CR Municipal Cemetery	325,418	3,354	-	328,772
Elk Falls Memorial Cemetery	241,054	9,724	-	250,778
	566,472	13,078	-	579,550

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

4. Accounts receivable

	2019	2018
Property taxes	1,588,297	1,531,384
Due from other governments	2,093,516	967,747
Other	3,742,004	3,030,290
	7,423,817	5,529,421

Other receivables includes from one customer an amount of \$544,551 (2018 - \$599,580) 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 2027. The annual repayment amount is \$81,353 based on an interest rate of 4.71% over the 19 year repayment term.

5. Accounts payable and accrued liabilities

	2019	2018
Trade accounts payable (Note 1)	2,001,710	2,750,474
Due to other governments	3,896,562	2,564,046
Accrued liabilities	307,370	449,294
Accrued wages and benefits	4,758,858	4,096,496
Accrued interest	88,531	60,040
	11,053,031	9,920,350

Included in accrued liabilities is a liability for a contaminated site the City owns. The site is potentially contaminated with elevated levels of minerals in its soil and groundwater from its former use as a dumping site for industrial woodwaste and requires remediation to an acceptable environmental standard. The City has estimated that the necessary remediation will cost approximately \$190,000 (2018 - \$190,000) based on a letter of opinion from the City's consultant.

Full-time permanent employees receive up to one-third or one-sixth of their sick bank on retirement, per their respective collective agreement. Permanent employees are also entitled to awards of supplemental vacation on certain anniversary years. The value of the liabilities for sick leave and supplemental vacation as at December 31, 2019 are calculated by an Actuary engaged by the City and reflect the likelihood that eligible employees will become entitled to such benefits. There are no additional liabilities accrued for these amounts as they are included in the sick leave, vacation, and banked overtime liability accounts:

Accrued wages and benefits:

	2019	2018
Employee future benefits	1,653,400	1,581,600
Vacation liability	1,354,385	1,329,690
Banked overtime liability	271,065	276,016
Wages and other accruals	1,480,008	909,190
	4,758,858	4,096,496

Employee future benefits:

	2019	2018
Accrued benefit obligation - beginning	1,581,600	1,586,000
Current service cost	129,700	129,600
Interest cost	52,300	47,600
Benefits paid	(143,800)	(98,900)
Recognition of Actuarial loss/gain	33,600	(82,700)
	1,653,400	1,581,600

Discount rate	2.70%	2.90%
Inflation rate	2.50%	2.50%

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

6. Development cost charges and deferred revenue

Included in deferred revenue are contributions from developers collected under the Development Cost Charges (DCC) Bylaw. These contributions will be recognized as revenue in future years when these funds are used for expenses as permitted by the Development Cost Charges Bylaw and the relevant sections of the *Local Government Act*, unless otherwise authorized by the Ministry of Municipal Affairs and Housing.

The funded DCC's are disclosed as short-term investments in Note 2 and total \$12,532,602 (2018 - \$10,771,077).

	December 31, 2018	Transfers	Collections	December 31, 2019
Development cost charges				
Park development	804,526	9,548	162,093	957,071
Parkland acquisition	628,281	17,175	306,409	917,515
Roads	3,900,558	253,984	526,574	4,173,148
Sanitary sewer	867,042	47,326	279,744	1,099,460
Storm drains	1,241,956	-	100,723	1,342,679
Water	3,442,933	34,960	608,973	4,016,946
	10,885,296	362,993	1,984,516	12,506,819
Deferred revenue				
Future local improvements	2,604,184	57,796	-	2,546,388
Prepaid property taxes	2,351,562	4,468,849	4,952,193	2,834,906
Community Works Fund	3,098,546	1,440,998	2,894,021	4,551,569
Parkland acquisition	524,612	12,521	5,767	517,858
Other	3,190,474	1,734,222	831,137	2,287,389
	11,769,378	7,714,386	8,683,118	12,738,110
	22,654,674	8,077,379	10,667,634	25,244,929

7. Short-term debt

Short-term financing is secured through the Municipal Finance Authority of BC for capital initiatives approved under loan authorizations. Interest is calculated daily on a variable rate basis at prime less 1.28%. In 2019 the rate averaged 2.55% (2018 - 2.21%). Short-term borrowing was replaced by long-term debt issue #147 in May 2019.

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

8. Long-term debt

Debt is reported at the gross amount. See Schedule 1 for maturity dates, interest rates and payments in the year. The principal payments for the next five years are:

Year	General	Sewer	Water	Total
2020	120,348	323,145	391,822	835,315
2021	134,312	338,112	415,658	888,082
2022	139,684	348,978	428,127	916,789
2023	145,272	360,200	440,971	946,443
2024	26,965	371,787	454,200	852,952
2025 & thereafter	16,035	3,561,868	4,509,775	8,087,678

The interest payments for the next five years are:

Year	General	Sewer	Water	Total
2020	49,453	162,308	216,650	428,411
2021	49,453	162,308	216,650	428,411
2022	49,453	162,308	216,650	428,411
2023	46,877	162,308	216,650	425,835
2024	9,920	162,308	216,650	388,878
2025 & thereafter	6,916	1,265,430	1,760,325	3,032,671

The City has no debt assumed by others on its behalf, and has not directly assumed any debt for others (Note 11b).

9. Municipal Finance Authority debt reserve fund

The Municipal Finance Authority (MFA) of British Columbia provides capital financing for regional districts and their member municipalities. The MFA 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 MFA 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. The City's MFA debt reserve fund is:

	2019	2018
General	23,362	22,830
Sewer	61,660	12,525
Water	75,494	73,776
	160,516	109,131

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

10. Accumulated surplus

	2019	2018
Unappropriated surplus		
General	4,400,000	4,396,456
Sewer	800,000	800,000
Water	850,000	850,000
	6,050,000	6,046,456
Non-statutory reserves		
General	13,076,969	12,705,722
Airport	440,916	545,540
Sewer	14,816,045	16,052,644
Water	19,683,623	18,801,709
	48,017,553	48,105,615
Statutory reserves		
Capital lending	2,619,988	2,104,031
Parkland acquisition & development	1,107,526	1,058,995
	3,727,514	3,163,026
Investment in tangible capital assets	262,059,540	247,316,114
Total	319,854,607	304,631,211

The Unappropriated surplus is available to temporarily finance operations until planned revenues including property taxes are received, or for other operating or capital purposes as determined by Council.

The Non-statutory reserves have 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 Statutory reserves have been established by bylaw in accordance with the Community Charter and their use is restricted by 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 tangible capital assets includes the net book value of capital assets for all City funds (General, Airport, Sewer, Water), less debt or leases outstanding on those assets.

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

11. Contingent liabilities

a) Pension liability

The municipality 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, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local governments.

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

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

The City of Campbell River paid \$1,889,325 (2018 - \$1,875,948) for employer contributions, while employees contributed \$1,573,052 (2018 - \$1,516,169) to the Plan in fiscal 2019. The City of Campbell River expects to pay \$1,965,000 for employer contributions in the next fiscal year.

The next valuation will be as at December 31, 2021, with results available in 2022.

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

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 of Campbell River. Readers are referred to the Strathcona Regional District Audited Financial Statements for specific information and detail.

c) Other claims and contingent liabilities

In the course of a year, the City is faced with lawsuits, assessment appeals on property values, and other claims for damages and management believes the exposure to be insignificant. As at December 31, 2019 there existed several claims which management believes may be successful against the City. The City has recorded a liability for these claims, as it believes a reasonable estimate can be made. An accrued liability of \$119,616 (2018 - \$230,103) has been recorded for these claims.

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

12. Property taxation

	2019	2018
Municipal Taxation:		
General municipal property taxes	31,864,875	30,368,917
Local service taxes	88,727	85,206
Parcel taxes	1,733,611	1,554,614
1% utility tax	526,703	519,780
Total municipal taxation	34,213,916	32,528,517
Collections for Other Taxing Authorities:		
BC Assessment Authority	312,868	290,961
Comox Strathcona Regional Hospital District	4,208,781	4,183,915
Comox Strathcona Regional Solid Waste Board	1,469,618	972,306
Municipal Finance Authority	1,463	1,269
Provincial School Levy	16,063,840	15,462,174
Strathcona Regional District	6,280,198	5,893,843
Regional Library	1,537,066	1,460,947
Total collections for other taxing authorities	29,873,834	28,265,415
Payments to other taxing authorities	(29,873,834)	(28,265,415)
Net taxation for municipal purposes	34,213,916	32,528,517

13. Budget 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.

The budget amounts presented throughout these financial statements are based on the Ten Year Financial Plan bylaw adopted by Council on December 16, 2019, to the exception of the amounts noted below.

Adjustments to the 2020-2029 Financial Plan Annual Surplus:	
Annual surplus, as per Statement of Operations	9,643,923
Adjustments for non-cash item:	
Amortization offset	8,905,000
Debt proceeds	4,629,986
Debt principal repayments	(848,332)
Capital expenses	(35,835,545)
Net transfer from reserves & unappropriated surplus	13,504,968
	-

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

14. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City's contractual rights arise because of contracts entered into for future lease/rental revenue, E-911 operations agreement and a local area service agreement. The following table summarizes the contractual rights of the City for future assets:

	Lease/Rental Revenue	E911 Dispatch Operations	Local Area Service
2020	214,461	1,333,000	81,353
2021	203,537	1,378,000	81,353
2022	201,350	-	81,353
2023	201,350	-	81,353
2024	183,344	-	81,353
Thereafter, to completion	-	-	244,059
Total Contractual Rights	1,004,042	2,711,000	650,824

15. Segmented reporting

The City of Campbell River provides various City services within various divisions. The consolidated schedule segmented reporting as disclosed in Schedule 3 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 technology 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 economic development, community planning and development.

Parks, recreation & cultural services - activities related to all recreation and cultural services including the maintenance of parks, recreation and fitness programs as well cultural facilities including the museum.

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

Water utility services - activities related to treating, storing, supplying and transporting water.

CITY OF CAMPBELL RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

16. Government transfers

	2019	2018
Federal	<u>3,327,614</u>	3,530,747
Provincial	<u>1,584,334</u>	1,535,698
Regional	<u>50,000</u>	920,000
	<u>4,961,948</u>	<u>5,986,445</u>

17. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

18. Subsequent events

In March 2020, the COVID-19 outbreak has caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on the local and global economy. At this time, it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the City's financial results for 2020.

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
SCHEDULE OF LONG-TERM LIABILITIES
As at December 31, 2019**

SCHEDULE 1

Bylaw	Description	Maturity Date	Interest Rate %	Balance at Dec 31, 2018	Debt Issued	Principal Payments	Actuarial Adjust	Balance at Dec 31, 2019
Long-term debt								
General								
3303	Issue #103	23/04/23	5.00	77,870	-	9,713	4,664	63,493
3301	Issue #104	20/11/23	5.00	274,477	-	34,235	16,442	223,800
3302	Issue #104	20/11/23	5.00	200,201	-	24,971	11,992	163,238
3302	Issue #106	10/13/24	4.00	62,952	-	6,668	2,822	53,462
3301	Issue #112	06/10/25	4.00	100,093	-	9,259	3,413	87,421
				<u>715,593</u>	<u>-</u>	<u>84,846</u>	<u>39,333</u>	<u>591,414</u>
Sanitary Sewer								
3345	Issue #112	06/10/25	4.00	242,924	-	22,473	8,283	212,168
3345	Issue #117	10/11/26	3.00	332,447	-	27,418	8,662	296,367
3519	Issue #147	09/04/34	2.66	-	4,800,000	-	-	4,800,000
				<u>575,371</u>	<u>4,800,000</u>	<u>49,891</u>	<u>16,945</u>	<u>5,308,535</u>
Water								
3518	Issue #141	04/07/32	3.00	2,744,077	-	155,923	4,678	2,583,476
3518	Issue #145	04/23/33	3.00	4,300,000	-	231,196	-	4,068,804
				<u>7,044,077</u>	<u>-</u>	<u>387,119</u>	<u>4,678</u>	<u>6,652,280</u>
Accrued actuarial adjustment				<u>(15,114)</u>	<u>-</u>	<u>-</u>	<u>9,856</u>	<u>(24,970)</u>
Total long-term liabilities				<u>8,319,927</u>	<u>4,800,000</u>	<u>521,856</u>	<u>70,812</u>	<u>12,527,259</u>

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSET CONTINUITY SCHEDULE
As at December 31, 2019**

SCHEDULE 2

	Land	Buildings	Machinery & Equipment	Engineered Structures	Assets Under Construction	Total 2019	Total 2018
COST							
Opening balance	33,228,595	43,228,877	28,482,938	350,434,293	7,369,934	462,744,637	445,831,286
Additions	12,521	392,339	1,200,261	6,355,137	7,355,109	15,315,367	14,160,160
Contributed tangible capital assets	-	-	-	10,227,164	-	10,227,164	3,350,027
Construction completed	-	38,059	-	2,046,796	(2,084,855)	-	-
Writedowns	-	(1,180,062)	-	(132,799)	(618,070)	(1,930,931)	(37,241)
Disposals	-	(2,691)	(492,729)	(281,909)	-	(777,329)	(559,595)
Closing balance	33,241,116	42,476,522	29,190,470	368,648,682	12,022,118	485,578,908	462,744,637
ACCUMULATED AMORTIZATION							
Opening balance	-	21,955,902	14,657,650	165,695,044	-	202,308,596	193,397,926
Amortization current year	-	879,819	1,265,908	7,594,433	-	9,740,160	9,381,614
Amortization from writedowns	-	(339,270)	(76,360)	-	-	(415,630)	-
Amortization from disposals	-	(1,658)	(396,328)	(243,031)	-	(641,017)	(470,944)
Closing balance	-	22,494,793	15,450,870	173,046,446	-	210,992,109	202,308,596
NET BOOK VALUE	33,241,116	19,981,729	13,739,600	195,602,236	12,022,118	274,586,799	260,436,041
NET BOOK VALUE (2018)	33,228,595	21,272,975	13,825,288	184,739,249	7,369,934		

CITY OF CAMPBELL RIVER
 FINANCIAL STATEMENTS
 SCHEDULE OF SEGMENTED REPORTING
 For the Year Ended December 31, 2019

SCHEDULE 3
 (page 1 of 2)

	General Government		Protective Services		Transportation Services		Environmental Health Services		Public Health Services		Development Services	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
REVENUE												
Taxes & parcel taxes (note 12)	32,401,426	30,896,375	-	-	505,352	337,799	-	-	-	-	76,865	73,689
Payments in lieu of taxes	683,089	716,817	-	-	-	-	-	-	-	-	-	-
Sale of services	522,797	321,545	2,059,569	1,923,153	2,486,696	2,715,606	2,448,993	2,377,319	77,773	52,989	1,813,848	1,661,363
Services provided to other governments	1,052,458	1,123,441	426,470	487,899	-	-	-	-	66,855	69,789	-	-
Transfers from other governments	2,973,585	2,078,350	367,922	379,099	1,585,691	3,486,883	20,000	15,285	-	-	20,000	-
Investment and other income	1,812,742	1,214,486	-	-	219	292	-	-	-	-	-	-
Other revenue	-	-	-	-	213,825	193,571	92,800	27,550	-	-	8,159	2,416
Development cost charges recognized	-	-	-	-	222,883	118,790	-	-	-	-	-	-
Contributed tangible capital assets	-	-	-	-	6,696,796	1,469,736	-	-	-	-	-	-
Loss on disposal of tangible capital assets	-	-	-	-	66,186	(56,772)	-	-	-	-	-	-
	39,446,097	36,351,014	2,853,961	2,790,151	11,777,648	8,265,905	2,561,793	2,420,154	144,628	122,778	1,918,872	1,737,468
EXPENSES												
Amortization & writedowns	299,543	308,444	332,602	499,394	4,397,448	4,229,938	-	-	9,883	9,030	-	-
Interest & debt issue expenses	69,423	14,789	-	-	51,964	157,369	-	-	-	-	-	-
Operating expenses	1,759,146	911,761	10,134,727	8,761,543	5,589,337	5,237,117	2,476,253	2,503,981	36,809	37,723	1,447,497	1,285,321
Wages & benefits	5,834,785	5,525,567	8,039,030	7,311,332	2,403,950	2,375,722	114,636	100,136	153,185	102,022	1,187,453	941,260
	7,962,897	6,760,561	18,506,359	16,572,269	12,442,699	12,000,146	2,590,889	2,604,117	199,877	148,775	2,634,950	2,226,581
ANNUAL SURPLUS (DEFICIT)	31,483,200	29,590,453	(15,652,398)	(13,782,118)	(665,051)	(3,734,241)	(29,096)	(183,963)	(55,249)	(25,997)	(716,078)	(489,113)

See Note 15 for description of Segment Reporting categories.

**CITY OF CAMPBELL RIVER
FINANCIAL STATEMENTS
SCHEDULE OF SEGMENTED REPORTING
For the Year Ended December 31, 2019**

**SCHEDULE 3
(page 2 of 2)**

	Parks, Recreation & Culture Services		Total General Government		Sewer Utility Services		Water Utility Services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
REVENUE										
Taxes & parcel taxes	517,038	512,256	33,500,681	31,820,119	713,235	708,398	-	-	34,213,916	32,528,517
Payments in lieu of taxes	-	-	683,089	716,817	-	-	-	-	683,089	716,817
Sale of services	1,141,681	1,163,693	10,551,357	10,215,668	6,244,359	6,033,765	8,269,554	8,286,202	25,065,270	24,535,635
Services provided to other governments	-	-	1,545,783	1,681,129	-	-	-	-	1,545,783	1,681,129
Transfers from other governments	(5,249)	25,309	4,961,949	5,984,926	-	-	-	1,519	4,961,949	5,986,445
Investment and other income	-	-	1,812,961	1,214,778	30,175	188,822	26,660	132,579	1,869,796	1,536,179
Other revenue	23,158	39,116	337,942	262,653	449	-	-	-	338,391	262,653
Development cost charges recognized	-	-	222,883	118,790	26,109	34,044	-	-	248,992	152,834
Contributed tangible capital assets	-	-	6,696,796	1,469,736	2,068,555	1,478,564	1,461,813	401,727	10,227,164	3,350,027
Loss on disposal of tangible capital assets	-	-	66,186	(56,772)	(23,661)	-	(88,651)	(15,764)	(46,126)	(72,536)
	1,676,628	1,740,374	60,379,627	53,427,844	9,059,221	8,443,593	9,669,376	8,806,263	79,108,224	70,677,700
EXPENSES										
Amortization & writedowns	1,498,068	1,540,118	6,537,544	6,586,924	1,312,675	1,260,373	2,787,172	1,534,317	10,637,391	9,381,614
Interest & debt issue expenses	-	-	121,387	172,158	187,687	39,004	216,650	209,295	525,724	420,457
Operating expenses	2,870,822	2,685,207	24,314,591	21,422,653	1,634,785	1,430,354	2,005,780	1,900,420	27,955,156	24,753,427
Wages & benefits	4,305,193	3,959,103	22,038,232	20,315,142	1,014,277	1,049,378	1,714,048	1,697,598	24,766,557	23,062,118
	8,674,083	8,184,428	53,011,754	48,496,877	4,149,424	3,779,109	6,723,650	5,341,630	63,884,828	57,617,616
ANNUAL SURPLUS (DEFICIT)	(6,997,455)	(6,444,054)	7,367,873	4,930,967	4,909,797	4,664,484	2,945,726	3,464,633	15,223,396	13,060,084

See Note 15 for description of Segment Reporting categories.