



CITY OF COURTENAY 2016 ANNUAL REPORT





COURTENAY, B.C.

Our Mission:

The City of Courtenay proudly serves our community by providing a balanced range of sustainable municipal services.

2016 Annual Report

January 1 - December 31, 2016

This document was prepared by the City of Courtenay's Legislative Services and Financial Services Departments

Photos by Craig Carson, Sarah Kerr, Ron Pogue, and the City of Courtenay



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Message from the Mayor

When I look back at the many events and activities that happened in 2016, it reminds me of how proud I am to represent this organization at the Council table.

Major infrastructure projects included several water main replacement projects on Dingwall, Anderton and Duncan Avenues, a retaining wall repair project in the Courtenay River, and a complete reconstruction of a section of 3rd Street, including all above-ground and below-ground infrastructure.

I was particularly moved and inspired at a signing ceremony with the K'ómoks First Nation in March. The City of Courtenay and the K'ómoks First Nation have entered into a servicing agreement to provide water and sanitary sewer services to K'ómoks First Nation IR No.2 property on Condensory Road.

2016 also had its challenges, with storms and the potential for flooding at various times in the winter and fall, causing concern for our crews and regional emergency officials.

I was extremely pleased with the proactive and coordinated approach by City of Courtenay staff, BC Hydro, other Comox Valley local governments, the Comox Valley Emergency Program, and Emergency Management BC.

Storms require a tremendous amount of preparation, including setting up flood barriers, making and distributing sandbags, monitoring culverts and catch basins, and keeping the community informed. We were fortunate that we didn't experience

any serious flooding in 2016, but there were several close calls. On behalf of Courtenay City Council, I extend thanks to all of the individuals and organizations involved in flood preparations.

Mother Nature wasn't quite finished with us after the flood warnings. In December, our region experienced the first major snowfall of the season. Snow isn't something we deal with often in our part of the world. While we don't have the same snow and ice control equipment, resources, and budget of some of our neighbours to the north, our staff worked very hard on keeping our roads and walkways safe.

During times where our community is dealing with emergency situations and extreme weather events, you'll see many City staff on the front lines, whether it's crews from Public Works Services or our firefighters responding to fire and rescue calls. What you may not see are all the people working behind the scenes. These situations often end up involving staff in virtually every department of the City.

Local governments have a direct impact on the day-to-day lives of citizens, including services directly related to health and safety. I can assure our residents that this responsibility is something our staff and Council take very seriously.

I have had many citizens share their concerns about the repeated boil water notices for the Comox Valley water system due to turbidity in Comox Lake. I am pleased that progress is being made on a regional water treatment facility. The City of Courtenay's drinking water is



supplied by the Comox Valley Regional District (CVRD). The CVRD is making progress on a new water treatment plant and deep water intake at Comox Lake. Construction on this facility will begin in 2018.

On behalf of Courtenay City Council, I thank you for taking the time to read this Annual Report and learning about some of the many projects and initiatives that occurred in 2016.

A handwritten signature in black ink, appearing to read 'Larry Janguila'.

Larry Janguila
Mayor



Mayor and Council

Top row (left to right:) Manno Theos, Bob Wells, David Frisch, Doug Hillian

Bottom row (left to right:) Rebecca Lennox, Larry Jangula, Erik Eriksson

Courtenay Council was elected to a four year term in November 2014.

Each member of council represents the City at large. Councillors serve on various boards, including the Comox Valley Regional District, Vancouver Island Regional Library and the Comox Valley Water Supply Commission.

Members of the public are welcome and encouraged to attend open Council meetings. Council Meetings are generally held on the first and third Mondays of each month, and Strategic Planning meetings occur on the last Monday of the month. For more information on Courtenay City Council, including Council meeting agendas, minutes, and video, appearing as a Council delegation, and Mayor's Open Door sessions, go to courtenay.ca/council

Contact Council

c/o Courtenay City Hall
830 Cliffe Avenue
Courtenay, B.C. V9N 2J7
Tel. 250-334-4441

By email:

Mayor Larry Jangula
ljangula@courtenay.ca
Councillor Erik Eriksson
eeriksson@courtenay.ca
Councillor David Frisch
dfrisch@courtenay.ca
Councillor Doug Hillian
dhillian@courtenay.ca
Councillor Rebecca Lennox
rlennox@courtenay.ca
Councillor Manno Theos
mtheos@courtenay.ca
Councillor Bob Wells
bwells@courtenay.ca

Message from the Chief Administrative Officer

On behalf of the staff at the City of Courtenay, I am pleased to present the 2016 Annual Report, which highlights key initiatives such as downtown revitalization, the Braidwood housing project, and flood mitigation.

This report is an opportunity to reflect on our organization's achievements in 2016, while we look forward to the challenges and opportunities ahead.

City of Courtenay projects and initiatives are guided by a set of strategic priorities which were developed in early 2016 by Courtenay City Council, in collaboration with senior staff.

Strategic planning is a process to define an organization's direction, determine long range planning goals, and guide decision making in the face of finite human and financial resources. A sound strategic plan is an organizational roadmap that is integral to setting annual financial plans and corporate work plans.

In a nutshell, it helps staff focus on the goals that are truly important to Council, in addition to the many statutory requirements required of all local governments.

In Council's strategic priorities, they have directed staff to continue their focus on "asset management for sustainable service delivery." Asset management is a process of inventorying our existing assets, determining their condition, and preparing and implementing a plan to maintain or replace those assets. It is essential to making informed decisions.

Courtenay's capital assets are worth

over \$200 million. Maximizing their service life makes good financial sense. Courtenay has made significant headway on tracking our capital assets, and we've include an update on our progress in this report.

Asset management practices are also considered by other levels of government when allocating funding. Recent major grants received by the City of Courtenay from the federal and provincial governments include \$3.253 million for the 5th Street Complete Streets project and \$1.965 million for improvements to the 5th Street Bridge.

In 2016, we began realigning City departments to implement organization-wide asset management best practices. This realignment included developing the competencies and capacity to properly care for capital infrastructure — the foundation for the services the City provides.

City of Courtenay staff are guided by our mission statement and core values. These guiding principles, launched in 2016, were identified and developed by speaking with staff throughout our organization.

Our mission gets to the heart of what we do: *"The City of Courtenay proudly serves our community by providing a balanced range of sustainable municipal services."*

Our core values reflect who we are as employees, and as an organization. *People Matter, Be Accountable, Depend on Each Other, Pursue Excellence, and Celebrate Success.*

Going forward, we will continue to work on developing good data about city services and performance measurement



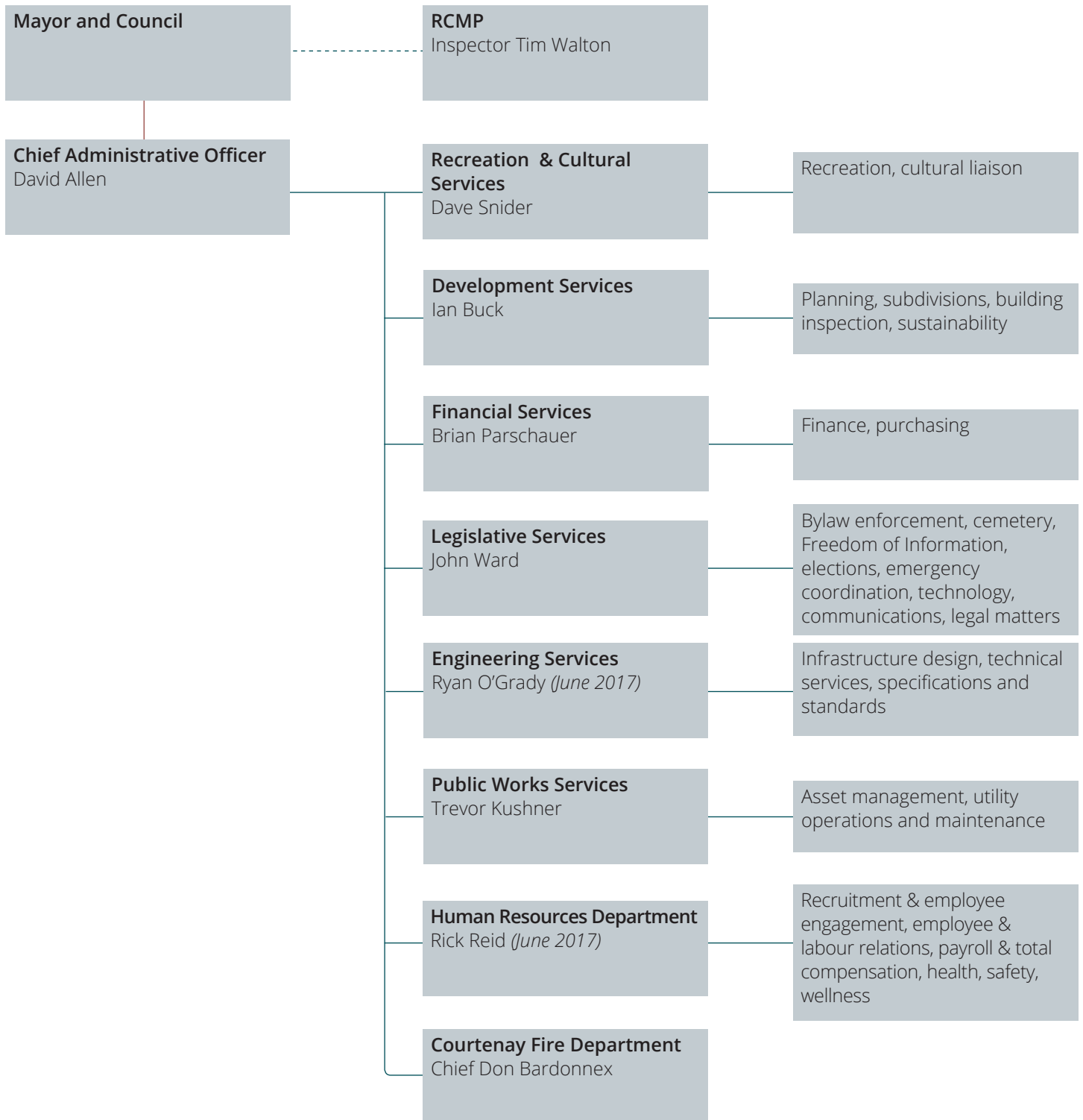
so we can better inform Council and the public on how the City is doing when it comes to delivering services. Having good data is also a best-practice; for example, as we move forward with asset management, the long-range data we obtain will allow us to finalize our budget process earlier in the year.

It is my privilege to work with such an amazing team here at the City of Courtenay, and I hope this report helps showcase some of the fine work performed by these men and women as we proudly serve this community.

A handwritten signature in blue ink that reads "David Allen". The signature is fluid and cursive.

David Allen
Chief Administrative Officer

Organizational Chart



About Courtenay



- Courtenay was incorporated in 1915
- City of Courtenay population 25,599*
- City area: 33.7 square kilometres
- City land area (not including Courtenay River or Harbour): 32.7 square kilometres
- Private dwellings: 12,013*
- Density per square kilometre: 783 people*
- Population growth, 2011 to 2016: +5.7 %*

The City of Courtenay is the largest community in the Comox Valley on the east coast of Vancouver Island in the province of British Columbia, Canada. The Comox Valley communities of Courtenay, Comox and Cumberland are on the traditional territory of the K'ómoks First Nation.

Courtenay's lively downtown core features an assortment of shops, galleries, and restaurants — many with locally produced ingredients from a thriving agricultural community.

The stunning Courtenay Riverway connects downtown Courtenay with the City's southern boundary. This walkway borders the Courtenay Estuary, offering visitors an opportunity to view a variety of birds, fish, and native plants.

World-class recreational opportunities await in Courtenay and its neighbouring communities, including golf, mountain biking, skiing, and hiking.

*Statistics Canada 2016



Managing our Assets



3,400 street trees

29.7 walkway kilometres
12.1 km paved, 17.6 km unpaved

40.8 hectares (100+ acres) mowed grass areas

21 park buildings | 23 playgrounds | 83 park benches | 78 park garbage cans | 36 picnic tables | 19 footbridges



1,258 street lights

156 (2014 data) sidewalk kilometres

161 Road kilometres
Some with multiple lanes:
341 total lane kms



730 fire hydrants



159.4 kilometres storm mains

7,550 connections
3,965 catch basins

170.5 kilometres water mains

6,926 connections
2,231 valves
1,782 water meter setters
1 booster station
3 pressure reducing valves

152.3 kilometres sanitary sewer mains

Approximately 6,900 connections
(estimate, based on water)
12 Sanitary lift stations
23 pumps

“All of the services the City provides depend upon tangible capital assets. Whether as simple as a telephone or computer to answer an inquiry or as complex as the many kilometers of pipes and pumps to distribute water, without these assets, there can be no service. And there are three fundamental truths about the tangible capital assets owned by the City: they’re expensive, they wear out, and if ignored, they fail much earlier than expected.”



11
major
facilities

Lewis Centre | Florence Filberg Centre | LINC Youth Centre | City Hall
Public Works Yard | Fire Hall | Native Sons Hall | Courtenay & District Museum
Comox Valley Centre for the Arts | Sid Williams Theatre | Courtenay Library

“Over the last two decades there has been growing concern about the financial sustainability of community infrastructure networks across the globe. There is increasing recognition that many organizations have been making short-term decisions about investment, maintenance and renewal that are not sustainable over the long-term.

In many areas, a ‘perfect storm’ combination of a steadily reducing funding base, low affordability, aging infrastructure and declining population creates huge challenges for infrastructure managers.

Asset Management practices have evolved to address these challenges.”¹

The aim of Asset Management is achieving “Sustainable Service Delivery”: ensuring that current community services are delivered in a socially, economically, and environmentally responsible manner that does not compromise the ability of future generations to meet their own needs.

All of the services the City provides depend upon tangible capital assets. Whether as simple as a telephone or computer to answer an inquiry or as complex as the many kilometers

¹ “International Infrastructure Maintenance Manual” International Ed., Institute of Public Works Engineering Australasia, Sydney, NSW, 2011, s. 2.1.4.

of pipes and pumps to distribute water, without these assets, there can be no service. And there are three fundamental truths about the tangible capital assets owned by the City: they’re expensive, they wear out, and if ignored, they fail much earlier than expected. The way to minimize the effects of these fundamental truths – thereby achieving Sustainable Service Delivery – is sound Asset Management practices.

Over the past several years Council adopted an Asset Management Policy and made Asset Management (AM) a 2016-2018 Strategic Priority. They directed that the City adopt an organization-wide set of practices proven successful by leaders in the field. Over two decades ago, the Institute of Public Works Engineering Australasia (IPWEA) began developing the “National Asset Management Strategy” (NAMS). This system was created by and for the public sectors of Australia and New Zealand to address the same infrastructure issues now faced by Courtenay and NAMS is increasingly adopted by many Canadian local governments.

Such a large undertaking demanded extensive training of those responsible for the long-term planning, financing, operation, maintenance, repair, renewal, upgrade and replacement of the hundreds of millions of dollars in capital assets the City uses to provide its services. A corporate reorganization was also necessary to implement the many

Managing our Assets, continued

new practices. Though a lengthy and occasionally disruptive process, it was nearly all complete by the end of 2016 with the majority of costs paid by federal and provincial government grants.

Concurrently, we progressed with detailed identification and scrutiny of our tens of thousands of capital assets – most of this also funded by senior government grants. Using modern computer capabilities and NAMS methods we began developing a far more detailed understanding of the condition, replacement costs and most effective maintenance practices to maximize service life. Most importantly, we began developing the ability to more accurately predict when assets will each actually require renewal, rather than depend on decades-old drawings and estimates of useful life often made a very long time ago.

The use of modern technology and new techniques have already begun to provide benefits. For the first time, the capital budget for 2017 was based on up-to-date detailed information on what assets had failed (such as road and trail surfaces) and which were about to fail (sewer/water mains, the swimming pool boiler and the Museum roof) within the coming two years. The City has also begun developing a computerized maintenance management system to guide the work necessary to continue operating all the existing assets for the greatest possible duration and, therefore, at the least possible lifecycle cost.

The ultimate aim of all this work is to meet the so-called ‘infrastructure deficit’ with the means in place to get past ‘the perfect storm’. Practicing Asset Management is not

just about increasing efficiencies and decreasing costs. It is about achieving ‘Sustainable Service Delivery’ by identifying all the renewal needs of our long-lived assets, rationally planning the renewal sequence without disruption of service and devising a long-term financial strategy to pay for it.

While we are facing challenges for 2017 and 2018 in identifying the scale of the funding needs over the next 10 years, there is good news that validates the chosen path.

Senior governments have recognized the value of Asset Management, and billions of infrastructure dollars are increasingly focused on the communities that practice Asset Management principles. We are already beneficiaries of this in our \$1.01 million federal Gas Tax annual grant, the \$3.253 million federal/provincial capital grant for the Complete Streets project and a further \$1.965 million for the 5th Street Bridge renewal.

There is no quick fix to solving issues that have evolved over the century since Courtenay’s beginnings. However, 2016 saw a transition from training and data gathering to planning and doing in the short term, while devising the long-term solutions as quickly as we possibly can.

“...during 2017 we began developing a computerized maintenance management system to guide the work necessary to continue operating all the existing assets for the greatest possible duration and, therefore, at the least possible lifecycle cost.”



Strategic Priorities 2016 to 2018

We actively pursue vibrant economic growth

- Revitalizing our downtown is critical to our economic future
- Continue to improve our relationship with business in our community
- ▲ Our investment in economic development is measurable
- ▲ Continue to explore innovative economic options
- The regional airport is a key economic driver

We proactively plan and invest in our natural and built environment

- Continued focus on asset management for sustainable service delivery
- Focus on infrastructure renewal rather than upgrades
- Continued support for social, economic and environmental sustainability solutions
- ▲ We look for regional infrastructure solutions for shared services to our community

We value multi-modal transportation in our community

- We support developing multi-modal transportation network plans
- As we build new or replace existing transportation infrastructure, we are consistent with what we learn from our Complete Streets Pilot Project
- ▲ Support our regional transit service while balancing service improvements with costs

We support diversity in housing and reasoned land use planning

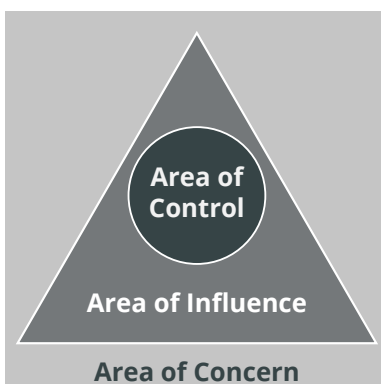
- Support densification aligned with community input and regional growth strategy
- Assess how city-owned lands can support our strategic land acquisitions and disposals
- ▲ Support initiatives and incentives to encourage lower cost housing
- Proactively pursue housing diversity and advocate for senior government support

We focus on organizational and governance excellence

- We support and encourage initiatives to improve efficiencies
- We support meeting the fundamental corporate and statutory obligations
- We recognize staff capacity is a finite resource
- Communication with our community is a priority, and is considered in all decisions we make
- We responsibly provide services at a level which the people we serve are willing to pay

We invest in our key relationships

- We value and recognize the importance of our volunteers
- We will continue to engage and partner with service organizations for community benefit
- ▲ We actively engage with our K'ómoks First Nation neighbours on issues of mutual interest and concern
- ▲ We advocate and cooperate with other local governments and senior governments on regional issues affecting our city



● Area of Control

The policy, works and programming matters that fall within Council's jurisdictional authority to act.

▲ Area of Influence

Matters that fall within shared or agreed jurisdiction between Council and another government or party.

■ Area of Concern

Matters of interest outside Council's jurisdictional authority to act.

We actively pursue vibrant economic growth

Downtown Revitalization

Courtenay City Council gave the green light to a visionary plan for downtown Courtenay in September.

The **Downtown Courtenay Playbook: A Partnership Action Plan** presents a long-term overarching vision and goals, along with a list of actions and broad timelines to help achieve them. Council adopted the plan at the September 6 Council meeting.

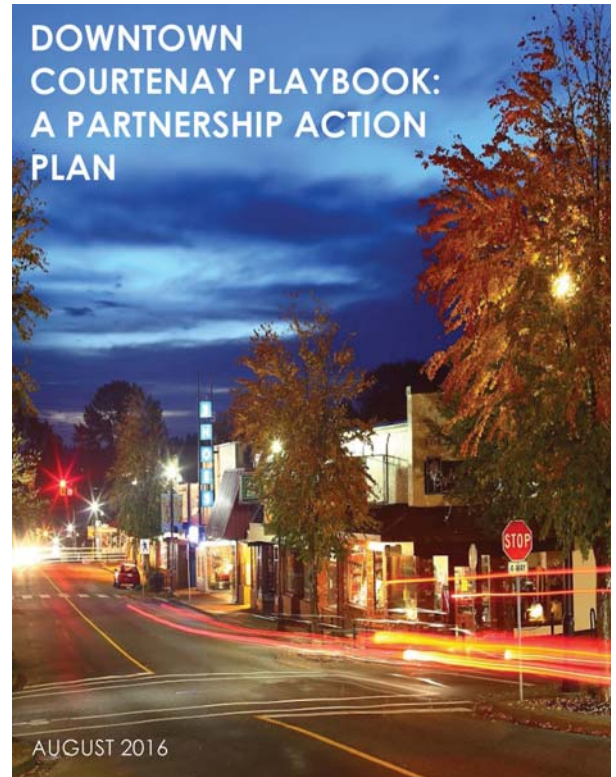
The plan was the culmination of a nearly year-long consultation process, with collaboration by the Courtenay staff and Council, the business community, and the general public.

The plan is based on three guiding principles: bringing more people to the greater downtown area, connecting downtown to the surrounding area in all directions and through all modes of transportation, and encouraging a wide range of activities and opportunities, day and night, year-round.

An interdepartmental project team has been created to implement the action items, followed by additional consultation and collaboration with local organizations and individuals. Further investigation of the recommendations will be required to determine which are the most financially feasible, particularly for any that could be considered “quick wins” that wouldn’t require significant up-front investment. Specific projects will be brought to Council for review and approval, with a focus on projects that provide the broadest community benefit and value for money.

The Downtown Courtenay Business Improvement Association and Comox Valley Chamber of Commerce have endorsed the plan.

To view the plan and other information about downtown Courtenay revitalization, visit www.courtenay.ca/downtown





Food Trucks

In the spring of 2016, the City reached out to the community looking for input on food trucks, and whether regulations for mobile food vending in Courtenay should be updated.

The response was overwhelming, with over 1,000 people completing an online survey. Of those responses, around 95 percent were in favour of increasing opportunities for food trucks in Courtenay.

Additional consultation occurred with the Downtown Courtenay Business Improvement Association, the Comox Valley Chamber of Commerce, and City staff.

As a result, the Mobile Food Vending bylaw was changed to allow licenced food trucks in designated city parks, as well as on private property zoned for restaurant use, at least 30 metres away from an existing brick-and-mortar restaurant.

For more information on the food truck program, including an application guide, application forms, maps, and the full bylaw, visit www.courtenay.ca/foodtrucks

1,015
responses to food
truck survey

95 % were
in favour of more
food trucks

3 food truck applications
submitted & approved in 2016

Sidewalk Patios

If you've been to Europe, one of the defining elements of their vibrant downtowns are their street cafes. What could be better than enjoying a coffee and a snack in the sunshine, with a side of people-watching?

In 2016, Courtenay received its first applications for sidewalk patios in downtown Courtenay through a pilot project approved by Council in 2015. Three applications were approved, with one businesses completing their sidewalk patio in 2016.

The design of a sidewalk patio depends on many factors, including pedestrian access, sidewalk width and parking, along with any existing obstructions such as signs, poles, street furniture, utilities, and landscaping.

General design guidelines and an application form are available on the City of Courtenay website.

For more information on the sidewalk patio pilot project, visit www.courtenay.ca/downtown



Photo: Billy D's Pub & Bistro

We proactively invest in our natural and built environment

Innovative Weed Control

Last summer, crews from City of Courtenay Public Works could be spotted around town using something that resembled a rug shampooer on weeds growing through roads and sidewalks, likely raising a few eyebrows in the process. Despite how it looked, it wasn't an initiative to have the cleanest weeds in town.

The city was testing out a new environmentally friendly, foam and heat-based system to kill weeds within minutes, with no harmful active ingredients. The Foamstream system works to destroy the weeds both above-and-below ground, extending the length of time required between treatments compared to traditional methods.

The system is expected to reduce maintenance costs by provide longer-

lasting weed control quickly and easily. It will also reduce the potential for flying debris from weed eaters, as well as repetitive stress injuries.

In addition to destroying existing weeds, the system also kills the seeds and prevents them from germinating, making it more difficult for weeds to re-establish themselves in treated areas.

The system could have other long-lasting and potentially significant benefits in Courtenay. Weeds growing through asphalt and concrete can cause major damage if left unchecked. Controlling weeds will extend the life of this infrastructure, reducing future repair and replacement costs.

Thanks to the success of the 2016 trial, the city will continue using the system on a permanent basis.



Spill Response Trailer

Hydraulic lines can break, construction equipment can malfunction, heating oil tanks can leak, and a myriad of other events can cause spills and harm the environment. When these spills happen, the City of Courtenay Public Works Services needs to be proactive to minimize damage to the environment and avoid wasting time looking for tools, materials and supplies for dealing with the cleanup.

A customized spill response trailer acquired by the City in June 2016 is now standing by, ready to help at a moment's notice. The spill response trailer keeps the tools and supplies needed to deal with a spill neatly organized in one place.



“Green Shores” Erosion Repair

When it came time to repair shoreline storm damage on the southern end of the city, Courtenay took the “soft” approach.

The repairs were needed to address erosion on the Riverway Walkway near 29th Street and further south at Sandpiper Drive. The erosion was caused by localized flooding and high waves over the previous winter.

“Green Shores” uses natural elements to restore damaged shorelines.

On the surface, the repairs are hard to spot. Like any typical west-coast beach, driftwood logs are distributed in a manner that looks like it was all Mother Nature’s doing.

A closer look reveals the efforts both above and below-ground to stabilize the shoreline.

The beaches were first re-contoured to a more stable slope. Larger logs were then buried half-way and connected to an underground anchor system using wire rope and ballast boulders. These logs help reduce wave energy and retain sediments as waves recede. The retained sediment provides opportunities for vegetation to establish and can provide spawning habitat for forage fish (small schooling fish).

Native species were then planted in the shoreline and backshore to provide further stabilization.

The repairs were completed in July and August.

The city’s environmental consultants had previously used this approach successfully in other areas in the Comox Valley, including Kitty Coleman Provincial Park.



Sandpiper Drive shoreline after “Green Shores” repair

Rotary Riverside Trail Repairs

A popular west Courtenay trail underwent major structural repairs in the fall.

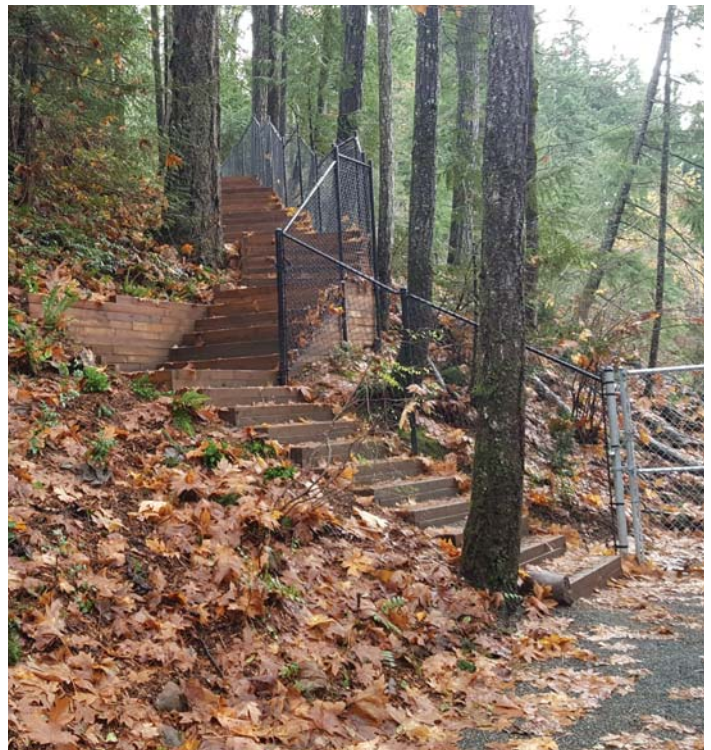
The Rotary Riverside Trail runs parallel to the Puntledge River, and is located behind the River Heights Church (old Rod and Gun Club) at the end of Robert Lang Drive. The trail connects the Ruth Masters Greenway to the Riverside trails heading east and south.

A portion of the trail was closed since February 2016, when hillside erosion led to concerns for the stability of the trail and stairways.

That spring, the City of Courtenay commissioned a geotechnical and structural review from consulting engineers to determine options for trail remediation.

The repairs included realigning parts of the walkway, installing new timber stairs and crushed gravel, and new fencing. Other finishing touches included new landscaping using native species.

The repairs received rave reviews from trail users, who were not only pleased with the restoration of this important trail connection, but also with the usability and appearance of the repairs.



3rd Street Reconstruction

A section of 3rd Street was completely reconstructed between August and November.

Repairs included complete replacement of underground water, storm, and sanitary mains and services, new pavement, curbs and gutters, new sidewalks, and a reconstructed traffic circle at 3rd and Duncan.



Major Road & Utility Repairs

Three major water main replacement projects were completed in 2016, from late August through November.

- **Anderton Avenue** between 5th and 6th Streets
- **Duncan Avenue** between 4th and 6th Streets
- **Dingwall Road** between Western Road and McLaughlin Dr.

The year's major paving project was on **Grieve Avenue**, with approximately one kilometre from 19th Street to Cumberland Road repaved.

Cousins Park Tree Planting

In October, the community was invited to help restore a segment of Piercy Creek at a community tree planting event.

Cousins Park is a 4.1 acre green space, behind the 2200 block Cousins Avenue and accessible via a short walkway.

The City of Courtenay, the Millard-Piercy Watershed Stewards, and the nearby Saltwater School partnered for the event, which was an educational opportunity on the importance of riparian areas, and Piercy Creek in particular. As a bonus, volunteers were invited to take a tree to plant at home, adding to the community's overall tree canopy.

The tree planting was made possible through the BC Hydro and Tree Canada Foundation Partnership Program. The fund supports enhancing urban open space, beautifying parks and outdoor recreation areas, creating habitat and supporting stewardship actions, and diversifying and enhancing urban forests. The City received \$8,000 from the fund to help achieve these goals on public and private land.



New "Tall Wall" Barricade

New barricade sections were installed along part of the Old Island Highway in November. These special "Tall Wall" barriers have been grouted and locked together, forming a complete water-tight seal. Each section is 1.25 metres high and weighs almost 10,000 lbs.

The new barricade is another important tool in the city's flood control arsenal, geared at maintaining important transportation links as long as possible and mitigating flooding in low-lying areas, particularly the Puntledge Business District.

Several sections of the City's portable water-filled Aqua Dam can now be used elsewhere, such as around the Lewis Centre parking lot, stage, and outdoor pool.

Crews will no longer need to close lanes on the Old Island Highway for Aqua Dam deployment and removal.

Moving the Aqua Dam off the highway will allow it to stay deployed for greater periods of time, reducing wear and tear. It also means if there are any damaged sections, crews will have access to spare sections while repairs are made.



Tree Bylaw Update

In June, Courtenay launched a public consultation process for an update to the Tree Management and Protection Bylaw.

The update explored proposed changes to the tree bylaw, such as including more properties, more species, and provide clearer guidance on how many trees should be retained or replaced when doing tree removal.

Consultation began with two public meetings in June, and an online survey that garnered 719 responses.

The Comox Valley Development and Construction Association and the Comox Valley Conservation Strategy Community Partnership provided feedback on the proposed changes. An advance meeting was also held with the local arboriculture consulting industry.

In November, Council requested that staff create a Select Committee of Council related to tree protection and management. The tree bylaw update was passed and adopted in May 2017.

Additionally, a new “Tree Planting and Replacement Reserve Fund” has been established to help grow the urban tree canopy over time.

Anderton Wall Repair

A sheet pile retaining wall in the Courtenay River immediately upstream of the 5th Street bridge was stabilized over a two-week period in July and August, 2016. The repairs involved carefully placing a rock structure in the Courtenay River in front of the existing sheet pile retaining wall.

The project required collaboration with numerous agencies, including the BC Ministry of Forests, Lands, & Natural Resource Operations, Fisheries & Oceans Canada, the Comox Valley Regional District and BC Transit.

The project needed to be completed within a very narrow fish window to avoid impacting salmon migrating upstream.

The unique nature of the repair required extremely high levels of collaboration between the project engineers, McElhanney Consulting Services Ltd., and contractors J.R. Edgett Excavating Ltd. and Leighton Contracting Ltd. The 5th Street Bridge was an excellent vantage point for the unusual sight of a large excavator operating below the high-water mark twice daily during low-tide.

This rock structure will stabilize the wall while longer-term, permanent repairs are designed. A permanent solution is expected within the next five years. The City is exploring longer term flood protection and mitigation using a combination of both natural and built elements.

The City of Courtenay thanks everyone involved in the planning and construction of this wall, as well as the community at large for their understanding during this necessary infrastructure project.

The changes:

- establish a target number of trees that must be retained or replanted on all properties, depending on property size (Tree Density Target)
- require the same Tree Density Target for existing and new developments. However, retention is prioritized on new developments. There is flexibility in meeting targets for existing properties by choosing to retain trees, replant trees, or pay into the public Tree Replanting Fund
- apply to all lands within the City, and include more species under special protection, in addition to Garry Oak and Pacific Dogwood. Newly protected species are Arbutus, Western White Pine, Pacific Yew and Trembling Aspen
- include new permit fees and security requirements

Overall, the new tree bylaw provides greater clarity on tree retention and simplifies guidelines. For more information on the updated Tree Protection and Management Bylaw, visit www.courtenay.ca/trees



We value multi-modal transportation in our community

Complete Streets Pilot Project



“A Complete Street is designed for all ages, abilities, and modes of travel. On Complete Streets, safe and comfortable access for pedestrians, bicycles, transit users and the mobility-impaired is not an afterthought, but an integral planning feature.”

Complete Streets for Canada

The 5th Street Complete Street Pilot Project will include a substantial overhaul of above-ground and below-ground infrastructure on 5th Street between Fitzgerald and Menzies Avenues. Once completed, the project will significantly improve walking and cycling routes, a key factor in encouraging alternate modes of transport in the city.

100 percent of eligible project costs up to \$3.253 million will be covered through the federal Gas Tax Fund, under the Strategic Priorities Fund - Local Roads, Bridges and Active Transportation category. The grant was announced in February 2016.

With support from project consultants, the City met with stakeholder groups representing the Cycling Coalition, Conservation Strategy, Accessibility Committee, School District No. 71, and transit.

Public information sessions and online surveys were held in May and October.

The first public session and survey focused on gathering ideas. Participants were invited to create their own ideal road cross-section for 5th Street.

The second session and survey presented five sample cross-sections which included most or all of the following features: travel lane, enhanced

sidewalk, standard or enhanced bike lane, raingarden, and parking.

In December, the results of the public consultation were presented to Council, along with several design options for 5th Street. Council voted to select the option which included:

- Two vehicle travel lanes
- Parking on both sides with alternating raingarden
- Bike lanes separated from vehicle traffic, same elevation as sidewalk
- parking between Fitzgerald and Harmston, and alternating parking and raingardens throughout the remainder of the corridor.

A functional design for 5th Street was presented to Council in May 2017.

Construction on the Complete Street Pilot Project is planned for 2018, with completion scheduled for the fall.

Why was 5th Street chosen?

Planning for a complete street pilot project began in 2014 with a community-wide transportation strategy and a detailed assessment of 15 potential Complete Street corridors.

5th Street was identified as important because it will:

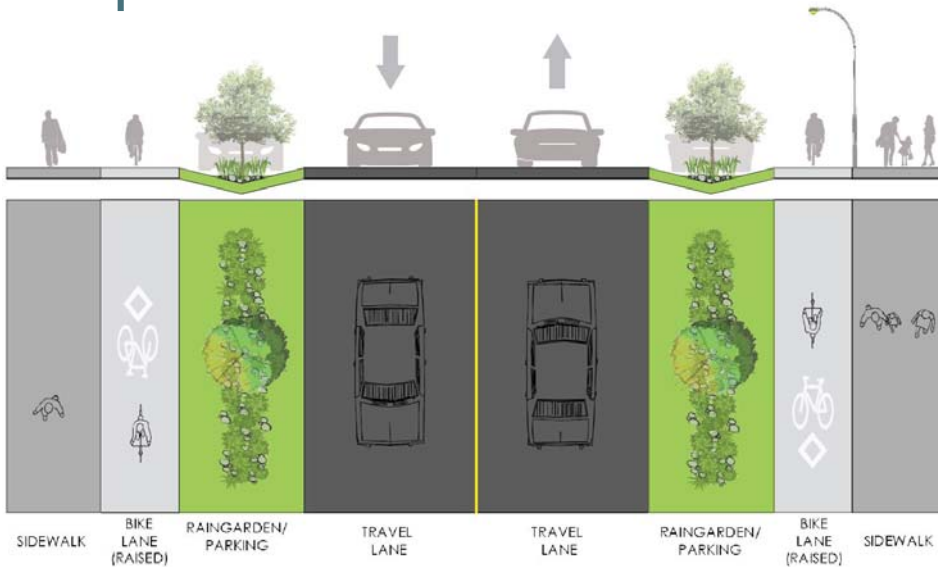
- attract people downtown and support economic development
- provide infrastructure to support sharing the roadway for vehicles, pedestrians and cyclists, and is an opportunity to improve transit stops

- provide an opportunity to replace aging underground infrastructure
- construct a gateway to downtown
- connect existing bike routes and trails

Route suggestions were submitted by various stakeholder groups, Courtenay Council and staff.

A short list of potential sites was presented to Courtenay Council, with 5th Street emerging as the preferred corridor when applying for grant funding.

Sample cross-section



Project Goals:

Once re-designed and built, the 5th Street Complete Streets project will:

- Create a street that is more comfortable to bike and walk on
- Encourage residents to walk and bike, instead of drive
- Encourage more children to walk and bike to nearby Ecole Puntledge Park School
- Connect to Fitzgerald Avenue, an important north-south cycling connection
- Connect to the Rotary Trail
- Manage storm water on site
- Support local economic development opportunities in downtown Courtenay

Timeline so far:

2016

February: \$3.253 million funding announcement by Government of Canada

May: Stakeholder meetings, open house, online survey

October: Conceptual designs presented to Council, second open house, second online survey

December: Conceptual designs presented to Council.

2017

April: Temporary "Pop-Up Intersection" installed to preview how new design would affect traffic patterns

May: Functional design presented to Courtenay City Council

We support diversity in housing and reasoned land use planning

Province invests \$3 million for new housing project in Courtenay

People at risk of homelessness, including those who are Aboriginal, will soon have access to more than 30 new units of affordable housing in Courtenay.

On November 30, the Province of B.C.'s Ministry of Natural Gas Development and Responsible for Housing announced \$3 million in capital funding for more than 30 new units of affordable housing in Courtenay.

The M'akola Housing Society, in partnership with the Wachiay Friendship Centre, will receive the provincial funding toward a project providing 34 units at 810 Braidwood Rd.

BC Housing will work with the partners to fully develop the project plans and ensure the proper zoning and consultation is considered and confirmed before construction.

Construction is expected to begin in summer 2017, with completion projected for summer 2018.

Development Cost Charges Bylaw Update

An update to the City of Courtenay's Development Cost Charges (DCC) Bylaw was adopted by Courtenay City Council in May.

The revised bylaw updated the fees paid by developers to the municipality.

DCCs are used to fund the cost of upgrading or providing road, water, sewer, and drainage, or acquiring and developing parkland needed to support new development. The Local Government Act regulates how municipalities use DCCs, and final adoption of DCC Bylaws are subject to provincial review and approval.

For over a year, the City of Courtenay reviewed DCC rates and consulted with individuals, companies, organizations involved in the development industry, and the general public.

The update increased DCCs for single-family dwellings, and decreased DCCs for multifamily and commercial categories. DCCs for multifamily units are now calculated based on actual area and not per unit to reflect the diverse sizes of units that are being developed in the city and encouraging the construction of smaller, more affordable units.

2016 Development Statistics

86 subdivision
lots approved
compared to 63 in 2015

Building Permits
issued:
238
compared to
230 in 2015

Building Permits
total value:
\$92.6 million
compared to
\$85.7 million in 2015

We focus on organizational and governance excellence

Financial Plan Reporting Update

Financial information can be hard to understand, particularly with the complex and varied responsibilities of a local government.

To make it easier for the general public to understand the City of Courtenay's financial planning process, and how it connects to the organizations' overall goals, the financial plan reports were completely updated in 2016.

Municipalities are required by the Community Charter to adopt a balanced five year financial plan by May 15 every year.

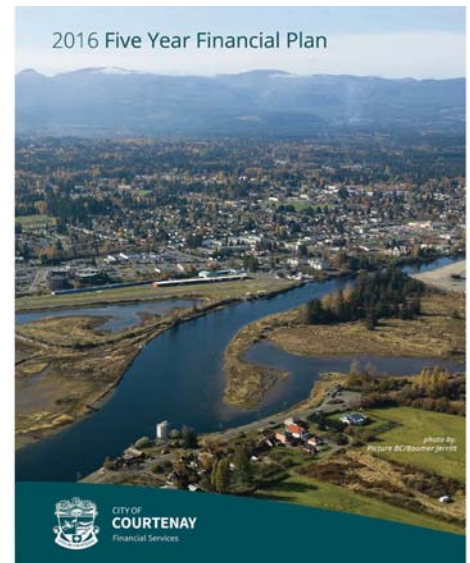
The City's financial plan includes all revenues and expenses in the general, water, and sewer funds. This includes operating costs to maintain infrastructure and provide services to our citizens, as well as the costs associated with major capital projects.

Property tax rates are set during the Financial Plan process based on how much revenue is required to maintain Council approved levels of services to our citizens.

Once the Financial Plan has been presented to Council, public feedback is sought through open Council budget sessions, our website, and online citizen surveys prior to final adoption.

Courtenay will continue to develop best practices in financial reporting, with the ultimate goal of achieving budget approval in principle by December 31 of the previous year.

While this transition may take several years, it is all part of the City's overall asset management efforts. Long-range planning is essential in achieving asset management best practices. Having a better understanding of the condition



of our City's assets and their expected life cycles will allow the City to plan capital projects and related budgets further into the future.

Citizen Budget Online Survey

For the past four years, the City of Courtenay has used the interactive Citizen Budget online survey tool to gather public feedback on the annual budget.

2016 saw two surveys - the completion of the 2016 survey in January, and the 2017 survey in October and November. The number of responses in both surveys was similar, with 133 responses for the 2016 survey and 132 responses for the 2017 survey.

The surveys focused on the services supported by general municipal property taxes and utility user fees for the City's water and sewer services.

City Council and staff use the survey results to help guide the budget planning process.

Budget categories included Police Services, Fire Services, Recreation, Arts and Culture, Parks and Playgrounds, Transportation Services, as well as questions about general taxes and water and sewer infrastructure.

Respondents also weighed in with the top five important issues facing the city, and overall satisfaction with how tax dollars are spent.

In addition to gathering feedback, Citizen Budget is an educational tool. It demonstrates the balance required for funding choices between what the community wants and needs versus what we can afford.

Courtenay's Recycling Recognized Province-wide

The City of Courtenay's curbside recycling program received an award from Multi-Material BC (MMBC) in September for having the lowest contamination rate in 2015 for a "single stream" system in the entire province. The rate of unacceptable materials in Courtenay's blue bins was only three percent. Single-stream recycling means all materials are placed together in the blue bin without sorting.

The award was presented at the Union of B.C. Municipalities Conference in Victoria.

Reducing contamination helps preserve the rest of the recyclables, keeping the maximum amount of materials out of the landfill. It also has a direct impact on costs.

Since signing up with MMBC, curbside recycling has been offered to residents free of charge for Courtenay residents. Operating costs are fully reimbursed by MMBC and are not charged to residents on their property tax bill.

Keeping our contamination rate low helps the program operate more efficiently and ultimately results in lower costs for everyone involved.

Materials that contribute to contamination of curbside recycling bins include non-recyclable materials that should be instead be disposed of in the garbage bin. It also includes materials that are only recyclable at recycling depots, including glass, Styrofoam, plastic film, and plastic bags. For detailed instructions on recycling or disposing of various materials, visit recyclinginbc.ca



Core Values

Core values are the highest priorities, deeply held beliefs, and fundamental driving forces of an organization. Core values define who we are as an organization, guide our decision making, help us recruit, hire, engage, manage and retain quality employees, and inspire good relations with the people we serve.

In 2016, city staff finalized five new core values:

- **People Matter**
- **Be Accountable**
- **Depend on Each Other**
- **Pursue Excellence**
- **Celebrate Success**

These core values were developed from the ground-up.

In 2015, employees were asked for their feedback on working for the City of Courtenay – including their level of job satisfaction, what they thought our organization did well, and where they thought we could improve.

An organization-wide employee survey, plus individual interviews and a focus group helped identify the City of Courtenay's employee culture and priorities.

This information was used to develop a set of core values which were unveiled at staff events in March and June.

Following the official launch, team meetings were held with every City of Courtenay department. Staff from each department volunteered as "champions" to represent their team and coordinate suggestions on how the core values can be embedded throughout our organization.

These champions developed a series of recommendations, which are helping guide decision-making on initiatives and priorities across the organization.

Future employee surveys in 2017 will help measure how the new core values are working, as well as gauge where additional efforts and improvements may need to be made.

Worksafe BC Recognizes Safety Program

A Certificate of Recognition (C.O.R.) was originally awarded to the City of Courtenay in 2015 and was maintained in 2016 following a detailed internal audit by our own trained safety auditors. The designation results in incentive payments for the the City following successful completion of the C.O.R. audit each year. In 2016, the City received \$18,882 from Worksafe BC.

The Certificate of Recognition program recognises employers who have implemented strong health and safety programs, exceeding regulatory requirements and taking a best-practice approach.

Our safety program is yielding tangible results, with a steady decrease in both the number and severity of employee injuries over the past several years.

Employees are also strongly encouraged to report near-miss events. These are events that could have resulted in a severe incident or injury. These incident reports are carefully evaluated, and may result in changes to equipment and procedures. Near misses also help identify where additional training may be necessary.

On the 2016 WorkSafeBC C.O.R. audit, the City of Courtenay scored 90 percent on the audit, exceeding the 80 percent required to achieve certification.

Audit categories included organizational commitment, programs and procedures, hazard identification and control, training, education and certification, inspections, incident investigation, program administration, and the Joint Health and Safety Committee.



Snow and Ice Control

December snowstorms marked the beginning of an unusually cold and snowy winter in Courtenay. The City is equipped with the following snow and ice control arsenal:

- 2 one-ton trucks with plow blades
- 3 front-end loaders
- 5 single axle plow trucks
- 1 tandem plow truck
- 1 grader
- 3 backhoes for parking lots & clean-up
- 2 tractors for parking lots & clean-up
- 1 all-terrain vehicle for paved walkways and sidewalks
- 4 sidewalk plows

In December, Public Works Services used 171 yards of sand and 180 yards of salt.

30 Public Works Services staff were involved in snow and ice control efforts, including 17 from the Transportation & Utilities Division, 10 from the Parks Division, and 3 support staff.

During periods of heavy snow, crews work shifts from 12 to 16 hours, often in split-shifts, up to 7 days a week.

Support is also provided by contractors with additional graders, dump trucks, loaders, and crews.

In 2016, total snow removal costs were \$185,251.

There are other impacts on City services during snow storms and other emergency events. They often require support from staff in every facility, such as Courtenay Recreation program cancellations or facility closures. Fire and emergency services also experience a large increase in calls for assistance.

The entire community is affected by snow, and residents and businesses have an important role to play. During snowstorms, the City greatly appreciates support in clearing snow from sidewalks, storm drains, and fire hydrants, as well as looking out for neighbours who may need a helping hand.



The LINC Youth Centre Celebrates 10 Years

Since opening its doors in October 2006, The LINC Youth Centre and Indoor Skatepark has been a hub of activity and second home for many Comox Valley youth.

To celebrate their 10-year milestone, The LINC hosted an all-ages community open house along with a full week of activities throughout the week of October 11.

The open house gave the public a chance to tour the facilities, including games room and skatepark, meet the staff, and find out about LINC programs and events.

Other major events at The LINC included the annual Youth Week in May, and the popular Haunted House in October. The haunted house is planned and run by youth with support

from LINC staff. In 2016, 30 local youth spent several weeks preparing for the event. They chose the theme, made the sets and props, and played spooky characters. For younger visitors (or easily frightened adults), the LINC hosts an annual “Half the Fright Night” on Halloween Night.

The LINC has seen steady increases in attendance. 2016 was a particularly busy year, with 7,414 total individual drop-ins. This is significantly higher than the 5,120 drop-ins in 2015.

While this can be partially attributed to an extended closure for repairs in January and February 2015 — with drop-ins temporarily diverted to the Lewis Centre — overall, The LINC Youth Centre’s popularity continues to grow.

Find out more! courtenay.ca/linc

Courtenay Recreation Activities

15,085 program registrations

1,438 classes offered

49,740 Wellness Centre drop-ins



Mini-Chefs Program



Sport & Splash Program



Lewis Centre - Wellness Centre



Spin Class -
Lewis Centre
Activity Room



Special Needs Recreation

We invest in our key relationships

K'ómoks First Nation and City of Courtenay sign Servicing Agreement

A servicing agreement between the City of Courtenay and the K'ómoks First Nation for the provision of water and sanitary sewer services to the K'ómoks First Nation IR No.2 property on Condorsy Road was signed at a special ceremony in March.

The agreement will allow the K'ómoks First Nation to expand the Puntledge RV campground and consider other economic development opportunities. The K'ómoks First Nation has also expressed interest in building residential housing.

Courtenay anticipates a boost to the local economy from this development, particularly in the downtown core.

The agreement is based on cost-recovery for the municipal services. Neither the City of Courtenay nor the K'ómoks First Nation will subsidize the services for others' benefit. The City of Courtenay typically does not provide municipal services outside of their boundary.

A non-binding Agreement in Principle to provide water and sanitary sewer to the Condorsy Road property was originally announced in May 2015, and was developed in consultation with the Comox Valley Regional District.



Pictured, left to right: Wedlidi Speck, former K'ómoks First Nation Chief Robert Everson, and Courtenay Mayor Larry Jangula. Photo courtesy K'ómoks First Nation

Cooperation with BC Hydro for Puntledge River Safety

The Siren Warning System at Puntledge Park, in place since 1961, warns the public when river flows may change quickly and be unplanned.

In 2016, BC Hydro approached the City about a Puntledge River Safety Project. The project would include the upgrade of several safety measures, including replacing the old siren, water level gauge and communication antennas, and replacing and burying the communications and utility cabling, along with a new control building.

The City and BC Hydro negotiated an upgraded right-of-way agreement to allow them to carry out this work. The enhanced safety system is being installed in 2017.

Other Significant 2016 Agreements:

- New Management Agreement with Courtenay Recreational Association
- Renewed Lease Agreement with Vancouver Island Regional Library for Courtenay Library

Courtenay Fire Department Hosts Exercise

In May 2017, the Courtenay Fire Department and departments from Comox, Cumberland, Union Bay, and Oyster River, along with the BC Ambulance Service, came together for a training exercise at the Courtenay Fire Department's W.A. Lane MacDonald Fire Training Centre on Waters Place.

The scenario involved a school bus overturned onto two vehicles, allowing crews to practice skills on auto extrication, patient assessment, and triage. Students from G.P. Vanier and a parent volunteered as patients. Injuries were simulated with make-up, which firefighters had to diagnose and treat before handing them over to BC Ambulance for further care.

Vehicles used in the exercise were donated by Georgia Straight Towing.

The W.A. Lane MacDonald Fire Training Centre opened in October 2015, and features a live-fire training building constructed from sea containers, plus a training area encircled by a built-to-scale city street, working fire hydrants, and space for driver training and pumper operator training.



Courtenay Fire Department 2016 Statistics



Cultural Organizations

The City of Courtenay owns and maintains three major cultural facilities downtown, popular with locals and visitors alike. The City maintains agreements with the cultural organizations which occupy the facilities, each with their own societies and board of directors.

2016 was another busy year for these organizations, each of which is an essential element of Courtenay's vibrant downtown core.

- **Sid Williams Theatre** - 36,851 front door attendance, 12,449 stage door attendance (cast/crew)
- **Comox Valley Art Gallery** (located in the Comox Valley Centre for the Arts) - approximately 24,000 visitors
- **Courtenay and District Museum** - approximately 23,500 visitors, including 7,000 students from communities across Vancouver Island and beyond

Our Vibrant Downtown

The City of Courtenay works closely with the Downtown Courtenay Business Improvement Association and a variety of other organizations to support events throughout the year.

Pictured clockwise from top left:
Downtown Farmers' Market, Comox Valley Christmas Parade, Elevate the Arts Festival, Canada Day, Market Day



Important 2017 Property Tax Dates

**Claim your Home Owner Grant
online by July 4, 2017:**

courtenay.ca/tax

For payment options, visit:

courtenay.ca/billpayments

May 27, 2017

- 2017 Property Tax Notices mailed

July 4, 2017

- Tax payments due
- Provincial Home Owner Grant applications due
- Tax Deferment applications due
- Last day to avoid 10% penalty on unpaid current taxes and unclaimed grants

July 5, 2017

- 10% penalty added to all unpaid current taxes and unclaimed grants

August 1, 2017

- Tax Installment Preauthorized Payment Plan (TIPP) deductions start for the next taxation year

September 25, 2017

- Statutory property tax sale for all properties three years in arrears of taxes

December 29, 2017

- Last day to pay current year taxes prior to rollover into arrears category. (Arrears and delinquent category taxes are subject to a daily interest penalty)



Property Tax Exemptions

Every year, the City of Courtenay receives applications from non-profit organizations that qualify for tax exemption under the requirements of Provincial legislation. For 2016, the following exemptions were approved by Council.

Registered Owners	Exempt Amount of City Property Taxes
Aaron House Ministries	\$1,963
Alano Club of Courtenay	2,490
Canadian Red Cross Society	1,818
City of Courtenay - Leased Office Space	3,248
Comox Valley Boys and Girls Club	1,403
Comox Valley Child Development Association	10,519
Comox Valley Curling Club	12,210
Comox Valley Family Services Association	4,502
Comox Valley Kiwanis Village Society	9,833
Comox Valley Pregnancy Care Centre	796
Comox Valley Recovery Centre Society	4,151
Comox Valley Transition Society	2,364
Courtenay & District Historical Soc. In Trust	1,883
Courtenay Elks Lodge	1,921
Eureka Support Society	2,637
Glacier View Lodge Society	43,178
Habitat for Humanity V.I. North Society	304
L'Arche Comox Valley	885
Nature Trust of B.C. - Sandpiper Park	5,359
Old Church Theatre Society	5,420
Royal Cdn. Legion, Courtenay Br. (Pacific) No. 17	7,045
Salvation Army	2,923
Saltwater Education Society	1,572
St. John the Divine Abbeyfield House Society	3,221
Stepping Stones Recovery House for Women Soc.	1,014
Upper Island Women of Native Ancestry	704
Youth for Christ Comox Valley	668
Total Non-Profit Annual Tax Exemptions	\$134,031

Council adopted a ten year Permissive Tax Bylaw to exempt the following City owned properties, managed/occupied by non-profit societies. The 2016 value of properties exempt is as follows:

Island Corridor Foundation	\$20,340
Total Island Corridor Foundation exemptions	\$20,340

Council adopted a five-year Permissive Tax Bylaw to exempt the following City owned properties, managed/occupied by non-profit societies. The 2016 value of properties exempt is as follows:

Comox Valley Centre of the Arts	\$24,194
Courtenay & District Museum	19,531
Courtenay Airpark	80,932
Courtenay Marina	9,697
McPhee Meadow Park	1,867
Morrison Nature Park	2,510
Sid Williams Theatre	22,609
Total City owned properties	\$161,340

Provincial Legislation (the Community Charter) statutorily exempts the building and the land on which the building stands, for places of worship, specific seniors' housing, hospitals and private schools. Council may, by bylaw, permissively exempt the land surrounding the building. In 2016, Council adopted a bylaw to exempt the following surrounding lands:

Anglican Synod Diocese of BC	\$2,020
Bishop of Victoria-Catholic Church	958
Central Evangelical Free Church	399
Courtenay Baptist Church	776
Elim Gospel Hall	879
Foursquare Gospel Church of Canada	5,036
Grace Baptist Church	140
Kingdom Hall of Jehovah Witnesses	622
LDS Church	1,346
Lutheran Church	699
River Heights Church Society	828
Salvation Army Canada West	323
Seventh Day Adventist Church	606
St. George's Church	663
Valley United Pentacostal Church	465
Total Permissive Surrounding Statutory Land Tax Exemptions	\$15,760
Total Permissive Exemptions - Overall	\$331,471


The Corporation of the City of Courtenay

Management's Responsibility for Financial Reporting

The preparation of information in these Consolidated Financial Statements is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards and are outlined under "Significant Accounting Policies" in the notes to the financial statements.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded, and reported properly. Management also maintains a program of proper business compliance.

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



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



Larry Jangula
Mayor

Meyers Norris Penny

Auditor's Report

To the Mayor and Council of the City of Courtenay:

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

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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

Opinion

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

Other Matters

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

Courtenay, British Columbia

June 19, 2017

MNP LLP

Chartered Professional Accountants

467 Cumberland Road, Courtenay, British Columbia, V9N 2C5 Ph: 250-338-5464

MNP LLP

The Corporation of the City of Courtenay

Consolidated Statement Of Financial Position - Statement A As at December 31, 2016

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

The accompanying notes are an integral part of these financial statements

The Corporation of the City of Courtenay

Consolidated Statement Of Operations - Statement B For the year ended December 31, 2016

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

The accompanying notes are an integral part of these financial statements

The Corporation of the City of Courtenay

Consolidated Statement Of Change in Net Financial Assets - Statement C Year ended December 31, 2016

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

The accompanying notes are an integral part of these financial statements

The Corporation of the City of Courtenay

Consolidated Statement Of Cash Flow - Statement D Year ended December 31, 2016

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

The accompanying notes are an integral part of these financial statements

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

(b) Revenue and Expense Recognition

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

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

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

Taxes for Municipal Purposes are recognized in the year levied.

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

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

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

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

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

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

(c) Accrued Payroll Benefits

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

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

(d) Use of Estimates

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

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

(e) Inventories

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

(f) Tangible Capital Assets

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

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

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

(g) Financial Instruments

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

(h) Debt Charges

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

(i) Receivables

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

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

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

(j) Accounts Payable

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

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

(k) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when; contamination exceeding an environmental standard exists, the City of Courtenay is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2016.

At each financial reporting date, the City of Courtenay reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period when revisions are made. The City of Courtenay continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) Recent Accounting Pronouncements

PS 2200 Related Party Disclosures

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

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

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

PS 3210 Assets

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

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions. The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

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

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

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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

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

PS 3320 Contingent Assets

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

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

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

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

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

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

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

PS 3380 Contractual Rights

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

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

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

PS 3430 Restructuring Transactions

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

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

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

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

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

The financial position and results of operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

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

2. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Regional District debt is, under the provisions of the Local Government Act (Section 836), a direct, joint and several liability of the District and each member municipality within the District, including the Corporation of the City of Courtenay. Readers are referred to the Comox Valley Regional District 2016 Audited Financial Statements for specific information and detail.

(b) Principal repayments on long-term debt in each of the next five years are estimated as follows:

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

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

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

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

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

3. PENSION LIABILITY

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

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

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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

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

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

4. HOST FINANCIAL ASSISTANCE AGREEMENT

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

5. FEDERAL GAS TAX AGREEMENT FUNDS

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

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

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

	2016	2015
Opening balance of unspent funds	\$3,735,925	\$4,008,322
Additions:		
Amounts received during the year	1,069,107	1,034,277
Interest earned	15,865	20,774
Deductions:		
Amount spent on projects	(87,500)	(1,327,448)
Closing balance of unspent funds	\$4,733,397	\$3,735,925

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

6. DEFERRED REVENUE - DEVELOPMENT COST CHARGES

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

2016 Development Cost Charge Reserves

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

2015 Development Cost Charge Reserves

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

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

7. TRUST AND ENDOWMENT FUNDS

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

CEMETERY PERPETUAL CARE FUND FINANCIAL POSITION		2016	2015	CEMETERY PERPETUAL CARE FUND FINANCIAL ACTIVITIES		2016	2015
Financial Assets				Revenue			
Cash on Hand	\$82,201	\$71,736	Fees Levied	\$9,711	\$11,966		
Investments - MFA	236,023	234,169	Interest Revenue	2,608	2,696		
Liabilities				Expenditure			
Interest Payable to City	5,303	2,696	Interest Expense	2,608	2,696		
Net Financial Position	\$312,921	\$303,209	Excess Revenue over Expenditure	\$9,711	\$11,966		

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

8. DEFERRED REVENUE – OTHER

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

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

9. MFA DEBT RESERVE FUNDS

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

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

10. EMPLOYEE RETIREMENT BENEFIT LIABILITY

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

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

11. CONSOLIDATED SEGMENT DISCLOSURE BY SERVICE

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

General Government Services

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

Protective Services

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

Transportation Services

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

Environmental Health Services

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

Public Health and Welfare Services Includes cemetery services.

Environmental Development Services

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

Recreational and Cultural Services

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

Water Utility Services

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

The Corporation of the City of Courtenay

Notes to Consolidated Financial Statements

Year ended December 31, 2016

Sewer Utility Services

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

Other Services

Includes the operations of the Sid Williams Theatre.

12. TANGIBLE CAPITAL ASSET DETAILS (See Schedule 3 for further details)

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

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

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

13. RESTATEMENT OF 2016 BUDGET

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

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

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

Adjustments to 2016 Budgeted Annual Surplus

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

The Corporation of the City of Courtenay

Consolidated Schedule of Segment Disclosure by Service - Schedule 1 For the year ended December 31, 2016 (Audited)

(Note 13)
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	General Government Services		Protective Services		Transportation Services		Environmental Health Services	
	2016	2015	2016	2015	2016	2015	2016	2015
REVENUE								
Taxation	\$21,603,976	\$20,746,851						
Sales of Services			887,972	806,693			3,073,262	3,023,920
Revenue from Own Sources			858,811	1,240,560	47,356	86,600		
Government Transfers	1,196,053	1,284,803	76,006	17,825	1,158,804	1,060,403	-	-
Other Revenue	94,430	86,543			132,218	50,666		
Other Contributions	-	166,309			2,306,421	1,793,030	661,925	409,432
Interest Earned	848,349	856,382	2,106	5,974	27,320	35,368		
Actuarial Adjustment	45,549	26,881		119,987				
Proceeds on sale of TCA	-	2,000	200		6,585	20,740		
Total Revenues	23,788,357	23,169,769	1,825,095	2,191,039	3,678,704	3,046,807	3,735,187	3,433,352
EXPENSES								
Salaries and Benefits	3,090,741	2,886,969	1,905,934	1,610,394	2,357,809	1,979,066	55,009	55,794
Goods and Services	1,260,600	1,132,525	5,835,208	6,217,957	1,806,460	1,343,946	2,909,185	2,747,548
Amortization Expense	170,291	170,925	345,789	292,512	2,618,140	2,462,585	318,718	280,487
Debt Servicing	16,080	24,034	35,907	80,007	236,551	263,575		
Other Expenditures	191,383	396,813	2,398	174,021	15,323	218,524	430	5,000
Loss on Disposal of TCA	1,563				3,497		8,157	
Total Expenses	4,730,658	4,611,266	8,125,236	8,374,891	7,037,780	6,267,696	3,291,499	3,088,829
ANNUAL SURPLUS	\$19,057,699	\$18,558,503	\$(6,300,141)	\$(6,183,852)	\$(3,359,076)	\$(3,220,889)	\$443,688	\$344,523

The Corporation of the City of Courtenay

Consolidated Schedule of Segment Disclosure by Service - Schedule 1 (continued) For the year ended December 31, 2016 (Audited)

(Note 13)
Page 2 of 3

	Public Health & Welfare Services		Environmental Development Services		Recreational and Cultural Services		Water Utility Services	
	2016	2015	2016	2015	2016	2015	2016	2015
REVENUE								
Taxation							\$709,738	\$697,061
Sales of Services							4,956,600	4,643,240
Revenue from Own Sources			510,715	482,351	1,612,910	1,593,716	122,574	116,095
Government Transfers	88,353	90,532	20,000	1,100	82,097	92,408	-	36,700
Other Revenue	128,455	143,966	290,282	227,915	24,857	60,525	12,000	
Other Contributions			233,188	139,500	141,459	234,845	504,275	307,486
Interest Earned			3,539	3,583	14,139	15,759	6,952	8,473
Actuarial Adjustment								
Proceeds on sale of TCA								
Total Revenues	216,808	234,498	1,057,724	854,449	1,875,462	1,997,253	6,312,139	5,809,055
EXPENSES								
Salaries and Benefits	162,794	163,223	712,196	547,205	4,304,997	3,652,569	681,696	608,242
Goods and Services	72,805	81,396	440,246	272,741	2,752,573	2,306,143	2,915,963	2,723,450
Amortization Expense	24,392	22,020	2,533	2,533	800,883	786,895	371,577	353,082
Debt Servicing					118,425	42,269	7,451	20,745
Other Expenditures	-	-	94,573	6,288	644,699	541,891	37,158	40,126
Loss on Disposal of TCA					7,668		18,497	
Total Expenses	259,991	266,639	1,249,548	828,767	8,629,245	7,329,767	4,032,342	3,745,645
ANNUAL SURPLUS	\$(43,183)	\$(32,141)	\$(191,824)	\$25,682	\$(6,753,783)	\$(5,332,514)	\$2,279,797	\$2,063,410

The Corporation of the City of Courtenay

Consolidated Schedule of Segment Disclosure by Service - Schedule 1 (continued) For the year ended December 31, 2016 (Audited)

(Note 13)
Page 3 of 3

	Sewer Utility Services		Other Services		Consolidated	
	2016	2015	2016	2015	2016	2015
REVENUE						
Taxation	\$1,949,511	\$1,915,852			\$24,263,225	\$23,359,764
Sales of Services	3,883,643	3,518,427	624,186	507,106	13,425,663	12,499,386
Revenue from Own Sources	2,445	49,000			3,154,810	3,568,322
Government Transfers	10,000		67,500	63,750	2,698,813	2,647,521
Other Revenue					682,242	569,615
Other Contributions	475,163	839,531	55,912	64,606	4,378,343	3,954,739
Interest Earned	5,547	5,960	14,523	26,662	922,476	958,161
Actuarial Adjustment					45,551	146,868
Proceeds on sale of TCA					6,785	22,740
Total Revenues	6,326,309	6,328,770	762,121	662,124	49,577,908	47,727,116
EXPENSES						
Salaries and Benefits	449,920	350,897	643,891	575,559	14,364,987	12,429,918
Goods and Services	943,956	810,026	376,000	300,328	19,312,996	17,936,060
Amortization Expense	238,117	199,680			4,890,442	4,569,989
Debt Servicing	20,334	47,845			434,748	478,475
Other Expenditures	4,484,685	3,069,188			5,470,649	4,451,851
Loss on Disposal of TCA	22,095	732			61,477	732
Total Expenses	6,159,107	4,478,368	1,019,891	875,887	44,535,297	39,867,755
ANNUAL SURPLUS	\$167,202	\$1,850,402	\$(257,770)	\$(213,763)	\$5,042,611	\$7,859,361

The Corporation of the City of Courtenay

Consolidated Schedule Of Accumulated Surplus & Reserves - Schedule 2 For the year ended December 31, 2016 (Unaudited)

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

The Corporation of the City of Courtenay

Consolidated Schedule of Tangible Capital Assets - Schedule 3 For the year ended December 31, 2016 (Audited)

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

The Corporation of the City of Courtenay

Consolidated Schedule of Debenture and Other Long-Term Debt - Schedule 4

For the year ended December 31, 2016 (Audited)

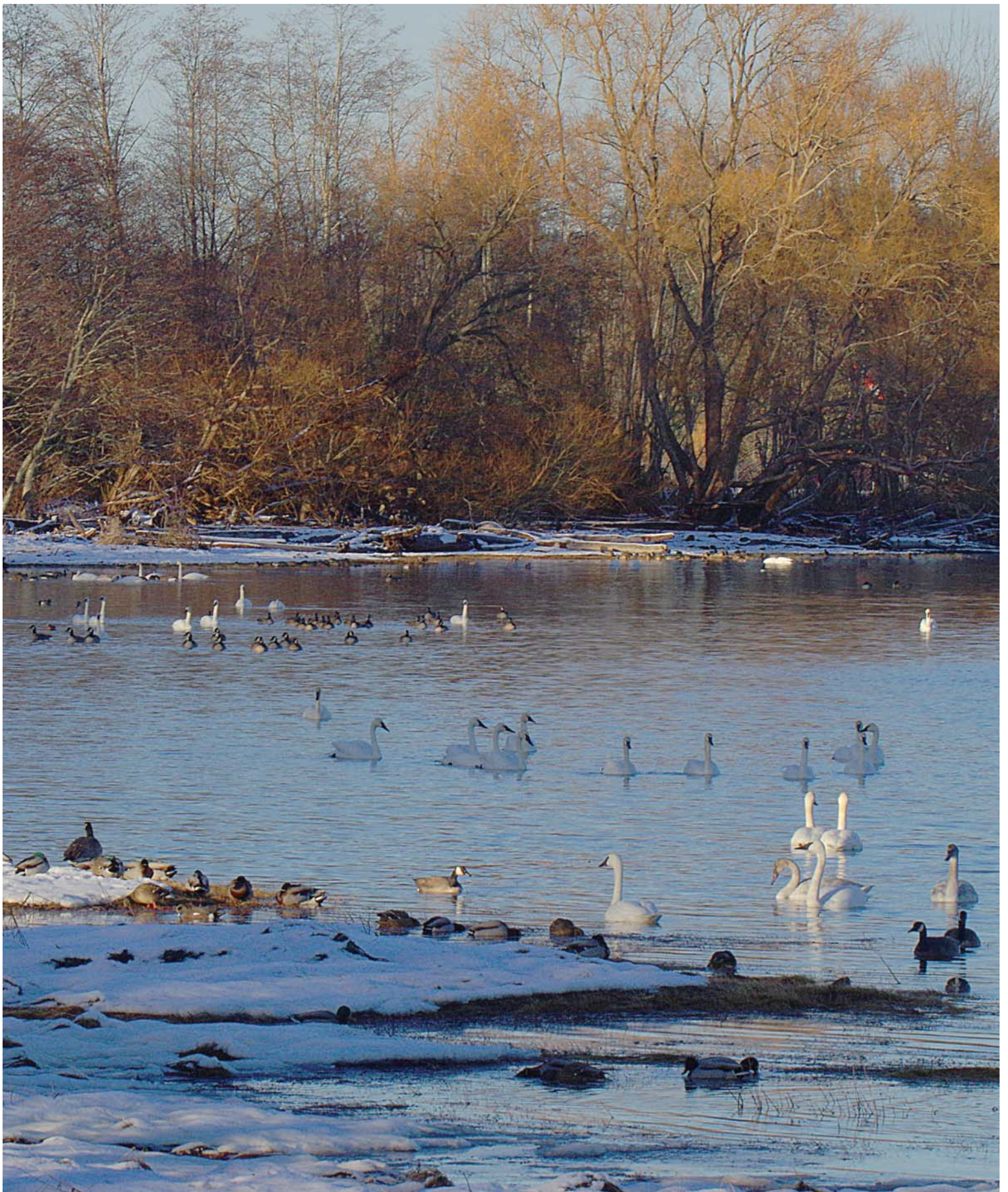
Bylaw Number	Maturity Date	Interest Rate	Principal Outstanding Dec 31/15	Current Year Borrowing	Actuarial Adjustment/ Princ. Reduct.	Principal Outstanding Dec 31/16	
General Capital Fund							
Debtenture Debt							
2171	Library	2021	3.05	1,018,217	149,696	868,521	
2266	Infrastructure Works - MFA	2018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

The Corporation of the City of Courtenay

Consolidated Schedule Of Investments - Schedule 5

For the year ended December 31, 2016 (Audited)

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



CITY OF
COURTENAY

830 CLIFFE AVENUE, COURTENAY, BC V9N 2J7
Tel 250-334-4441 | Fax 250-334-4241 | Email info@courtenay.ca

courtenay.ca
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