

City of Nanaimo

Swy-A-Lana Lagoon



ANNUAL FINANCIAL STATEMENTS

2012

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2012

<u>INDEX</u>	<u>PAGE</u>
Management Report	1
Auditors' Report	2-3
Consolidated Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-26
Schedule of Operations by Segment	27-28
Schedule of Tangible Capital Assets	29

CITY OF NANAIMO
2012 FINANCIAL STATEMENTS
MANAGEMENT REPORT

The Council of the City of Nanaimo has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the City of Nanaimo. The financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for preparation of financial statements. These systems are monitored and evaluated by management.

The City of Nanaimo's independent auditors, KPMG LLP, are engaged to express an opinion as to whether these financial statements present fairly the City of Nanaimo's financial position and operating results in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all significant respects, the financial position of the City of Nanaimo as at December 31, 2012.



B. E. Clemens, CMA
Director of Finance



J. R. Ruttan
Mayor

April 15, 2013



KPMG Enterprise™
Metrotower II 2400 – 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca/enterprise

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Nanaimo, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Nanaimo as at December 31, 2012, and its consolidated results of operations, its changes in net consolidated financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

April 15, 2013

Burnaby, Canada

CITY OF NANAIMO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2012, with comparative figures for 2011

	2012 Actual	2011 Actual Recast (Note 2)
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 57,700,182	\$ 39,954,398
Accounts receivable and other assets (Note 3)	24,344,242	19,409,797
Development cost charges receivable (Note 4)	880,015	1,046,537
Portfolio investments (Note 5)	93,401,796	113,928,279
	<u>176,326,235</u>	<u>174,339,011</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	31,992,980	22,195,046
Post-employment benefits payable (Note 7)	6,241,975	5,954,564
Deferred revenue and other liabilities (Note 8)	12,990,787	13,766,134
Deferred development cost charges (Note 9)	34,468,404	34,239,271
Due to Cemetery Care fund (Note 10)	509,488	503,140
Debt (Note 11)	33,152,899	35,193,419
	<u>119,356,533</u>	<u>111,851,574</u>
NET FINANCIAL ASSETS	<u>56,969,702</u>	<u>62,487,437</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	586,111,331	556,477,111
Prepaid expenses	1,250,174	870,433
Inventories of supplies	578,702	721,790
	<u>587,940,207</u>	<u>558,069,334</u>
ACCUMULATED SURPLUS (Note 2 and 13)	<u>\$ 644,909,909</u>	<u>\$ 620,556,771</u>

Commitments and contingencies (Note 14)



B. E. Clemens, CMA
Director of Finance



J. R. Ruttan
Mayor

The accompanying notes form an integral part of the financial statements

CITY OF NANAIMO
CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited Note 14)	2012 Actual	2011 Actual Recast (Note 2)
REVENUES			
Taxes	\$ 87,524,673	\$ 87,386,690	\$ 83,876,786
Payments in lieu of taxes	1,256,940	1,398,588	1,204,333
Taxation and payments in lieu (Note 16)	88,781,613	88,785,278	85,081,119
User fees and sales of services (Note 17)	30,473,622	30,871,190	28,840,649
Investment income	2,943,493	3,498,620	3,756,821
Other revenue	8,468,242	9,473,103	9,068,202
Development cost charges (Note 9)	7,684,653	4,810,065	7,707,703
Donations and contributions - capital	1,288,420	1,214,965	1,257,965
Transfers from other governments - capital (Note 18)	8,344,685	8,518,460	925,600
Transfers from other governments - operating (Note 18)	5,524,327	5,739,599	5,478,365
Municipal Finance Authority refunds and debt forgiven	-	119,159	685,729
Developer assets provided (Note 12)	-	7,948,337	4,037,351
Gain (loss) on sale of assets	-	(705,491)	558,189
	153,509,055	160,273,285	147,397,693
EXPENSES			
Corporate services	11,421,135	9,371,524	9,217,202
Development services	9,971,458	9,625,776	9,277,772
Community safety	40,003,110	39,754,798	37,528,146
Strategic relationships	8,351,711	8,035,616	7,428,497
Parks, recreation and culture	29,662,338	31,653,640	28,791,355
Engineering and public works	24,955,880	24,371,693	23,621,619
Sewer system	4,916,872	4,251,970	4,024,334
Waterworks	8,911,764	8,855,130	8,205,732
	138,194,268	135,920,147	128,094,657
ANNUAL SURPLUS	15,314,787	24,353,138	19,303,036
ACCUMULATED SURPLUS - BEGINNING OF YEAR	620,556,771	620,556,771	601,253,735
ACCUMULATED SURPLUS - END OF YEAR	\$ 635,871,558	\$ 644,909,909	\$ 620,556,771

The accompanying notes form an integral part of the financial statements

CITY OF NANAIMO

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

for the year ended December 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited Note 15)	2012 Actual	2011 Actual Recast (Note 2)
ANNUAL SURPLUS	\$ 15,314,787	\$ 24,353,138	\$ 19,303,036
Acquisition of tangible capital assets	(62,834,073)	(42,050,726)	(25,696,611)
Developer contributed capital assets	-	(7,948,337)	(4,037,351)
	(62,834,073)	(49,999,063)	(29,733,962)
Amortization of tangible capital assets	19,059,483	19,424,028	19,160,655
(Gain) loss on sale of tangible capital assets	-	705,491	(558,189)
Proceeds on sale of tangible capital assets	-	235,324	792,144
	(43,774,590)	(29,634,220)	(10,339,352)
Acquisition of inventories of supplies	-	(3,633,420)	(3,525,168)
Acquisition of prepaid expenses	-	(1,227,710)	(839,182)
Consumption of inventories of supplies	-	3,776,508	3,480,566
Use of prepaid expenses	-	847,969	520,017
	-	(236,653)	(363,767)
CHANGE IN NET FINANCIAL ASSETS	(28,459,803)	(5,517,735)	8,599,917
NET FINANCIAL ASSETS - BEGINNING OF YEAR	62,487,437	62,487,437	53,887,520
NET FINANCIAL ASSETS - END OF YEAR	\$ 34,027,634	\$ 56,969,702	\$ 62,487,437

The accompanying notes form an integral part of the financial statements

CITY OF NANAIMO
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2012, with comparative figures for 2011

	2012	2011
	Actual	Actual
		Recast (Note 2)
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual surplus	\$ 24,353,138	\$ 19,303,036
Non-cash items		
Amortization	19,424,028	19,160,655
Developer assets provided	(7,948,337)	(4,037,351)
(Gain) loss on sale of tangible capital assets	705,491	(558,189)
Development cost charges recognized as revenue	(4,810,065)	(7,707,703)
Debt forgiven	-	(492,038)
Actuarial adjustments	(449,267)	(659,588)
Change in non-cash operating assets and liabilities		
Accounts receivable	(4,767,923)	(2,187,362)
Accounts payable	10,085,345	4,569,519
Deferred revenue	(775,347)	1,336,464
Due to Cemetery Care Fund	6,348	10,340
Inventories of supplies	143,088	(44,602)
Prepaid expenses	(379,741)	(319,165)
Net change in cash from operating transactions	35,586,758	28,374,016
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(42,050,726)	(25,696,611)
Proceeds from the sale of tangible capital assets	235,324	792,144
Net change in cash from capital transactions	(41,815,402)	(24,904,467)
INVESTING TRANSACTIONS		
Change in investments	20,526,483	4,576,426
FINANCING TRANSACTIONS		
Debt repayment	(1,591,253)	(1,794,864)
Deferred development cost charges	5,039,198	5,628,914
Net change in cash from financing transactions	3,447,945	3,834,050
CHANGE IN CASH AND CASH EQUIVALENTS	17,745,784	11,880,025
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	39,954,398	28,074,373
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 57,700,182	\$ 39,954,398

The accompanying notes form an integral part of the financial statements

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

The City of Nanaimo (the City) was incorporated December 24, 1874 under a statute of the Province of British Columbia now known as the *Community Charter*. The principal activities of the City are preservation, protection and enhancement of the quality of life in Nanaimo through the facilitation of municipal services in an equitable, efficient and effective manner.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The City prepares its consolidated financial statements in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The following include significant policies that have been adopted by the City:

(a) Basis of Consolidation

The City's resources and operations are segregated into general, water, sewer, capital and reserve funds. The consolidated financial statements reflect the assets, liabilities, revenues and expenses of these funds.

(i) Consolidated Entities

The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These organizations include the Nanaimo Economic Development Corporation and the Vancouver Island Conference Centre.

(b) Basis of Accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the delivery of goods or services and/or upon the creation of a legal obligation to pay. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

(c) Government Transfers

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Cash and Cash Equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Municipal Finance Authority of British Columbia (MFA) Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(e) Portfolio Investments

Portfolio investments consist of term deposits and debentures which are expected to be held for a term exceeding 90 days. Investments are recorded at cost. When, in the opinion of management, there is a decline in value, other than a temporary decline, investments are written down to their net realizable value.

(f) Accounts Receivable

Accounts receivable are net of an allowance for doubtful accounts and therefore represent amounts expected to be collected.

(g) Development Cost Charges

Deferred development cost charges are restricted by legislation to expenditures on capital infrastructure and related debt servicing costs and operating projects. These amounts are deferred upon receipt and recognized as revenue when the expenditures are incurred in accordance with the restrictions.

(h) Deferred Revenue

The City defers a portion of the revenue collected from permits, licenses and other fees and recognizes this revenue in the year in which related inspections are performed or other related expenditures are incurred.

(i) Post-Employment Benefits

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred. Post-employment benefits also accrue to the City's employees. The liabilities related to these termination benefits and earned sick leave are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefit plans are accrued based on projected benefits prorated as employees render services necessary to earn the future benefits. Actuarial gains and losses on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Post-Employment Benefits (Continued)

The net accumulated actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the post-employment plan is 13 years for sick leave benefits and 14 years for retirement allowance benefits.

(j) Debt

Debt is recorded net of related sinking fund balances.

(k) Non-Financial Assets

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

(i) Tangible Capital Assets

Tangible capital assets are comprised of capital assets and capital works in progress, and are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost of the tangible capital assets, excluding land, are amortized on a straight-line basis over the estimated useful lives of the assets, commencing at the time the assets are available for use.

Estimated useful lives are as follows:

Asset	Useful Life - Years
Land Improvements	10 – 60
Leasehold Improvements	10 – 30
Marine Structures	15 – 35
Buildings	10 – 40
Vehicles and Equipment	2 – 25
IT Infrastructure	4 – 10
Drainage	25 – 75
Transportation – Linear Infrastructure, Lighting and Signals	10 – 80
Sewer – Linear Infrastructure and Equipment	8 – 60
Water – Linear Infrastructure and Equipment	8 – 80

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) **Tangible Capital Assets (Continued)**

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of the future economic benefits associated with the asset are less than the book value of the asset.

(ii) **Contribution of Tangible Capital Assets**

Subdivision streets, lighting, sidewalks, drainage and other infrastructure assets are required to be provided by subdivision developers. Tangible capital assets received from developers are recorded at their fair value at the date of receipt and also recorded as revenue. The City is not involved in the construction and does not budget for assets received from developers.

(iii) **Natural Resources**

Natural resources are not recognized as assets in the financial statements.

(iv) **Works of Art and Cultural and Historical Assets**

Works of art and cultural and historical assets are not recognized as assets in the financial statements.

(v) **Interest Capitalization**

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) **Leased Tangible Capital Assets**

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vii) **Inventories of Supplies**

Inventories of supplies are recorded at cost, net of an allowance for obsolete stock. Cost is determined on a weighted average basis.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of post-employment benefits, collectability of accounts receivable, useful lives of tangible assets for calculation of amortization and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

NOTE 2 – RECAST OF PRIOR PERIOD BALANCES

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The City retroactively recast the comparative 2011 financial statements to remove the cemetery trust fund assets and liabilities in accordance with Public Sector Accounting Standards, Section 1300. The impact of this immaterial adjustment is as follows:

2011 Accumulated Surplus

January 1, 2011 Accumulated Surplus – as previously reported	\$ 601,746,535
Less: Cemetery Care Fund Reserve Balance at January 1, 2011	<u>(492,800)</u>
January 1, 2011 Accumulated Surplus – as recast	<u>\$ 601,253,735</u>

2011 Annual Surplus

Annual Surplus as Previously Reported	\$ 19,313,376
Less: Cemetery Revenue	<u>(10,340)</u>
Annual Surplus – as recast	<u>\$ 19,303,036</u>

NOTE 3 – ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
Property Taxes	\$ 4,899,757	\$ 4,188,254
Other Governments	9,725,534	4,859,588
Trade and Other	<u>9,718,951</u>	<u>10,361,955</u>
	<u>\$ 24,344,242</u>	<u>\$ 19,409,797</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 4 – DEVELOPMENT COST CHARGES RECEIVABLE

	<u>2012</u>	<u>2011</u>
Installments Receivable:		
2012	\$ -	\$ 632,578
2013	637,307	413,959
2014	<u>242,708</u>	<u>-</u>
	<u>\$ 880,015</u>	<u>\$ 1,046,537</u>

Development cost charges are collected on the approval of a subdivision or the issuance of a building permit. These funds assist the City in the cost of development including constructing capital improvements, operating projects and the related debt servicing costs. Installments receivable represent funds due from developers within two years and are secured by irrevocable standby letters of credit and/or cash on deposit. No interest is charged on these outstanding installments.

NOTE 5 – PORTFOLIO INVESTMENTS

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Term Deposits	\$ 71,343,123	\$ 71,343,123	\$ 84,751,792	\$ 84,751,792
Debentures	<u>22,058,673</u>	<u>22,158,550</u>	<u>29,176,487</u>	<u>29,655,250</u>
	<u>\$ 93,401,796</u>	<u>\$ 93,501,673</u>	<u>\$ 113,928,279</u>	<u>\$ 114,407,042</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2012</u>	<u>2011</u>
Trade and Other	\$ 13,590,937	\$ 9,805,798
RCMP Contract	5,441,182	4,520,459
Deposits	4,531,549	3,491,073
Accrued Wages and Benefits	4,121,843	3,350,226
Colliery Dam Remediation	3,140,000	-
Other Governments	<u>1,167,469</u>	<u>1,027,490</u>
	<u>\$ 31,992,980</u>	<u>\$ 22,195,046</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 7 – POST EMPLOYMENT BENEFITS PAYABLE

The City provides certain post-employment benefits, non-vested sick leave, compensated absences and termination benefits to its employees. An actuarial valuation for these benefits was performed to determine the City’s accrued benefit obligation as at December 31, 2010 and the results are extrapolated to December 31, 2012. Significant assumptions used in the valuation include a discount rate of 4.75%, inflation of 2% and compensation increases, excluding merit and promotion, of 3%. There are unamortized actuarial losses of \$336,529 (2011 – \$367,346).

	<u>2012</u>	<u>2011</u>
Actuarial Benefit Obligation, beginning of year	\$ 6,321,910	\$ 6,142,205
Unamortized Actuarial Losses, beginning of year	<u>(367,346)</u>	<u>(398,163)</u>
	5,954,564	5,744,042
Current Service Cost	529,835	494,710
Interest Cost	299,277	289,155
Benefits Paid	(572,518)	(604,160)
Amortization of Actuarial Loss	<u>30,817</u>	<u>30,817</u>
	<u>\$ 6,241,975</u>	<u>\$ 5,954,564</u>
Actuarial Benefit Obligation, end of year	\$ 6,578,504	\$ 6,321,910
Unamortized Actuarial Losses, end of year	<u>(336,529)</u>	<u>(367,346)</u>
Accrued Benefit Obligation, end of year	<u>\$ 6,241,975</u>	<u>\$ 5,954,564</u>

Actuarial gains and losses are amortized over 13 – 14 years, being the expected average remaining service period of the related employee group, commencing the year after the gain or loss arises.

NOTE 8 – DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2012</u>	<u>2011</u>
Tax Prepayments	\$ 9,421,128	\$ 9,325,871
Other Prepayments	3,562,253	3,139,559
Other Liabilities	<u>7,406</u>	<u>1,300,704</u>
	<u>\$ 12,990,787</u>	<u>\$ 13,766,134</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 9 – DEFERRED DEVELOPMENT COST CHARGES

	<u>2012</u>	<u>2011</u>
Deferred Development Cost Charges – beginning of year	\$ 34,239,271	\$ 36,318,060
Additions	4,280,067	4,741,921
Interest Earned	759,131	886,993
Revenue Recognized	<u>(4,810,065)</u>	<u>(7,707,703)</u>
Deferred Development Cost Charges – end of year	<u>\$ 34,468,404</u>	<u>\$ 34,239,271</u>

NOTE 10 – CEMETERY CARE FUND

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The trust fund assets and liabilities are not included in the consolidated financial statements. At December 31, 2012, the balance of funds held in trust was \$509,488 (2011 – \$503,140).

NOTE 11 – DEBT, NET OF MUNICIPAL FINANCE AUTHORITY (MFA) SINKING FUND DEPOSITS

The City issues debt instruments through the MFA pursuant to security issuing bylaws under authority of the *Community Charter* to finance certain capital expenditures.

\$31,854,254 (2011 – \$33,783,922) of debt is with the MFA. Payments of \$12,383,274 on the amount borrowed of \$44,237,528 are held in a sinking fund by the MFA. The remaining \$1,298,645 (2011 – \$1,409,497) is with the Royal Bank. The rates of interest on the principal amount of the MFA debentures vary between 3.00% and 4.82% per annum. The rate of interest on the Royal Bank debt is 5.48%.

	<u>2012</u>	<u>2011</u>
Total Outstanding Debt – beginning of the year	\$ 35,193,419	\$ 38,139,909
Reduction of Long-term Debt	2,040,520	2,454,452
Debt Forgiven	<u>-</u>	<u>492,038</u>
Total Outstanding Debt – end of year	<u>\$ 33,152,899</u>	<u>\$ 35,193,419</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 11 – DEBT, NET OF MUNICIPAL FINANCE AUTHORITY (MFA) SINKING FUND DEPOSITS (CONTINUED)

Future payments on net outstanding debt over the next five years and thereafter are as follows:

<u>Year</u>	<u>General</u>	<u>Water</u>	<u>Total</u>
2013	\$ 2,014,176	\$ 113,650	\$ 2,127,826
2014	2,099,137	119,333	2,218,470
2015	2,187,691	125,299	2,312,990
2016	2,256,364	-	2,256,364
2017	2,351,685	-	2,351,685
Thereafter	<u>21,885,564</u>	<u>-</u>	<u>21,885,564</u>
	<u>\$ 32,794,617</u>	<u>\$ 358,282</u>	<u>\$ 33,152,899</u>

The \$1,298,645 (2011 – \$1,409,497) loan from the Royal Bank has been secured by a collateral mortgage in the amount of \$4,000,000 covering the Harbourfront Parkade and lot located on the Gordon Street site.

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding 2012</u>	<u>Balance Outstanding 2011</u>
<u>General Fund</u>						
5456	73	Local Improvement, 2000	3.15	2015	\$ 64,621	\$ 84,333
5425	72	Leisure and Aquatic Centre	3.15	2020	2,319,585	2,556,226
5457	73	Leisure and Aquatic Centre	3.15	2020	2,113,400	2,329,006
Royal Bank		Harbourfront Parkade	5.48	2021	1,298,645	1,409,497
5750	99	Port of Nanaimo Centre	4.43	2026	11,658,796	12,271,656
5750	101	Port of Nanaimo Centre	4.52	2027	12,271,656	12,860,945
7050	102	Fire Station #4	4.82	2027	<u>3,067,914</u>	<u>3,215,236</u>
					32,794,617	34,726,899
<u>Waterworks Fund</u>						
50	61	North Nanaimo Reservoir	3.00	2015	<u>358,282</u>	<u>466,520</u>
Total Outstanding Debt					33,152,899	35,193,419
<u>Authorized and Unissued Debt</u>						
7127		Water Treatment Plant			<u>22,500,000</u>	<u>22,500,000</u>
Total					\$ 55,652,899	\$ 57,693,419

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 12 – TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2012</u>	<u>2011</u>
Land	\$ 65,986,378	\$ 61,860,187
Land Improvements	14,560,624	14,489,655
Leasehold Improvements	478,596	578,869
Marine Structures	257,755	298,115
Buildings	133,749,917	122,313,666
Vehicles and Equipment	13,602,322	12,373,236
IT Infrastructure	2,150,586	1,537,446
Drainage	71,999,328	70,592,574
Transportation	146,020,815	142,550,181
Sewer	16,751,735	15,909,164
Water	<u>102,231,369</u>	<u>96,251,462</u>
	567,789,425	538,754,555
Work In Progress	<u>18,321,906</u>	<u>17,722,556</u>
	<u>\$ 586,111,331</u>	<u>\$ 556,477,111</u>

See schedule of tangible capital assets (page 29) for more information. There were no write downs of tangible capital assets for 2012 and 2011. Developer contributed assets recognized in 2012 were \$7,948,337 (2011 - \$4,037,351) recorded at fair market value at the end of the maintenance period. These include transportation, drainage, sewer and water infrastructure, trailways and the land under these assets.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 13 – ACCUMULATED SURPLUS

	<u>2012</u>	<u>2011</u> Recast (Note 2)
Reserve Accounts – Note 23	\$ 60,634,208	\$ 65,971,063
Surplus (Deficit) – General	(62,184)	3,012,677
Surplus – Sewer System	6,567,284	6,495,681
Surplus – Waterworks	5,494,537	5,448,305
Investment in Tangible Capital Assets – Note 19	552,958,432	521,283,692
Community Works Reserve Fund (Gas Tax Agreement)	11,488,367	9,127,944
Equipment Depreciation Reserve	2,363,153	2,963,831
Facility Development (Recreation) Reserve	280,557	1,135,908
Property Sales Reserve	2,791,286	2,610,280
Local Improvement Reserve	1,520,661	1,484,889
Knowles Estate Reserve	443,276	437,132
Parkland Dedication Reserve	349,549	506,416
Old City Neighborhood Parking Reserve	<u>80,783</u>	<u>78,953</u>
	<u>\$ 644,909,909</u>	<u>\$ 620,556,771</u>

NOTE 14 – COMMITMENTS AND CONTINGENCIES

(a) Liability Claims

In the ordinary course of business, various claims and lawsuits are brought against the City. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. The City accrues the best estimate of costs to settle claims and any subsequent adjustments will be recorded in the period the claim is settled. Liability insurance is carried by the City, subject to a deductible of \$25,000 per claim. Effective January 1, 2002, the City no longer has insurance coverage for claims filed after that date resulting from construction deficiencies related to building envelope failure.

(b) BC Assessment Authority Appeals

As at December 31, 2012, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes a provision against property taxes receivable for the impact of appeals where the losses are likely and the amounts are reasonably determinable.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Joint and Several Liabilities

The City has a contingent liability with respect to debentures of the Regional District of Nanaimo and the Regional Hospital District of Nanaimo, to the extent provided for in their respective Acts of Incorporation. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

The City issues its debt instruments through the MFA. Demand notes are executed in connection with each debenture whereby the City may be required to pay certain amounts to the Regional District of Nanaimo. These demand notes of \$1,396,271 (2011 – \$1,396,271) are contingent in nature and are not reflected in the accounts.

The City is a participant in the Municipal Insurance Association of British Columbia (the Association). Should the Association pay out claims in excess of premiums received, it is possible that the City, along with other participants, would be required to contribute towards the deficit.

(d) Site Restoration

Due to the past use of the former site of the Nanaimo foundry, should this property be developed, restoration work would be required to address environmental concerns. In 2011, Council rezoned this property as park land. There is no further intention for remediation and the cost has not been determined.

(e) Royal Canadian Mounted Police (RCMP)

The City has a contract with the federal government whereby the federal government provides RCMP policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the financial statements as at December 31, 2012.

(f) Credit Facilities

The City has adopted a revenue anticipation borrowing bylaw to support a credit facility in the amount of \$2,000,000 with an interest rate of Royal Bank Prime Rate less .5%. This facility creates a floating charge on certain assets and undertakings of the City. At December 31, 2012, no amounts were drawn against this facility.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

(g) Commitments

The City has \$28.5 million in open purchase orders at year end which have not been recorded in the financial statements. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the period that the goods and services, to which they relate, are received. Since the beginning of 2013 and prior to the preparation of these financial statements, an additional \$1.3 million in contracts have been awarded.

The City has entered into an operating lease for the purposes of acquiring gym equipment for the Nanaimo Aquatic Centre. The minimum lease payments to the end of the lease term in September 2015 are \$119,270 (2011 – \$31,693).

NOTE 15 – ANNUAL BUDGET

The financial statements have included the Annual Budget as approved by Council on May 14, 2012. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 15,314,787
Cemetery Care Fund – not in reporting entity	7,500
Development Cost Charges – change from restricted revenue presentation	<u>(3,266,809)</u>
Annual Surplus from the 2012 Financial Plan	12,055,478
Amortization, not funded	19,059,483
Capital Expenditures	(62,834,073)
Proceeds from Borrowing	480,000
Principal Repayment of Debt	(2,532,798)
Transfers from Accumulated Surplus	<u>33,771,910</u>
Net Annual Budget - as approved	<u>\$ -</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 16 – TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2012</u> <u>Total</u>	<u>2011</u> <u>Total</u>
Property Taxes	\$ 85,859,203	\$ 54,594,332	\$ 140,453,535	\$ 135,621,192
Local Improvement Frontage Fees	20,627	-	20,627	25,807
Business Improvement Area Levies	218,545	-	218,545	211,664
Taxes in Lieu of Licences	1,288,315	-	1,288,315	1,242,498
Payments in Lieu of Taxes	<u>1,398,588</u>	<u>484,037</u>	<u>1,882,625</u>	<u>1,665,590</u>
	<u>\$ 88,785,278</u>	<u>\$ 55,078,369</u>	<u>143,863,647</u>	<u>138,766,751</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			37,278,598	36,988,206
Regional District of Nanaimo			13,291,992	12,266,276
Nanaimo Regional Hospital District			3,444,669	3,346,856
Other Agencies			<u>1,063,110</u>	<u>1,084,294</u>
			<u>55,078,369</u>	<u>53,685,632</u>
Taxes Available for Municipal Purposes			<u>\$ 88,785,278</u>	<u>\$ 85,081,119</u>

NOTE 17 – USER FEES AND SALES OF SERVICES

	<u>2012</u>	<u>2011</u> Recast (Note 2)
Waterworks	\$ 11,932,673	\$ 11,252,876
Recreation Programs	5,849,978	5,780,201
Sewer System	5,006,930	4,719,216
Garbage Collection	3,228,844	2,920,319
Vancouver Island Conference Centre	2,087,020	1,740,769
Public Works	1,104,650	911,998
Parking	1,057,688	1,044,370
Other	435,768	276,128
Community Safety	<u>167,639</u>	<u>194,772</u>
	<u>\$ 30,871,190</u>	<u>\$ 28,840,649</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 18 – TRANSFERS FROM OTHER GOVERNMENTS

	<u>2012</u>	<u>2011</u>
<u>Federal</u>		
Capital	\$ 3,389,574	\$ 41,550
Other	<u>10,301</u>	<u>13,799</u>
	<u>3,399,875</u>	<u>55,349</u>
<u>Provincial</u>		
Capital	5,128,886	884,050
Casino Gaming	2,301,777	2,479,871
Revenue Sharing	1,834,285	1,711,541
Other	<u>212,486</u>	<u>210,707</u>
	<u>9,477,434</u>	<u>5,286,169</u>
<u>Regional District of Nanaimo</u>		
Recreation Services, Sports Fields and Other	<u>1,380,750</u>	<u>1,062,447</u>
 Total Transfers from Other Governments	 <u>\$ 14,258,059</u>	 <u>\$ 6,403,965</u>
 Capital Transfers from Other Governments	 \$ 8,518,460	 \$ 925,600
Operating Transfers from Other Governments	<u>5,739,599</u>	<u>5,478,365</u>
Total Transfers from Other Governments	<u>\$ 14,258,059</u>	<u>\$ 6,403,965</u>

NOTE 19 – INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Investment in Tangible Capital Assets – beginning of year	\$ 521,283,692	\$ 507,997,850
Add: Capital Additions	49,999,063	29,733,962
Reduction in Long-term Debt	2,040,520	2,454,452
Debt Forgiven	-	492,038
Less: Amortization	(19,424,028)	(19,160,655)
Net Book Value of Asset Disposals	<u>(940,815)</u>	<u>(233,955)</u>
Investment in Tangible Capital Assets – end of year	<u>\$ 552,958,432</u>	<u>\$ 521,283,692</u>

NOTE 20 – MUNICIPAL PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 176,000 active

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 20 – MUNICIPAL PENSION PLAN (CONTINUED)

members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent actuarial valuation as at December 31, 2009 indicated a \$1.024 billion funding deficit for basic pension benefits. The next valuation will be at December 31, 2012 with results available later in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. Contributions to the plan were:

	<u>2012</u>	<u>2011</u>
Employer Portion	\$ 3,957,247	\$ 3,735,812
Employee Portion	<u>3,294,410</u>	<u>3,053,118</u>
	<u>\$ 7,251,657</u>	<u>\$ 6,788,930</u>

NOTE 21 – FINANCIAL INSTRUMENTS

Financial risk and fair market values

The City's financial instruments consist of cash, investments, development cost charges receivable, accounts receivable and other assets, accounts payable and accrued liabilities and debt. The City does not hold any asset-backed commercial paper or hedge funds. The financial risk is the risk to the City's earnings that arises from fluctuations in interest rates, foreign exchange rates, and the degree of volatility of these rates. The City does not use derivative instruments to reduce its exposure to interest rate risk nor foreign exchange risk as management does not consider the risks material. Based on available market information, the carrying value of the City's financial instruments approximates their fair value due to their short period to maturity, except with respect to investments as indicated in Note 5 and long-term debt, as indicated in Note 11.

Credit risk

The City is not exposed to significant risk from its receivables. The City's tax base has a significant number of diverse receivables which reduces the concentration of credit risk. Credit risk is further minimized as the City has the ability to appropriate land in the event of non-payment of property tax receivables.

NOTE 22 – COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 23 – RESERVES

	<u>Work in progress</u>	<u>Available for future commitments</u>	<u>2012</u>	<u>2011</u>
<u>General Revenue Fund Reserve Accounts</u>				
Corporate Services	\$ 505,416	\$ 118,912	\$ 624,328	\$ 889,987
Community Safety	613,547	735,232	1,348,779	954,059
Development Services	183,442	35,309	218,751	214,239
Parks, Recreation and Culture	651,186	450,267	1,101,453	1,233,839
Engineering and Public Works	2,729,364	725,000	3,454,364	2,574,658
Strategic Relationships	35,848	185,870	221,718	726,932
General Capital	937,116	2,622,297	3,559,413	5,383,372
Uncollected Taxes	-	2,882,653	2,882,653	2,865,648
Housing Legacy	309,000	2,565,822	2,874,822	2,854,719
Property Acquisition	-	2,693,298	2,693,298	2,093,298
Uninsured Claims	-	2,363,995	2,363,995	1,990,179
Computer Upgrade	1,390,518	271,950	1,662,468	2,297,910
RCMP Contract	-	1,507,115	1,507,115	1,257,115
Sustainability Initiatives	378,085	726,615	1,104,700	1,046,504
Priority Capital	890,395	-	890,395	5,806,661
Parking – General	-	660,626	660,626	454,674
Emergency 911	70,200	418,024	488,224	486,653
Port of Nanaimo Centre Projects	-	453,682	453,682	353,682
Snow Removal	-	400,000	400,000	400,000
Firehall Improvements	300,000	96,414	396,414	396,414
Other	10,000	356,641	366,641	336,827
Photocopier Replacement	172,000	15,123	187,123	90,601
Local Improvement Projects	-	181,260	181,260	181,260
Casino Funds	25,458	-	25,458	195,977
Parkland Acquisition	-	-	-	21,357
	<u>9,201,575</u>	<u>20,466,105</u>	<u>29,667,680</u>	<u>35,106,565</u>
<u>Sewer Revenue Reserve Accounts</u>				
General Capital	4,445,674	6,936,191	11,381,865	12,200,168
Growth Related Projects	-	850,000	850,000	850,000
	<u>4,445,674</u>	<u>7,786,191</u>	<u>12,231,865</u>	<u>13,050,168</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
General Capital	5,679,153	12,305,849	17,985,002	17,064,669
Growth Related Projects	-	400,000	400,000	400,000
User Rate Leveling	-	250,000	250,000	250,000
Local Improvement Projects	-	99,661	99,661	99,661
	<u>5,679,153</u>	<u>13,055,510</u>	<u>18,734,663</u>	<u>17,814,330</u>
Total Reserve Accounts	<u>\$ 19,326,402</u>	<u>\$ 41,307,806</u>	<u>\$ 60,634,208</u>	<u>\$ 65,971,063</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 24 – SEGMENT REPORTING

The City's operations and activities are organized and reported by Fund. City services are provided by departments and their activities are reported in these funds.

GENERAL REVENUE FUND

Certain departments have been separately disclosed in the segmented information, along with the services they provide as follows:

Corporate Services

Consists of the City Manager's Office and the Corporate Services Department. The City Manager's Office assists Council to establish its strategic direction for the City and takes the lead role in managing the implementation of policy direction established by Council. The Office also provides managerial leadership and direction to all City departments and operations.

Providing service to both the internal organization and the community, the Corporate Services Department is responsible for four key areas – Legislative Services, Human Resources and Organizational Planning, Information Technology and Financial Services.

Community Safety and Development – three segments

Development Services

Development Services is responsible for a variety of tasks relating to planning and development. This includes processing development applications and developing related policies and regulations.

Fire

The Fire Department has the responsibility of protecting the City's citizens and infrastructure from fire and other emergencies through quick and high quality response to fire, medical and other emergency incidents in the most effective and responsive manner possible.

Police

The City hires the Royal Canadian Mounted Police on contract to provide top quality policing services in Nanaimo. With administrative support services provided by City employees, the detachment provides all standard policing services, including response to emergency and non-emergency calls, criminal investigations and traffic safety measures.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2012

NOTE 24 – SEGMENT REPORTING (CONTINUED)

Strategic Relationships

The Strategic Relationships Department acts as a facilitator between community stakeholders and the City to build stronger relationships. This includes being the liaison to the Nanaimo Economic Development Corporation, the Vancouver Island Conference Centre, the Nanaimo Port Authority and Snuneymuxw First Nation.

Parks, Recreation and Culture

The Parks, Recreation and Culture department manages, facilitates and maintains a system of services, facilities, parks and open spaces and works to enhance the quality of life for the citizens of Nanaimo.

Engineering and Public Works

Engineering and Public Works is responsible for the planning, design, construction, operation and maintenance of the City's infrastructure including the City's water, sanitary sewer, drainage and transportation infrastructure. Department operations also include maintenance of the City's fleet, cemeteries, solid waste collection and recycling.

SEWER SYSTEM

The City Sanitary Sewer Utility is a self-funded entity that operates and maintains a sewer collection system that serves the City.

WATERWORKS

The City Waterworks Utility is a self-funded entity that delivers water to residential, commercial and industrial premises in Nanaimo. The Utility operates and maintains a supply system consisting of dams, transmission mains, reservoirs and treatment facilities as well as a distribution system.

RESERVE FUNDS

These funds have been created to hold assets for specific future requirements pursuant to the *Community Charter*.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Taxes, grants in lieu of taxes and any revenues not directly attributable to a segment are apportioned to the General Revenue Fund services based on the net annual budget.

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2012

	Corporate Services	Development Services	Fire	Police	Strategic Relationships	Parks, Recreation and Culture
Revenues						
Taxes*	\$ 10,865,120	\$ 5,461,016	\$ 13,268,621	\$ 20,713,646	\$ 3,668,606	\$ 18,930,289
Payments in lieu of taxes*	170,862	87,641	212,942	332,422	58,876	303,803
User fees and sales of services	135,779	1,256,390	84,173	83,466	2,188,309	5,849,977
Investment income	279,926	143,584	348,865	544,614	96,457	497,725
Other - general revenue*	100,500	51,550	125,251	195,529	34,630	178,695
Other revenue	212,398	3,330,446	654,687	1,393,958	164,375	675,316
Development cost charges	-	-	-	-	-	241,012
Donations and contributions - capital	121,078	-	-	-	-	327,524
Transfers from other governments - capital	-	-	-	-	102,310	-
Transfers from other governments - operating	27,691	199,645	15,000	1,718,360	179,871	1,270,425
Casino revenue sharing**	103,194	136,629	128,609	518,902	988,516	140,145
Municipal Finance Authority refunds and debt forgiven	-	-	-	-	-	-
Developer assets provided	-	-	-	-	-	3,084,100
Gain (Loss) on disposal of assets	103	1,680	(12,616)	-	-	(159,715)
	12,016,651	10,668,581	14,825,532	25,500,897	7,481,950	31,339,296
Expenses						
Wages and salaries	7,737,732	5,832,321	12,248,896	4,856,377	771,356	12,314,005
Services and supply contracts***	2,429,653	1,853,788	856,712	19,855,290	3,586,421	8,717,398
Amortization	389,356	402,631	553,502	334,336	2,262,801	3,796,190
Material and supplies	602,370	251,942	571,620	87,277	246,126	1,485,328
Other	538,192	1,210,187	719,202	121,890	32,448	5,238,154
Interest payments on debt	-	74,907	158,775	-	1,136,464	102,565
	11,697,303	9,625,776	15,108,707	25,255,170	8,035,616	31,653,640
Interprogram credits	(2,325,779)	-	(609,079)	-	-	-
	9,371,524	9,625,776	14,499,628	25,255,170	8,035,616	31,653,640
Excess (Deficiency) of revenues over expenses	\$ 2,645,127	\$ 1,042,805	\$ 325,904	\$ 245,727	\$ (553,666)	\$ (314,344)
Expenditures on capital projects	\$ 12,695,418	\$ 103,049	\$ 773,498	\$ 278,072	\$ 447,197	\$ 7,269,844

for the year ended December 31, 2011
recast

	Corporate Services	Development Services	Fire	Police	Strategic Relationships	Parks, Recreation and Culture
Revenues						
Taxes*	\$ 10,840,798	\$ 5,302,771	\$ 12,648,638	\$ 18,811,457	\$ 3,750,674	\$ 17,936,539
Payments in lieu of taxes*	153,003	76,332	182,072	270,785	53,990	258,191
User fees and sales of services	123,117	1,196,286	79,635	115,137	1,741,864	5,780,201
Investment income	304,101	151,713	361,879	538,199	107,421	430,046
Other - general revenue*	100,531	50,154	119,631	177,920	35,474	169,645
Other revenue	182,388	3,354,914	584,325	1,452,562	112,068	588,724
Development cost charges	-	-	-	-	-	1,350,067
Donations and contributions - capital	-	-	-	-	10,100	697,599
Transfers from other governments - capital	-	50,750	-	-	97,301	41,550
Transfers from other governments - operating	24,242	63,628	-	1,711,541	1,405	1,196,640
Casino revenue sharing**	108,542	136,664	126,758	505,985	1,174,162	281,834
Municipal Finance Authority refunds and debt forgiven	-	147,416	-	-	-	-
Developer assets provided	-	-	-	-	-	619,000
Gain (Loss) on disposal of assets	(21,375)	696,058	(30,607)	-	-	(30,666)
	11,815,347	11,226,686	14,072,331	23,583,586	7,084,459	29,319,370
Expenses						
Wages and salaries	7,502,423	5,591,282	11,555,225	4,780,030	528,741	12,078,919
Services and supply contracts***	2,485,317	1,960,625	1,015,966	18,070,170	2,979,263	6,159,057
Amortization	293,689	392,190	580,904	323,355	2,263,039	3,784,687
Material and supplies	655,426	247,190	660,595	66,077	118,398	1,720,178
Other	552,382	981,689	792,725	123,252	355,920	4,926,424
Interest payments on debt	-	104,796	164,465	-	1,183,136	122,090
	11,489,237	9,277,772	14,769,880	23,362,884	7,428,497	28,791,355
Interprogram credits	(2,272,035)	-	(604,618)	-	-	-
	9,217,202	9,277,772	14,165,262	23,362,884	7,428,497	28,791,355
Excess (Deficiency) of revenues over expenses	\$ 2,598,145	\$ 1,948,914	\$ (92,931)	\$ 220,702	\$ (344,038)	\$ 528,015
Expenditures on capital projects	\$ 2,790,800	\$ 329,875	\$ 582,684	\$ -	\$ 1,229,990	\$ 4,264,144

*Prorated based on net annual budget

**Prorated based on casino revenue allocation

***Parks, Recreation and Culture includes an accrual for Colliery Dam remediation

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2012

Engineering and Public Works	Sewer System	Waterworks	Reserve Funds	Consolidated	
\$ 14,479,392	\$ -	\$ -	\$ -	\$ 87,386,690	Revenues
232,042	-	-	-	1,398,588	Taxes*
4,333,493	5,006,930	11,932,673	-	30,871,190	Grants in lieu of taxes*
391,917	-	1,214	1,194,318	3,498,620	User fees and sales of services
136,485	-	-	-	822,640	Investment income
536,871	-	28,937	1,653,475	8,650,463	Other - general revenue*
1,787,953	376,566	2,404,534	-	4,810,065	Other revenue
103,622	-	662,741	-	1,214,965	Development cost charges
37,011	-	8,379,139	-	8,518,460	Donations and contributions - capital
26,830	-	-	-	3,437,822	Transfers from other governments - capital
285,782	-	-	-	2,301,777	Transfers from other governments - operating
98,289	-	20,870	-	119,159	Casino revenue sharing**
3,687,929	511,324	664,984	-	7,948,337	Municipal Finance Authority refunds and debt forgiven
(474,008)	(31,350)	(29,585)	-	(705,491)	Developer contribution at subdivision
25,663,608	5,863,470	24,065,507	2,847,793	160,273,285	Gain (Loss) on disposal of assets
8,915,247	1,017,632	1,877,097	-	55,570,663	Expenses
6,780,799	721,636	1,079,337	-	45,881,034	Wages and salaries
8,436,674	544,164	2,704,374	-	19,424,028	Services and supply contracts***
2,799,324	270,811	456,866	-	6,771,664	Amortization
1,808,093	1,697,727	2,747,189	-	14,113,082	Material and supplies
397	-	(9,733)	-	1,463,375	Other
28,740,534	4,251,970	8,855,130	-	143,223,846	Interest payments on debt
(4,368,841)	-	-	-	(7,303,699)	Interprogram credits
24,371,693	4,251,970	8,855,130	-	135,920,147	
\$ 1,291,915	\$ 1,611,500	\$ 15,210,377	\$ 2,847,793	\$ 24,353,138	Excess (Deficiency) of revenues over expenses
\$ 8,599,792	\$ 2,288,440	\$ 17,543,753	\$ -	\$ 49,999,063	Expenditures on capital projects

for the year ended December 31, 2011
recast

Engineering and Public Works	Sewer Revenue Fund	Waterworks Revenue Fund	Reserve Funds	Consolidated	
\$ 14,585,909	\$ -	\$ -	\$ -	\$ 83,876,786	Revenues
209,960	-	-	-	1,204,333	Taxes*
3,832,317	4,719,216	11,252,876	-	28,840,649	Grants in lieu of taxes*
513,167	-	5,988	1,344,307	3,756,821	User fees and sales of services
137,954	-	-	-	791,309	Investment income
357,959	-	45,499	1,598,454	8,276,893	Other - general revenue*
4,105,889	428,393	1,823,354	-	7,707,703	Other revenue
114,630	-	435,636	-	1,257,965	Development cost charges
-	-	735,999	-	925,600	Donations and contributions - capital
1,038	-	-	-	2,998,494	Transfers from other governments - capital
145,926	-	-	-	2,479,871	Transfers from other governments - operating
19,459	-	518,854	-	685,729	Casino revenue sharing**
2,678,594	361,338	378,419	-	4,037,351	Municipal Finance Authority refunds and debt forgiven
(24,919)	(354)	(29,948)	-	558,189	Developer contribution at subdivision
26,677,883	5,508,593	15,166,677	2,942,761	147,397,693	Gain (Loss) on disposal of assets
8,967,868	891,823	1,801,350	-	53,697,661	Expenses
5,882,270	666,737	749,239	-	39,968,644	Wages and salaries
8,362,274	534,469	2,626,048	-	19,160,655	Services and supply contracts***
2,910,954	282,643	404,274	-	7,065,735	Amortization
1,629,320	1,648,662	2,547,591	-	13,557,965	Material and supplies
125	-	77,230	-	1,651,842	Other
27,752,811	4,024,334	8,205,732	-	135,102,502	Interest payments on debt
(4,131,192)	-	-	-	(7,007,845)	Interprogram credits
23,621,619	4,024,334	8,205,732	-	128,094,657	
\$ 3,056,264	\$ 1,484,259	\$ 6,960,945	\$ 2,942,761	\$ 19,303,036	Excess (Deficiency) of revenues over expenses
\$ 12,381,287	\$ 1,465,253	\$ 6,689,929	\$ -	\$ 29,733,962	Expenditures on capital projects

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2012

	ASSETS				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2011	Additions	Disposals	Transfers	Balance December 31, 2012	Balance December 31, 2011	Additions	Disposals		Balance December 31, 2012
Land	\$ 61,860,187	\$ 4,107,536	\$ 145	\$ 18,800	\$ 65,986,378	\$ -	\$ -	\$ -	\$ -	\$ 65,986,378
Land improvements	24,404,154	1,135,788	193,500	(20,741)	25,325,701	9,914,499	1,017,361	166,783	10,765,077	14,560,624
Leasehold improvements	2,106,458	-	-	-	2,106,458	1,527,589	100,273	-	1,627,862	478,596
Marine	867,490	-	-	-	867,490	569,375	40,360	-	609,735	257,755
Buildings	171,298,504	14,231,287	551,362	1,960,861	186,939,290	48,984,838	4,582,834	378,299	53,189,373	133,749,917
Vehicles and equipment	29,110,946	2,399,941	2,633,723	1,058,337	29,935,501	16,737,710	2,080,311	2,484,842	16,333,179	13,602,322
Computer	7,082,299	843,623	80,000	477,446	8,323,368	5,544,853	707,929	80,000	6,172,782	2,150,586
Storm	92,598,749	1,968,779	348,425	1,131,116	95,350,219	22,006,175	1,458,015	113,299	23,350,891	71,999,328
Transportation	278,601,146	4,936,636	1,344,503	5,185,175	287,378,454	136,050,965	6,360,497	1,053,823	141,357,639	146,020,815
Sewer	25,869,110	860,290	168,200	497,972	27,059,172	9,959,946	484,180	136,689	10,307,437	16,751,735
Water	147,163,715	5,401,698	363,561	3,205,169	155,407,021	50,912,253	2,592,268	328,869	53,175,652	102,231,369
Work in progress	17,722,556	14,113,485	-	(13,514,135)	18,321,906	-	-	-	-	18,321,906
	\$ 858,685,314	\$ 49,999,063	\$ 5,683,419	\$ -	\$ 903,000,958	\$ 302,208,203	\$ 19,424,028	\$ 4,742,604	\$ 316,889,627	\$ 586,111,331

for the year ended December 31, 2011

	ASSETS				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2010	Additions	Disposals	Transfers	Balance December 31, 2011	Balance December 31, 2010	Additions	Disposals		Balance December 31, 2011
Land	\$ 58,858,024	\$ 2,981,831	\$ 2,175	\$ 22,507	\$ 61,860,187	\$ -	\$ -	\$ -	\$ -	\$ 61,860,187
Land improvements	22,216,548	2,029,155	129,400	287,851	24,404,154	9,036,359	979,164	101,024	9,914,499	14,489,655
Leasehold improvements	2,106,458	-	-	-	2,106,458	1,427,320	100,269	-	1,527,589	578,869
Marine	867,490	-	-	-	867,490	519,716	49,659	-	569,375	298,115
Buildings	171,072,996	261,603	254,111	218,016	171,298,504	44,687,097	4,534,696	236,955	48,984,838	122,313,666
Vehicles and equipment	28,854,030	1,812,656	1,615,953	60,213	29,110,946	16,111,121	2,081,827	1,455,238	16,737,710	12,373,236
Computer	7,082,343	15,081	30,200	15,075	7,082,299	4,948,590	626,463	30,200	5,544,853	1,537,446
Storm	91,359,419	1,078,921	27,900	188,309	92,598,749	20,592,257	1,439,572	25,654	22,006,175	70,592,574
Transportation	275,738,339	3,197,660	435,769	100,916	278,601,146	130,116,133	6,363,924	429,092	136,050,965	142,550,181
Sewer	24,853,425	868,082	-	147,603	25,869,110	9,484,394	475,552	-	9,959,946	15,909,164
Water	145,231,977	1,987,051	78,265	22,952	147,163,715	48,464,379	2,509,529	61,655	50,912,253	96,251,462
Work in progress	3,284,076	15,501,922	-	(1,063,442)	17,722,556	-	-	-	-	17,722,556
	\$ 831,525,125	\$ 29,733,962	\$ 2,573,773	\$ -	\$ 858,685,314	\$ 285,387,366	\$ 19,160,655	\$ 2,339,818	\$ 302,208,203	\$ 556,477,111



Additional copies of this

Annual Report may be obtained

by contacting:

Finance Department

411 Dunsmuir Street

Nanaimo BC V9R 0E4

Fax your request to:

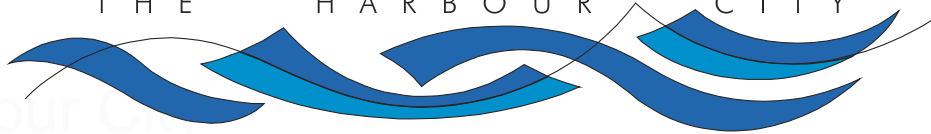
or (250) 755-4440

Web site address:

www.nanaimo.ca



CITY OF NANAIMO
THE HARBOUR CITY



the Harbour City