

# City of Nanaimo



## ANNUAL FINANCIAL STATEMENTS 2013

**CITY OF NANAIMO, BRITISH COLUMBIA, CANADA**  
**FINANCIAL REPORT**  
**for the year ended December 31, 2013**

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**CITY OF NANAIMO**  
**2013 FINANCIAL STATEMENTS**  
**MANAGEMENT REPORT**

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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, 2013.



B. E. Clemens, CMA  
Director of Finance



J. R. Ruttan  
Mayor

April 28, 2014



**KPMG LLP**  
**Chartered Accountants**  
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## **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, 2013 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, 2013, 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.

Chartered Accountants

Burnaby, Canada

April 28, 2014

**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2013, with comparative figures for 2012

	2013	2012
		(Recast - Note 2)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 61,966,228	\$ 57,700,182
Accounts receivable and other assets (Note 3)	21,146,204	24,344,242
Development cost charges receivable (Note 4)	304,302	880,015
Portfolio investments (Note 5)	94,033,738	93,401,796
	<u>177,450,472</u>	<u>176,326,235</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	27,932,232	32,502,468
Compensated absences and termination benefits (Note 7)	6,503,277	6,241,975
Deferred revenue and other liabilities (Note 8)	21,610,633	21,194,475
Deferred development cost charges (Note 9)	38,281,961	34,468,404
Debt (Note 11)	44,325,082	33,152,899
	<u>138,653,185</u>	<u>127,560,221</u>
<b>NET FINANCIAL ASSETS</b>	<u>38,797,287</u>	<u>48,766,014</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	625,969,197	586,111,331
Prepaid expenses	1,198,766	1,250,174
Inventories of supplies	720,934	578,702
	<u>627,888,897</u>	<u>587,940,207</u>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<u>\$ 666,686,184</u>	<u>\$ 636,706,221</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, 2013, with comparative figures for 2012

	2013 Budget (Note 15)	2013	2012 (Recast - Note 2)
<b>REVENUES</b>			
Taxes	\$ 91,103,612	\$ 90,976,425	\$ 87,386,690
Payments in lieu of taxes	1,401,103	1,436,385	1,398,588
Taxation and payments in lieu (Note 16)	92,504,715	92,412,810	88,785,278
User fees and sales of services (Note 17)	31,844,175	32,139,631	30,871,190
Investment income	2,948,277	2,995,973	3,498,620
Other revenue	9,160,546	9,569,737	9,473,103
Development cost charges (Note 9)	5,697,435	1,440,955	4,810,065
Donations and contributions - capital	884,229	455,741	1,214,965
Transfers from other governments - capital (Note 18)	12,861,792	15,765,336	8,518,460
Transfers from other governments - operating (Note 18)	4,508,496	4,862,563	5,739,599
Municipal Finance Authority refunds and debt forgiven	-	74,734	119,159
Developer assets received (Note 12)	-	4,916,402	7,948,337
Gain (loss) on sale of assets	-	2,752,932	(705,491)
	160,409,665	167,386,814	160,273,285
<b>EXPENSES</b>			
Corporate services	12,527,012	11,953,331	9,371,524
Development services	10,467,408	10,407,901	9,625,776
Community safety	41,945,314	40,219,412	39,754,798
Strategic relationships	8,072,996	7,934,947	8,035,616
Parks, recreation and culture	30,158,657	29,694,708	31,653,640
Engineering and public works	25,669,953	23,844,219	24,371,693
Sewer system	5,161,416	4,225,625	4,251,970
Waterworks	9,616,885	9,126,708	8,855,130
	143,619,641	137,406,851	135,920,147
<b>ANNUAL SURPLUS</b>	16,790,024	29,979,963	24,353,138
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	636,706,221	636,706,221	620,556,771
Transfer to deferred revenue to apply Public Sector Accounting Standard 3410 (Note 2)	-	-	(8,203,688)
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	\$ 653,496,245	\$ 666,686,184	\$ 636,706,221

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, 2013, with comparative figures for 2012

	2013 Budget (Note 15)	2013	2012 (Recast - Note 2)
<b>ANNUAL SURPLUS</b>	\$ 16,790,024	\$ 29,979,963	\$ 24,353,138
Acquisition of tangible capital assets	(72,217,517)	(55,926,177)	(42,050,726)
Developer contributed capital assets	-	(4,916,402)	(7,948,337)
	(72,217,517)	(60,842,579)	(49,999,063)
Amortization of tangible capital assets	19,539,475	20,241,471	19,424,028
(Gain) loss on sale of tangible capital assets	-	(2,752,932)	705,491
Proceeds on sale of tangible capital assets	-	3,496,174	235,324
	(52,678,042)	(39,857,866)	(29,634,220)
Acquisition of inventories of supplies	-	(3,434,280)	(3,633,420)
Acquisition of prepaid expenses	-	(1,181,789)	(1,227,710)
Consumption of inventories of supplies	-	3,292,048	3,776,508
Use of prepaid expenses	-	1,233,197	847,969
	-	(90,824)	(236,653)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(35,888,018)	(9,968,727)	(5,517,735)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	56,969,702	48,766,014	62,487,437
Transfer to deferred revenue to apply Public Sector Accounting Standard 3410 (Note 2)	-	-	(8,203,688)
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 21,081,684	\$ 38,797,287	\$ 48,766,014

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, 2013, with comparative figures for 2012

	2013	2012
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 29,979,963	\$ 24,353,138
Non-cash items		
Amortization	20,241,471	19,424,028
Developer assets received	(4,916,402)	(7,948,337)
(Gain) loss on sale of tangible capital assets	(2,752,932)	705,491
Development cost charges recognized as revenue	(1,440,955)	(4,810,065)
Actuarial adjustments	(529,896)	(449,267)
Change in non-cash operating assets and liabilities		
Accounts receivable	3,773,751	(4,767,923)
Accounts payable	(4,308,934)	10,091,693
Deferred revenue	416,158	(775,347)
Inventories of supplies	(142,232)	143,088
Prepaid expenses	51,408	(379,741)
Net change in cash from operating transactions	40,371,400	35,586,758
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(55,926,177)	(42,050,726)
Proceeds from the sale of tangible capital assets	3,496,174	235,324
Net change in cash from capital transactions	(52,430,003)	(41,815,402)
<b>INVESTING TRANSACTIONS</b>		
Change in investments	(631,942)	20,526,483
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(1,597,921)	(1,591,253)
Deferred development cost charges	5,254,512	5,039,198
Proceeds from long term borrowing	13,300,000	-
Net change in cash from financing transactions	16,956,591	3,447,945
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,266,046	17,745,784
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	57,700,182	39,954,398
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 61,966,228	\$ 57,700,182

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, 2013**

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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 Chartered Professional Accountants of Canada. 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 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 without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized, any eligibility criteria met, and reasonable estimates of the amounts can be made. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which eligible expenses are incurred provided they are authorized and eligibility criteria are met.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2013**

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**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) Compensated Absences and Termination 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. Compensated absences and termination 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, 2013

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Compensated Absences and Termination 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 compensated absence and termination benefits plan is 13 years for sick leave benefits and 14 years for retirement allowance benefits.

**(k) Debt**

Debt is presented net of related sinking fund balances.

**(l) 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:

<b>Asset</b>	<b>Useful Life - Years</b>
Land Improvements	10 – 60
Leasehold Improvements	15 – 30
Marine Structures	15 – 35
Buildings	10 – 40
Vehicles and Equipment	5 – 25
IT Infrastructure	4 – 10
Drainage	25 – 75
Transportation – Linear Infrastructure, Lighting and Signals	2 – 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, 2013

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(i) **Tangible Capital Assets (CONTINUED)**

Tangible capital assets are written down to their residual value 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, 2013**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) 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 compensated absences and termination 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 – CHANGE IN ACCOUNTING POLICY**

The City has elected to adopt the new Public Sector Accounting Standard 3410 *Government Transfers* on a retroactive basis effective January 1, 2012. The standard requires governments to recognize receipt of a government transfer with stipulations as revenue in the period the transfer is authorized and all eligibility criteria have been met except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. In prior years, government transfers have been deferred according to judgement reflecting the substance of the underlying events without regard to whether the transfer met the criteria of a liability. This change has been applied retroactively and prior periods have been restated. The effect of the recast is to reduce accumulated surplus and increase deferred revenue as at January 1, 2012 by \$8,203,688.

**NOTE 3 – ACCOUNTS RECEIVABLE**

	<u>2013</u>	<u>2012</u>
Property Taxes	\$ 4,965,037	\$ 4,899,757
Other Governments	6,611,743	9,725,534
Trade and Other	<u>9,569,424</u>	<u>9,718,951</u>
	<u>\$ 21,146,204</u>	<u>\$ 24,344,242</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

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**NOTE 4 – DEVELOPMENT COST CHARGES RECEIVABLE**

	<u>2013</u>	<u>2012</u>
Installments Receivable:		
2013	\$ -	\$ 637,307
2014	263,824	242,708
2015	<u>40,478</u>	<u>-</u>
	<u>\$ 304,302</u>	<u>\$ 880,015</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>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Term Deposits	\$ 85,033,738	\$ 85,033,738	\$ 71,343,123	\$ 71,343,123
Debentures	<u>9,000,000</u>	<u>9,000,000</u>	<u>22,058,673</u>	<u>22,158,550</u>
	<u>\$ 94,033,738</u>	<u>\$ 94,033,738</u>	<u>\$ 93,401,796</u>	<u>\$ 93,501,673</u>

**NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2013</u>	<u>2012</u>
Trade and Other	\$ 11,276,812	\$ 14,100,425
RCMP Contract	5,436,321	5,441,182
Deposits	3,070,770	4,531,549
Accrued Wages and Benefits	4,133,578	4,121,843
Colliery Dam Remediation	3,140,000	3,140,000
Other Governments	<u>874,751</u>	<u>1,167,469</u>
	<u>\$ 27,932,232</u>	<u>\$ 32,502,468</u>



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

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**NOTE 7 – COMPENSATED ABSENCES AND TERMINATION BENEFITS**

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, 2013. 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 \$305,712 (2012 – \$336,529).

	<u>2013</u>	<u>2012</u>
Actuarial Benefit Obligation, beginning of year	\$ 6,578,504	\$ 6,321,910
Unamortized Actuarial Losses, beginning of year	<u>(336,529)</u>	<u>(367,346)</u>
	6,241,975	5,954,564
Current Service Cost	567,453	529,835
Interest Cost	310,577	299,277
Benefits Paid	(647,545)	(572,518)
Amortization of Actuarial Loss	<u>30,817</u>	<u>30,817</u>
	<u>\$ 6,503,277</u>	<u>\$ 6,241,975</u>
Actuarial Benefit Obligation, end of year	\$ 6,808,989	\$ 6,578,504
Unamortized Actuarial Losses, end of year	<u>(305,712)</u>	<u>(336,529)</u>
Accrued Benefit Liability, end of year	<u>\$ 6,503,277</u>	<u>\$ 6,241,975</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>2013</u>	<u>2012</u>
Tax Prepayments	\$ 9,793,364	\$ 9,421,128
Other Prepayments	3,613,581	3,562,253
Community Works (Gas Tax) and other liabilities (Note 2)	<u>8,203,688</u>	<u>8,211,094</u>
	<u>\$ 21,610,633</u>	<u>\$ 21,194,475</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

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**NOTE 9 – DEFERRED DEVELOPMENT COST CHARGES**

	<u>2013</u>	<u>2012</u>
Deferred Development Cost Charges – beginning of year	\$ 34,468,404	\$ 34,239,271
Additions	4,521,185	4,280,067
Interest Earned	733,327	759,131
Revenue Recognized	<u>(1,440,955)</u>	<u>(4,810,065)</u>
Deferred Development Cost Charges – end of year	<u>\$ 38,281,961</u>	<u>\$ 34,468,404</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.

**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.

\$43,143,955 (2012 – \$31,854,254) of debt is with the MFA. Payments of \$14,393,572 on the amount borrowed of \$57,537,527 are held in a sinking fund by the MFA. The remaining \$1,181,127 (2012 – \$1,298,645) 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>2013</u>	<u>2012</u>
Total Outstanding Debt – beginning of the year	\$ 33,152,899	\$ 35,193,419
Reduction of Long-term Debt	(2,127,817)	(2,040,520)
Proceeds from long-term borrowing	<u>13,300,000</u>	<u>-</u>
Total Outstanding Debt – end of year	<u>\$ 44,325,082</u>	<u>\$ 33,152,899</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

**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>
2014	\$ 2,099,121	\$ 565,970	\$ 2,665,091
2015	2,187,691	589,802	2,777,493
2016	2,256,364	483,083	2,739,447
2017	2,351,683	502,406	2,854,089
2018	2,450,937	522,503	2,973,440
Thereafter	<u>19,434,654</u>	<u>10,880,868</u>	<u>30,315,522</u>
	<u>\$ 30,780,450</u>	<u>\$ 13,544,632</u>	<u>\$ 44,325,082</u>

The \$1,181,127 (2012 – \$1,298,645) 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 2013</u>	<u>Balance Outstanding 2012</u>
<u>General Fund</u>						
5456	73	Local Improvement, 2000	3.15	2015	\$ 44,021	\$ 64,621
5425	72	Leisure and Aquatic Centre	3.15	2020	2,072,295	2,319,585
5457	73	Leisure and Aquatic Centre	3.15	2020	1,888,091	2,113,400
Royal Bank		Harbourfront Parkade	5.48	2021	1,181,127	1,298,645
5750	99	Port of Nanaimo Centre	4.43	2026	11,021,421	11,658,796
5750	101	Port of Nanaimo Centre	4.52	2027	11,658,796	12,271,656
7050	102	Fire Station #4	4.82	2027	<u>2,914,699</u>	<u>3,067,914</u>
					30,780,450	32,794,617
<u>Waterworks Fund</u>						
50	61	North Nanaimo Reservoir	3.00	2015	244,632	358,282
7127	126	Water Treatment Plant	3.85	2033	<u>13,300,000</u>	<u>-</u>
					13,544,632	358,282
<b>Total Outstanding Debt</b>					<b><u>44,325,082</u></b>	<b><u>33,152,899</u></b>
<u>Authorized and Unissued Debt</u>						
7127		Water Treatment Plant			<u>9,200,000</u>	<u>22,500,000</u>
<b>Total</b>					<b><u>\$ 53,525,082</u></b>	<b><u>\$ 55,652,899</u></b>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

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**NOTE 12 – TANGIBLE CAPITAL ASSETS**

<u>Net Book Value</u>	<u>2013</u>	<u>2012</u>
Land	\$ 71,988,215	\$ 65,986,378
Land Improvements	14,451,404	14,560,624
Leasehold Improvements	459,852	478,596
Marine Structures	226,695	257,755
Buildings	131,312,555	133,749,917
Vehicles and Equipment	13,454,503	13,602,322
IT Infrastructure	1,698,641	2,150,586
Drainage	72,606,966	71,999,328
Transportation	143,602,616	146,020,815
Sewer	18,801,349	16,751,735
Water	<u>104,278,620</u>	<u>102,231,369</u>
	572,881,416	567,789,425
Work In Progress	<u>53,087,781</u>	<u>18,321,906</u>
	<u>\$ 625,969,197</u>	<u>\$ 586,111,331</u>

See schedule of tangible capital assets (page 30) for more information. There were no write downs of tangible capital assets for 2012 and 2013. Developer contributed assets recognized in 2013 were \$4,916,402 (2012 - \$7,948,337) recorded at fair market value at the time of receipt. These include transportation, drainage, sewer and water infrastructure and the land under these assets.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

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**NOTE 13 – ACCUMULATED SURPLUS**

	<u>2013</u>	<u>2012</u>
Reserve Accounts – Note 23	\$ 61,451,995	\$ 60,634,208
Surplus – General	670,959	580,208
Surplus – Sewer System	6,576,414	6,567,284
Surplus – Waterworks	4,912,792	4,852,145
Investment in Tangible Capital Assets – Note 19	581,644,115	552,958,432
Community Works Reserve Fund (Gas Tax Agreement)	-	3,284,679
Equipment Depreciation Reserve	3,179,005	2,363,153
Facility Development (Recreation) Reserve	782,694	280,557
Property Sales Reserve	3,735,466	2,791,286
Local Improvement Reserve	1,553,582	1,520,661
Knowles Estate Reserve	439,542	443,276
Parkland Dedication Reserve	128,762	349,549
Old City Neighborhood Parking Reserve	82,469	80,783
General Asset Management Reserve	837,682	-
Sewer Asset Management Reserve	238,155	-
Water Asset Management Reserve	308,840	-
Regional Emissions Reduction Reserve	143,712	-
	<u>\$ 666,686,184</u>	<u>\$ 636,706,221</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.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2013**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(b) BC Assessment Authority Appeals**

As at December 31, 2013, 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.

**(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 primarily 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 \$1,742,615 (2012 – \$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) 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, 2013. However, reserve funding is available in the event that there is a financial impact to the City.



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2013**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(e) Credit Facilities**

The City has adopted a revenue anticipation borrowing bylaw to support a credit facility in the amount of \$6,000,000 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, 2013, no amounts were drawn against this facility.

**(f) Commitments**

The City has \$33.3 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.

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 \$74,544 (2012 – \$119,270).

**NOTE 15 – ANNUAL BUDGET**

These financial statements include the Annual Budget as approved by Council on May 13, 2013. 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	16,790,024
Cemetery Care Fund – not in reporting entity	7,500
Development Cost Charges – change from restricted revenue presentation	<u>(1,300,898)</u>
Annual Surplus from the 2013 Financial Plan	15,496,626
Amortization, not funded	19,539,475
Capital Expenditures	(72,217,517)
Proceeds from Borrowing	18,292,350
Principal Repayment of Debt	(2,127,851)
Transfers from Accumulated Surplus	<u>21,016,917</u>
Net Annual Budget - as approved	<u>\$ -</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

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**NOTE 16 – TAXATION AND PAYMENTS IN LIEU**

			2013	2012
	<u>Municipal</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Property Taxes	\$ 89,379,429	\$ 56,042,128	\$ 145,421,557	\$ 140,453,535
Local Improvement Frontage Fees	20,627	-	20,627	20,627
Business Improvement Area Levies	224,539	-	224,539	218,545
Taxes in Lieu of Licences	1,351,831	-	1,351,831	1,288,315
Payments in Lieu of Taxes	<u>1,436,384</u>	<u>492,433</u>	<u>1,928,817</u>	<u>1,882,625</u>
	<u>\$ 92,412,810</u>	<u>\$ 56,534,561</u>	<u>148,947,371</u>	<u>143,863,647</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			37,849,288	37,278,598
Regional District of Nanaimo			14,053,858	13,291,992
Nanaimo Regional Hospital District			3,554,127	3,444,669
Other Agencies			<u>1,077,288</u>	<u>1,063,110</u>
			<u>56,534,561</u>	<u>55,078,369</u>
Municipal Taxes			<u>\$ 92,412,810</u>	<u>\$ 88,785,278</u>

**NOTE 17 – USER FEES AND SALES OF SERVICES**

	<u>2013</u>	<u>2012</u>
Waterworks	\$ 13,230,471	\$ 11,932,673
Recreation Programs	5,974,885	5,849,978
Sewer System	5,307,087	5,006,930
Garbage Collection	3,450,414	3,228,844
Vancouver Island Conference Centre	1,802,381	2,087,020
Public Works	710,706	1,104,650
Parking	1,167,967	1,057,688
Other	338,980	435,768
Community Safety	<u>156,740</u>	<u>167,639</u>
	<u>\$ 32,139,631</u>	<u>\$ 30,871,190</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2013

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**NOTE 18 – TRANSFERS FROM OTHER GOVERNMENTS**

	<u>2013</u>	<u>2012</u>
<u>Federal</u>		
Capital	\$ 4,348,426	\$ 3,389,574
Other	<u>62,118</u>	<u>10,301</u>
	<u>4,410,544</u>	<u>3,399,875</u>
<u>Provincial</u>		
Capital	11,416,910	5,128,886
Casino Gaming	2,547,598	2,301,777
Revenue Sharing	963,732	1,834,285
Other	<u>251,402</u>	<u>212,486</u>
	<u>15,179,642</u>	<u>9,477,434</u>
<u>Regional District of Nanaimo</u>		
Recreation Services, Sports Fields and Other	<u>1,037,713</u>	<u>1,380,750</u>
 Total Transfers from Other Governments	 <u>\$ 20,627,899</u>	 <u>\$ 14,258,059</u>
 Capital Transfers from Other Governments	 \$ 15,765,336	 \$ 8,518,460
Operating Transfers from Other Governments	<u>4,862,563</u>	<u>5,739,599</u>
Total Transfers from Other Governments	<u>\$ 20,627,899</u>	<u>\$ 14,258,059</u>

**NOTE 19 – INVESTMENT IN TANGIBLE CAPITAL ASSETS**

	<u>2013</u>	<u>2012</u>
Investment in Tangible Capital Assets – beginning of year	\$552,958,432	\$ 521,283,692
Add: Capital Additions	60,842,579	49,999,063
Reduction in Long-term Debt	2,127,817	2,040,520
Less: Proceeds from long-term borrowing	(13,300,000)	-
Amortization	(20,241,471)	(19,424,028)
Net Book Value of Asset Disposals	<u>(743,242)</u>	<u>(940,815)</u>
Investment in Tangible Capital Assets – end of year	<u>\$ 581,644,115</u>	<u>\$ 552,958,432</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2013**

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**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 179,000 active members and approximately 71,000 retired members. Active members include approximately 628 contributors from City of Nanaimo.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. 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. Contributions to the plan were:

	<u>2013</u>	<u>2012</u>
Employer Portion	\$ 4,206,222	\$ 3,957,247
Employee Portion	<u>3,503,195</u>	<u>3,294,410</u>
	<u>\$ 7,709,417</u>	<u>\$ 7,251,657</u>

**NOTE 21 – FINANCIAL INSTRUMENTS**

**Financial risk and fair market values**

The City’s financial instruments consist of cash and cash equivalents, portfolio 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.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2013**

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**NOTE 21 – FINANCIAL INSTRUMENTS (CONTINUED)**

**Credit risk**

The City is not exposed to significant risk from its accounts receivables. The City's tax base has a significant number of participants which reduces the concentration of credit risk. Credit risk is further minimized as the City has the ability to expropriate 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, 2013

**NOTE 23 – RESERVES**

	Work in progress	Available for future commitments	2013	2012
<b><u>General Revenue Fund Reserve Accounts</u></b>				
Corporate Services	156,022	\$ 277,628	\$ 433,650	\$ 624,328
Community Safety	618,186	324,262	942,448	1,348,779
Development Services	212,245	54,520	266,765	218,751
Parks, Recreation and Culture	715,502	632,895	1,348,397	1,101,453
Engineering and Public Works	2,537,191	488,256	3,025,447	3,454,364
Strategic Relationships	30,380	179,307	209,687	221,718
Housing Legacy	149,503	2,767,407	2,916,910	2,874,822
Uncollected Taxes	-	2,879,825	2,879,825	2,882,653
RCMP Contract	-	2,507,115	2,507,115	1,507,115
General Capital	-	2,486,454	2,486,454	3,559,413
Uninsured Claims	-	2,224,367	2,224,367	2,363,995
Computer Upgrade	801,832	961,042	1,762,874	1,662,468
Colliery Dam Reserve	29,387	1,519,261	1,548,648	-
Sustainability Initiatives	219,194	884,385	1,103,579	1,104,700
Parking – General	3,467	669,186	672,653	660,626
Emergency 911	68,750	494,474	563,224	488,224
Port of Nanaimo Centre Projects	-	553,682	553,682	453,682
Property Acquisition	115,000	422,246	537,246	2,693,298
Other	10,000	444,731	454,731	366,641
Snow Removal	-	400,000	400,000	400,000
Firehall Improvements	135,380	261,034	396,414	396,414
Photocopier Replacement	156,495	114,841	271,336	187,123
Casino Funds Reserve	-	247,598	247,598	25,458
Local Improvement Projects	-	181,260	181,260	181,260
Priority Capital	-	-	-	890,395
	<u>5,958,534</u>	<u>21,975,776</u>	<u>27,934,310</u>	<u>29,667,680</u>
<b><u>Sewer Revenue Reserve Accounts</u></b>				
General Capital	2,429,278	9,471,652	11,900,930	11,381,865
Growth Related Projects	-	850,000	850,000	850,000
	<u>2,429,278</u>	<u>10,321,652</u>	<u>12,750,930</u>	<u>12,231,865</u>
<b><u>Waterworks Revenue Fund Reserve Accounts</u></b>				
General Capital	5,402,713	13,364,381	18,767,094	17,985,002
Growth Related Projects	-	1,500,000	1,500,000	250,000
User Rate Leveling	-	400,000	400,000	400,000
Local Improvement Projects	-	99,661	99,661	99,661
	<u>5,402,713</u>	<u>15,364,042</u>	<u>20,766,755</u>	<u>18,734,663</u>
<b>Total Reserve Accounts</b>	<u>\$ 13,790,525</u>	<u>\$ 47,661,470</u>	<u>\$ 61,451,995</u>	<u>\$ 60,634,208</u>



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2013**

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**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, 2013**

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**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, 2013

	Corporate Services	Development Services	Fire	Police	Strategic Relationships	Parks, Recreation and Culture
<b>Revenues</b>						
Taxes*	\$ 10,965,040	\$ 5,098,410	\$ 13,550,526	\$ 22,490,665	\$ 4,247,087	\$ 19,744,033
Payments in lieu of taxes*	170,036	80,714	214,521	356,053	67,237	312,572
User fees and sales of services	130,496	1,299,689	84,607	72,133	1,879,143	5,974,885
Investment income	211,060	100,188	266,279	441,961	84,139	387,987
Other - general revenue*	99,830	47,388	125,949	209,045	39,476	183,516
Other revenue	255,557	3,422,182	816,822	1,329,756	58,038	659,957
Development cost charges	-	-	-	-	-	512,415
Donations and contributions - capital	50,043	-	-	-	-	302,107
Transfers from other governments - capital	50,000	-	-	-	12,529	-
Transfers from other governments - operating	24,245	37,781	-	839,276	187,762	1,225,268
Casino revenue sharing**	120,608	157,915	152,164	635,173	970,124	344,745
Municipal Finance Authority refunds and debt forgiven	-	-	-	-	-	-
Developer assets provided	-	-	-	-	-	662,300
Gain (Loss) on disposal of assets	(14,867)	2,662,946	(1,720)	(9,272)	(11,520)	259,098
	12,062,048	12,907,213	15,209,148	26,364,790	7,534,015	30,568,883
<b>Expenses</b>						
Wages and salaries	8,850,030	6,570,556	12,723,196	4,969,129	776,871	12,437,004
Services and supply contracts	3,418,895	1,902,251	983,132	19,582,871	3,637,983	6,301,515
Amortization	866,695	708,001	554,006	300,725	1,996,089	3,722,338
Material and supplies	598,771	278,911	647,159	83,765	279,381	1,639,309
Other	577,707	879,943	722,723	117,732	156,699	5,512,383
Interest payments on debt	-	68,239	152,860	-	1,087,924	82,159
	14,312,098	10,407,901	15,783,076	25,054,222	7,934,947	29,694,708
Interprogram credits	(2,358,767)	-	(617,886)	-	-	-
	11,953,331	10,407,901	15,165,190	25,054,222	7,934,947	29,694,708
<b>Excess (Deficiency) of revenues over expenses</b>	<b>\$ 108,717</b>	<b>\$ 2,499,312</b>	<b>\$ 43,958</b>	<b>\$ 1,310,568</b>	<b>\$ (400,932)</b>	<b>\$ 874,175</b>
<b>Expenditures on capital projects</b>	<b>\$ 1,279,391</b>	<b>\$ 5,330,992</b>	<b>\$ 189,597</b>	<b>\$ 925,812</b>	<b>\$ 101,644</b>	<b>\$ 3,693,192</b>

for the year ended December 31, 2012

	Corporate Services	Development Services	Fire	Police	Strategic Relationships	Parks, Recreation and Culture
<b>Revenues</b>						
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
<b>Expenses</b>						
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	8,672,194
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	881,642	719,202	121,890	360,993	5,238,154
Interest payments on debt	-	74,907	158,775	-	1,136,464	102,565
	11,697,303	9,297,231	15,108,707	25,255,170	8,364,161	31,608,436
Interprogram credits	(2,325,779)	-	(609,079)	-	-	-
	9,371,524	9,297,231	14,499,628	25,255,170	8,364,161	31,608,436
<b>Excess (Deficiency) of revenues over expenses</b>	<b>\$ 2,645,127</b>	<b>\$ 1,371,350</b>	<b>\$ 325,904</b>	<b>\$ 245,727</b>	<b>\$ (882,211)</b>	<b>\$ (269,140)</b>
<b>Expenditures on capital projects</b>	<b>\$ 12,695,418</b>	<b>\$ 103,049</b>	<b>\$ 773,498</b>	<b>\$ 278,072</b>	<b>\$ 447,197</b>	<b>\$ 7,269,844</b>

\*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, 2013

Engineering and Public Works	Sewer System	Waterworks	Reserve Funds	Consolidated	
\$ 14,880,664	\$ -	\$ -	\$ -	\$ 90,976,425	Revenues
235,252	-	-	-	1,436,385	Taxes*
4,161,120	5,307,087	13,230,471	-	32,139,631	Grants in lieu of taxes*
302,723	-	5,234	1,196,402	2,995,973	User fees and sales of services
138,120	-	-	-	843,324	Investment income
548,720	27	19,637	1,615,717	8,726,413	Other - general revenue*
316,220	221,491	390,829	-	1,440,955	Other revenue
97,501	1,527	4,563	-	455,741	Development cost charges
26,681	-	15,676,126	-	15,765,336	Donations and contributions - capital
633	-	-	-	2,314,965	Transfers from other governments - capital
166,869	-	-	-	2,547,598	Transfers from other governments - operating
61,645	-	13,089	-	74,734	Casino revenue sharing*
3,128,704	487,947	637,451	-	4,916,402	Municipal Finance Authority refunds and debt forgiven
(111,426)	(1,989)	(18,318)	-	2,752,932	Developer contribution at subdivision
23,953,426	6,016,090	29,959,082	2,812,119	167,386,814	Gain (Loss) on disposal of assets
8,897,266	1,002,473	1,996,225	-	58,222,750	Expenses
6,364,913	621,351	797,451	-	43,610,362	Wages and salaries
8,695,304	579,827	2,818,486	-	20,241,471	Services and supply contracts***
2,567,122	259,612	513,742	-	6,867,772	Amortization
1,881,324	1,762,362	2,881,286	-	14,492,159	Material and supplies
(492)	-	119,518	-	1,510,208	Other
28,405,437	4,225,625	9,126,708	-	144,944,722	Interest payments on debt
(4,561,218)	-	-	-	(7,537,871)	Interprogram credits
23,844,219	4,225,625	9,126,708	-	137,406,851	
\$ 109,207	\$ 1,790,465	\$ 20,832,374	\$ 2,812,119	\$ 29,979,963	Excess (Deficiency) of revenues over expenses
\$ 7,123,080	\$ 2,010,814	\$ 40,188,058	\$ -	\$ 60,842,579	Expenditures on capital projects

for the year ended December 31, 2012

Engineering and Public Works	Sewer Revenue Fund	Waterworks Revenue Fund	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
6,826,003	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
28,785,738	4,251,970	8,855,130	-	143,223,846	Interest payments on debt
(4,368,841)	-	-	-	(7,303,699)	Interprogram credits
24,416,897	4,251,970	8,855,130	-	135,920,147	
\$ 1,246,711	\$ 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

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2013

	ASSETS				ACCUMULATED AMORTIZATION					
	Balance December 31, 2012	Additions	Disposals	Transfers	Balance December 31, 2013	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013	NET BOOK VALUE
Land	\$ 65,986,378	\$ 6,211,536	\$ 201,882	\$ (7,817)	\$ 71,988,215	\$ -	\$ -	\$ -	\$ -	\$ 71,988,215
Land improvements	25,325,701	657,603	218,800	359,088	26,123,592	10,765,077	1,057,030	149,919	11,672,188	14,451,404
Leasehold improvements	2,106,458	75,260	21,318	-	2,160,400	1,627,862	94,004	21,318	1,700,548	459,852
Marine	867,490	-	-	-	867,490	609,735	31,060	-	640,795	226,695
Buildings	186,939,290	2,429,771	860,496	459,330	188,967,895	53,189,373	5,078,846	612,879	57,655,340	131,312,555
Vehicles and equipment	29,935,501	1,217,017	1,099,739	838,913	30,891,692	16,333,179	2,103,011	999,001	17,437,189	13,454,503
Computer	8,323,368	269,295	21,681	-	8,570,982	6,172,782	710,244	10,685	6,872,341	1,698,641
Storm	95,350,219	2,079,466	75,891	71,346	97,425,140	23,350,891	1,499,670	32,387	24,818,174	72,606,966
Transportation	287,378,454	3,973,074	562,904	92,732	290,881,356	141,357,639	6,434,619	513,518	147,278,740	143,602,616
Sewer	27,059,172	1,199,410	10,000	1,372,035	29,620,617	10,307,437	519,842	8,011	10,819,268	18,801,349
Water	155,407,021	4,433,736	168,504	344,909	160,017,162	53,175,652	2,713,145	150,255	55,738,542	104,278,620
Work in progress	18,321,906	38,296,411	-	(3,530,536)	53,087,781	-	-	-	-	53,087,781
	\$ 903,000,958	\$ 60,842,579	\$ 3,241,215	\$ -	\$ 960,602,322	\$ 316,889,627	\$ 20,241,471	\$ 2,497,973	\$ 334,633,125	\$ 625,969,197

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for the year ended December 31, 2012

	ASSETS				ACCUMULATED AMORTIZATION					
	Balance December 31, 2011	Additions	Disposals	Transfers	Balance December 31, 2012	Balance December 31, 2011	Additions	Disposals	Balance December 31, 2012	NET BOOK VALUE
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	168,200.00	497,972	27,059,172	9,959,946	484,180	136,689.00	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



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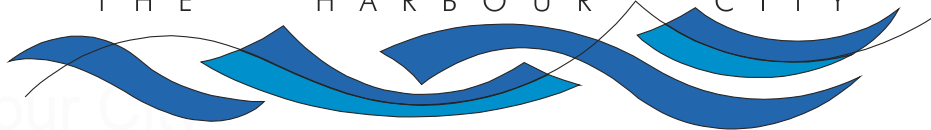
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# CITY OF NANAIMO

THE HARBOUR CITY



the Harbour City