

# City of Nanaimo



**ANNUAL FINANCIAL STATEMENTS**

**2014**

**CITY OF NANAIMO, BRITISH COLUMBIA, CANADA**  
**FINANCIAL REPORT**  
**for the year ended December 31, 2014**

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**CITY OF NANAIMO**  
**2014 FINANCIAL STATEMENTS**  
**MANAGEMENT REPORT**

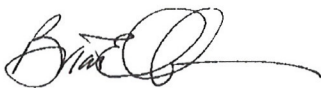
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The Council of the City of Nanaimo has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the City of Nanaimo. The financial statements which, in part, 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, 2014.



B. E. Clemens, CPA, CMA  
Director of Finance



W. B. McKay  
Mayor

April 13, 2015



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**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, 2014 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, 2014, 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

Vancouver, Canada  
April 13, 2015



**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2014, with comparative figures for 2013

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 60,839,567	\$ 61,966,228
Accounts receivable and other assets (Note 2)	20,109,818	21,146,204
Development cost charges receivable (Note 3)	498,609	304,302
Portfolio investments (Note 4)	104,590,313	94,033,738
	<u>186,038,307</u>	<u>177,450,472</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	31,028,130	27,932,232
Compensated absences and termination benefits (Note 6)	6,637,594	6,503,277
Deferred revenue and other liabilities (Note 7)	15,125,738	21,610,633
Deferred development cost charges (Note 8)	41,398,345	38,281,961
Debt (Note 10)	50,860,003	44,325,082
	<u>145,049,810</u>	<u>138,653,185</u>
<b>NET FINANCIAL ASSETS</b>	<u>40,988,497</u>	<u>38,797,287</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	655,356,252	625,969,197
Prepaid expenses	1,726,148	1,198,766
Inventories of supplies	642,632	720,934
	<u>657,725,032</u>	<u>627,888,897</u>
<b>ACCUMULATED SURPLUS (Note 12)</b>	<u>\$ 698,713,529</u>	<u>\$ 666,686,184</u>

Commitments and contingencies (Note 13)



**B. E. Clemens, CPA, CMA**  
**Director of Finance**



**W. B. McKay**  
**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, 2014, with comparative figures for 2013

	2014 Budget (Note 14)	2014	2013
<b>REVENUES</b>			
Taxes	\$ 94,712,405	\$ 94,551,269	\$ 90,976,425
Payments in lieu of taxes	1,436,385	1,409,584	1,436,385
Taxation and payments in lieu (Note 15)	96,148,790	95,960,853	92,412,810
User fees and sales of services (Note 16)	32,722,405	33,699,231	32,139,631
Investment income	3,094,006	3,154,310	2,995,973
Other revenue	6,555,780	7,483,213	7,405,916
Development cost charges (Note 8)	10,205,994	3,421,649	1,440,955
Donations and contributions - capital	197,821	577,601	455,741
Transfers from other governments - capital (Note 17)	3,166,430	12,674,788	17,929,157
Transfers from other governments - operating (Note 17)	4,652,198	4,728,655	4,862,563
Municipal Finance Authority refunds and debt forgiven	-	-	74,734
Developer assets received (Note 11)	-	5,850,960	4,916,402
Gain on sale of assets	-	1,450,650	2,752,932
	<u>156,743,424</u>	<u>169,001,910</u>	<u>167,386,814</u>
<b>EXPENSES</b>			
Corporate services	16,585,665	14,888,151	15,492,359
Development services	6,250,399	6,104,472	7,129,585
Social and protective services	4,532,176	3,809,581	3,582,204
Fire	15,482,109	15,713,517	14,997,846
Police	27,410,520	25,032,728	25,085,643
Culture and heritage	10,545,110	10,224,787	9,556,477
Parks, recreation and environment	27,187,124	22,650,360	24,771,686
Engineering and public works	25,890,192	23,616,399	23,438,719
Sewer system	5,325,876	4,873,137	4,225,625
Waterworks	11,358,514	10,061,433	9,126,707
	<u>150,567,685</u>	<u>136,974,565</u>	<u>137,406,851</u>
<b>ANNUAL SURPLUS</b>	6,175,739	32,027,345	29,979,963
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<u>666,686,184</u>	<u>666,686,184</u>	<u>636,706,221</u>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<u>\$ 672,861,923</u>	<u>\$ 698,713,529</u>	<u>\$ 666,686,184</u>

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, 2014, with comparative figures for 2013

	2014 Budget (Note 14)	2014	2013
<b>ANNUAL SURPLUS</b>	\$ 6,175,739	\$ 32,027,345	\$ 29,979,963
Acquisition of tangible capital assets	(59,390,461)	(42,368,519)	(54,081,177)
Developer contributed capital assets	-	(5,851,614)	(4,916,402)
Amortization of tangible capital assets	(59,390,461)	(48,220,133)	(58,997,579)
(Gain) on sale of tangible capital assets	21,150,778	20,199,518	20,241,471
Proceeds on sale of tangible capital assets	-	(1,450,650)	(2,752,932)
	-	84,210	1,651,174
	(38,239,683)	(29,387,055)	(39,857,866)
Acquisition of inventories of supplies	-	(3,088,591)	(3,434,280)
Acquisition of prepaid expenses	-	(1,707,121)	(1,181,789)
Consumption of inventories of supplies	-	3,166,893	3,292,048
Use of prepaid expenses	-	1,179,739	1,233,197
	-	(449,080)	(90,824)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(32,063,944)	2,191,210	(9,968,727)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	38,797,287	38,797,287	48,766,014
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 6,733,343	\$ 40,988,497	\$ 38,797,287

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, 2014, with comparative figures for 2013

	2014	2013
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 32,027,345	\$ 29,979,963
Non-cash items		
Amortization	20,199,518	20,241,471
Developer assets received	(5,851,614)	(4,916,402)
Gain on sale of tangible capital assets	(1,450,650)	(2,752,932)
Development cost charges recognized as revenue	(3,421,649)	(1,440,955)
Actuarial adjustments	(613,910)	(529,896)
Change in non-cash operating assets and liabilities		
Accounts receivable	842,079	3,773,751
Accounts payable	3,230,215	(4,308,934)
Deferred revenue	(6,484,895)	416,158
Inventories of supplies	78,302	(142,232)
Prepaid expenses	(527,382)	51,408
<b>Net change in cash from operating transactions</b>	<b>38,027,359</b>	<b>40,371,400</b>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(42,368,519)	(54,081,177)
Proceeds from the sale of tangible capital assets	84,210	1,651,174
<b>Net change in cash from capital transactions</b>	<b>(42,284,309)</b>	<b>(52,430,003)</b>
<b>INVESTING TRANSACTIONS</b>		
<b>Change in investments</b>	<b>(10,556,575)</b>	<b>(631,942)</b>
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(2,051,169)	(1,597,921)
Deferred development cost charges	6,538,033	5,254,512
Proceeds from long term borrowing	9,200,000	13,300,000
<b>Net change in cash from financing transactions</b>	<b>13,686,864</b>	<b>16,956,591</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,126,661)</b>	<b>4,266,046</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>61,966,228</b>	<b>57,700,182</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 60,839,567</b>	<b>\$ 61,966,228</b>

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, 2014**

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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 are 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, 2014**

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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 presented 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, 2014

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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 12 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	3 – 30
Marine Structures	15 – 35
Buildings	10 – 40
Vehicles and Equipment	4 – 25
IT Infrastructure	4 – 10
Drainage	2 – 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, 2014**

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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, 2014

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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 – ACCOUNTS RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Property Taxes	\$ 5,199,630	\$ 4,965,037
Other Governments	4,816,958	6,611,743
Trade and Other	<u>10,093,230</u>	<u>9,569,424</u>
	<u>\$ 20,109,818</u>	<u>\$ 21,146,204</u>

**NOTE 3 – DEVELOPMENT COST CHARGES RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Installments Receivable:		
2014	\$ -	\$ 263,824
2015	258,496	40,478
2016	<u>240,113</u>	<u>-</u>
	<u>\$ 498,609</u>	<u>\$ 304,302</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.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 4 – PORTFOLIO INVESTMENTS**

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Term Deposits	\$ 99,590,313	\$ 100,124,761	\$ 85,033,738	\$ 85,625,596
Debentures	<u>5,000,000</u>	<u>5,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>
	<u>\$ 104,590,313</u>	<u>\$ 105,124,761</u>	<u>\$ 94,033,738</u>	<u>\$ 94,625,596</u>

**NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2014</u>	<u>2013</u>
Trade and Other	\$ 12,492,078	\$ 11,276,812
RCMP Contract	6,462,088	5,436,321
Deposits	3,370,058	3,070,770
Accrued Wages and Benefits	4,679,806	4,133,578
Colliery Dam Remediation	3,000,000	3,140,000
Other Governments	<u>1,024,100</u>	<u>874,751</u>
	<u>\$ 31,028,130</u>	<u>\$ 27,932,232</u>

**NOTE 6 – 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, 2013 and the results are extrapolated to December 31, 2014. The current valuation was completed in 2014 and resulted in a \$473,675 decrease in the actuarial benefit obligation as at 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 gains of \$160,813 (2013– \$167,963).



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 6 – COMPENSATED ABSENCES AND TERMINATION BENEFITS (CONTINUED)**

	<u>2014</u>	<u>2013</u>
Actuarial Benefit Obligation, beginning of year	\$ 6,335,314	\$ 6,578,504
Unamortized Actuarial Losses, beginning of year	<u>167,963</u>	<u>(336,529)</u>
	6,503,277	6,241,975
Current Service Cost	427,832	567,453
Interest Cost	297,228	310,577
Benefits Paid	(583,593)	(647,545)
Amortization of Actuarial Loss(Gain)	<u>(7,150)</u>	<u>30,817</u>
	<u>\$ 6,637,594</u>	<u>\$ 6,503,277</u>
Actuarial Benefit Obligation, end of year	\$ 6,476,781	\$ 6,335,314
Unamortized Actuarial Gains, end of year	<u>160,813</u>	<u>167,963</u>
Accrued Benefit Liability, end of year	<u>\$ 6,637,594</u>	<u>\$ 6,503,277</u>

Actuarial gains and losses are amortized over 12 – 14 years, being the expected average remaining service period of the related employee groups, commencing the year after the gain or loss arises. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$739,433 (2013 - \$606,652).

**NOTE 7 – DEFERRED REVENUE AND OTHER LIABILITIES**

	<u>2014</u>	<u>2013</u>
Tax Prepayments	\$ 10,769,629	\$ 9,793,364
Other Prepayments	4,356,109	3,613,581
Community Works (Gas Tax) and other liabilities	<u>-</u>	<u>8,203,688</u>
	<u>\$ 15,125,738</u>	<u>\$ 21,610,633</u>

During the year the City entered into a new Gas Tax Agreement effective April 1, 2014 which broadened the scope of eligible expenditures for these funds. As the City has incurred eligible expenditures under the agreement the amounts have been recognized into revenue in the current year.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 8 – DEFERRED DEVELOPMENT COST CHARGES**

	<u>2014</u>	<u>2013</u>
Deferred Development Cost Charges – beginning of year	\$ 38,281,961	\$ 34,468,404
Additions	5,772,539	4,521,185
Interest Earned	765,494	733,327
Revenue Recognized	<u>(3,421,649)</u>	<u>(1,440,955)</u>
Deferred Development Cost Charges – end of year	<u>\$ 41,398,345</u>	<u>\$ 38,281,961</u>

**NOTE 9 – 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 10 – 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.

\$49,803,006 (2013 – \$43,143,955) of debt is with the MFA. Payments of \$16,934,522 on the gross amount borrowed of \$66,737,528 are held in a sinking fund by the MFA. The remaining \$1,056,997 (2013 – \$1,181,127) is with the Royal Bank. The rates of interest on the principal amount of the MFA debentures vary between 1.6% and 4.82% per annum. The rate of interest on the Royal Bank debt is 5.48%.

	<u>2014</u>	<u>2013</u>
Total Outstanding Debt – beginning of the year	\$ 44,325,082	\$ 33,152,899
Reduction of Long-term Debt	(2,665,079)	(2,127,817)
Proceeds from long-term borrowing	<u>9,200,000</u>	<u>13,300,000</u>
Total Outstanding Debt – end of year	<u>\$ 50,860,003</u>	<u>\$ 44,325,082</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 10 – 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>
2015	\$ 2,187,521	\$ 898,754	\$ 3,086,275
2016	2,256,325	804,393	3,060,718
2017	2,351,671	836,569	3,188,240
2018	2,450,924	870,032	3,320,956
2019	2,554,408	904,833	3,459,241
Thereafter	<u>16,880,492</u>	<u>17,864,081</u>	<u>34,744,573</u>
	<u>\$ 28,681,341</u>	<u>\$ 22,178,662</u>	<u>\$ 50,860,003</u>

The \$1,056,997 (2013 – \$1,181,127) 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</u>	
					<u>2014</u>	<u>2013</u>
<u>General Fund</u>						
5456	73	Local Improvement, 2000	1.60	2015	\$ 22,495	\$ 44,021
5425	72	Leisure and Aquatic Centre	2.10	2020	1,813,877	2,072,295
5457	73	Leisure and Aquatic Centre	1.60	2020	1,652,643	1,888,091
Royal Bank		Harbourfront Parkade	5.48	2021	1,056,997	1,181,127
5750	99	Port of Nanaimo Centre	4.43	2026	10,358,552	11,021,421
5750	101	Port of Nanaimo Centre	4.52	2027	11,021,422	11,658,796
7050	102	Fire Station #4	4.82	2027	<u>2,755,355</u>	<u>2,914,699</u>
					<u>28,681,341</u>	<u>30,780,450</u>
<u>Waterworks Fund</u>						
50	61	North Nanaimo Reservoir	3.00	2015	125,299	244,632
7127	126	Water Treatment Plant	3.85	2033	12,853,363	13,300,000
7127	127	Water Treatment Plant	3.30	2034	<u>9,200,000</u>	<u>-</u>
					<u>22,178,662</u>	<u>13,544,632</u>
<b>Total Outstanding Debt</b>					<b><u>\$ 50,860,003</u></b>	<b><u>\$ 44,325,082</u></b>



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

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**NOTE 11 – TANGIBLE CAPITAL ASSETS**

<u>Net Book Value</u>	<u>2014</u>	<u>2013</u>
Land	\$ 82,935,268	\$ 71,988,215
Land Improvements	13,977,208	14,451,404
Leasehold Improvements	387,287	459,852
Marine Structures	195,635	226,695
Buildings	127,337,633	131,312,555
Vehicles and Equipment	12,365,575	13,454,503
IT Infrastructure	1,463,228	1,698,641
Drainage	72,193,612	72,606,966
Transportation	139,797,013	143,602,616
Sewer	20,882,963	18,801,349
Water	<u>113,782,818</u>	<u>104,278,620</u>
	585,318,240	572,881,416
Work In Progress	<u>70,038,012</u>	<u>53,087,781</u>
	<u>\$ 655,356,252</u>	<u>\$ 625,969,197</u>

See schedule of tangible capital assets (page 30) for more information. There were no write downs of tangible capital assets for 2013 and 2014. Developer contributed assets recognized in 2014 were \$5,850,960 (2013 - \$4,916,402) 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, 2014

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**NOTE 12 – ACCUMULATED SURPLUS**

	<u>2014</u>	<u>2013</u>
Reserve Accounts – Note 22	\$ 63,328,611	\$ 61,451,995
Surplus – General	2,343,849	670,959
Surplus – Sewer System	6,569,167	6,576,414
Surplus – Waterworks	5,167,765	4,912,792
Investment in Tangible Capital Assets – Note 18	604,496,249	581,644,115
Community Works Reserve Fund (Gas Tax Agreement)	3,609,979	-
Equipment Depreciation Reserve	4,172,501	3,179,005
Facility Development (Recreation) Reserve	1,359,985	782,694
Property Sales Reserve	1,074,208	3,735,466
Local Improvement Reserve	1,585,200	1,553,582
Knowles Estate Reserve	437,651	439,542
Parkland Dedication Reserve	50,215	128,762
Old City Neighborhood Parking Reserve	84,098	82,469
General Asset Management Reserve	2,524,998	837,682
Sewer Asset Management Reserve	746,650	238,155
Water Asset Management Reserve	943,649	308,840
Regional Emissions Reduction Reserve	<u>218,754</u>	<u>143,712</u>
	<u>\$ 698,713,529</u>	<u>\$ 666,686,184</u>

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**(a) Liability Claims**

In the ordinary course of business, various claims and lawsuits are brought against the City. The City records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. 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, 2014**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(b) BC Assessment Authority Appeals**

As at December 31, 2014, 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 \$1,956,891 (2013 – \$1,742,615) are contingent in nature and given the low likelihood of payment 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) Colliery Dams**

A liability of \$3,000,000 has been recorded in the financial statements relating to the remediation of the Colliery Dams (Note 5) as directed by the provincial government of British Columbia. A Technical Committee has been established with a mandate to identify an environmentally minimally invasive, cost, and time effective remediation solution. Engineering studies have been completed and cost estimates to remediate the Colliery Dams range from \$3 million to \$8.1 million, dependent on which alternative is selected. The remediation options are presently being addressed by City Council, and the full costs to remediate the Colliery Dams are unknown at this time. Additional liabilities will be recorded if further remediation costs are determined to be likely and the amounts are reasonably determinable.



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**(e) Subsidence of Mines**

Continued existence of abandoned underground mines has resulted in risk to private land and public roads due to potential collapse or instability. The full impact of the abandoned mines and any potential liabilities are unknown at this time and a partnership with the Province of BC to complete studies to address any potential risks has been requested. No determination of the City's liability, if any, has been made and no estimate of potential loss can be made or recorded at this time. A liability will be recorded if remediation costs are determined to be likely and the amounts are reasonably determinable.

**(f) 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, 2014, no amounts were drawn against this facility.

**(g) Commitments**

The City has \$16.5 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.

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 August 2015 are \$29,817 (2013 – \$74,544).

**(h) Guarantees**

The City has guaranteed the amount of a \$2 million line of credit for the Port Theatre Society. Management considers the likelihood of payment on the guarantee to be low.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

**NOTE 14 – ANNUAL BUDGET**

These financial statements include the Annual Budget as approved by Council on May 12, 2014. 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	\$ 6,175,739
Cemetery Care Fund – not in reporting entity	7,500
Development Cost Charges – change from restricted revenue presentation	<u>(5,574,949)</u>
Annual Surplus from the 2014 Financial Plan	608,290
Amortization, not funded	21,150,778
Capital Expenditures	(59,390,461)
Proceeds from Borrowing	9,339,567
Principal Repayment of Debt	(2,665,108)
Transfers from Accumulated Surplus	<u>30,956,934</u>
Net Annual Budget - as approved	<u>\$ -</u>

**NOTE 15 – TAXATION AND PAYMENTS IN LIEU**

	<u>Municipal</u>	<u>Other</u>	2014 <u>Total</u>	2013 <u>Total</u>
Property Taxes	\$ 92,921,467	\$ 57,104,792	\$ 150,026,259	\$ 145,421,557
Local Improvement Frontage Fees	20,627	-	20,627	20,627
Business Improvement Area Levies	226,941	-	226,941	224,539
Taxes in Lieu of Licences	1,382,234	-	1,382,234	1,351,831
Payments in Lieu of Taxes	<u>1,409,584</u>	<u>483,185</u>	<u>1,892,769</u>	<u>1,928,817</u>
	<u>\$ 95,960,853</u>	<u>\$ 57,587,977</u>	<u>153,548,830</u>	<u>148,947,371</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			37,932,257	37,849,288
Regional District of Nanaimo			14,993,887	14,053,858
Nanaimo Regional Hospital District			3,584,991	3,554,127
Other Agencies			<u>1,076,842</u>	<u>1,077,288</u>
			<u>57,587,977</u>	<u>56,534,561</u>
Municipal Taxes			<u>\$ 95,960,853</u>	<u>\$ 92,412,810</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

**NOTE 16 – USER FEES AND SALES OF SERVICES**

	<u>2014</u>	<u>2013</u>
Waterworks	\$ 14,575,628	\$ 13,230,471
Recreation Programs	6,091,796	5,974,885
Sewer System	5,539,616	5,307,087
Garbage Collection	3,409,237	3,450,414
Vancouver Island Conference Centre	1,562,048	1,802,381
Public Works	644,435	710,706
Parking	1,303,404	1,167,967
Other	370,480	338,980
Community Safety	<u>202,587</u>	<u>156,740</u>
	<u>\$ 33,699,231</u>	<u>\$ 32,139,631</u>

**NOTE 17 – TRANSFERS FROM OTHER GOVERNMENTS**

	<u>2014</u>	<u>2013</u>
<u>Federal</u>		
Capital	\$ 1,000,000	\$ 4,348,426
Gas Tax	11,674,788	2,163,821
Other	<u>46,350</u>	<u>62,118</u>
	<u>12,721,138</u>	<u>6,574,365</u>
<u>Provincial</u>		
Capital	-	11,416,910
Casino Gaming	2,392,585	2,547,598
Revenue Sharing	970,275	963,732
Other	<u>101,366</u>	<u>251,402</u>
	<u>3,464,226</u>	<u>15,179,642</u>
<u>Regional District of Nanaimo</u>		
Recreation Services, Sports Fields and Other	<u>1,218,079</u>	<u>1,037,713</u>
Total Transfers from Other Governments	<u>\$ 17,403,443</u>	<u>\$ 22,791,720</u>
Capital Transfers from Other Governments	\$ 12,674,778	\$ 17,929,157
Operating Transfers from Other Governments	<u>4,728,655</u>	<u>4,862,563</u>
Total Transfers from Other Governments	<u>\$ 17,403,443</u>	<u>\$ 22,791,720</u>



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2014

**NOTE 18 – INVESTMENT IN TANGIBLE CAPITAL ASSETS**

	<u>2014</u>	<u>2013</u>
Investment in Tangible Capital Assets – beginning of year	\$ 581,644,115	\$ 552,958,432
Add: Capital Additions	50,427,870	60,842,579
Reduction in Long-term Debt	2,665,079	2,127,817
Less: Proceeds from long-term borrowing	(9,200,000)	(13,300,000)
Amortization	(20,199,518)	(20,241,471)
Net Book Value of Asset Disposals	<u>(841,297)</u>	<u>(743,242)</u>
Investment in Tangible Capital Assets – end of year	<u>\$ 604,496,249</u>	<u>\$ 581,644,115</u>

**NOTE 19 – 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 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from Local Government.

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>2014</u>	<u>2013</u>
Employer Portion	\$ 4,441,111	\$ 4,206,222
Employee Portion	<u>3,718,409</u>	<u>3,503,195</u>
	<u>\$ 8,159,520</u>	<u>\$ 7,709,417</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 20 – 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 with the exception of Portfolio investments for which market values are disclosed in Note 4.

**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 21 – 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, 2014

**NOTE 22 – RESERVES**

	Work in progress	Available for future commitments	<u>2014</u>	<u>2013</u>
<b><u>General Revenue Fund Reserve Accounts</u></b>				
Corporate Services	\$ 162,122	\$ 141,937	\$ 304,059	\$ 761,207
Social & Protective Services	429,594	1,142,869	1,572,463	1,902,086
Parks, Recreation & Environment	1,380,340	587,847	1,968,187	1,753,128
Engineering & Public Works	3,560,423	284,046	3,844,469	3,025,447
Culture & Heritage	11,072	-	11,072	-
General Capital	600,000	4,286,454	4,886,454	2,486,454
Housing Legacy Reserve	234,125	2,640,240	2,874,365	2,916,910
Uncollected Taxes	-	2,803,848	2,803,848	2,879,825
Uninsured Claims	-	2,568,624	2,568,624	2,224,367
RCMP Contract	-	2,507,115	2,507,115	2,507,115
Information Technology Infrastructure	1,680,105	297,026	1,977,131	2,143,029
Sustainability Initiatives	783,985	351,981	1,135,966	1,103,579
Parking Reserve	210,444	672,832	883,276	672,653
Conference Centre	-	600,682	600,682	553,682
Snow Removal	-	400,000	400,000	400,000
Property Acquisition	21,074	354,982	376,056	537,246
Colliery Dam Reserve	232,685	140,000	372,685	1,548,648
Photocopier Reserve	127,000	199,556	326,556	271,336
Casino Funds	30,545	140,183	170,728	247,598
	<u>9,463,514</u>	<u>20,120,222</u>	<u>29,583,736</u>	<u>27,934,310</u>
<b><u>Sewer Revenue Reserve Accounts</u></b>				
General Capital	3,800,655	6,727,877	10,528,532	11,900,930
Growth Related Projects	-	850,916	850,916	850,000
	<u>3,800,655</u>	<u>7,578,793</u>	<u>11,379,448</u>	<u>12,750,930</u>
<b><u>Waterworks Revenue Fund Reserve Accounts</u></b>				
General Capital	12,832,100	7,533,666	20,365,766	18,767,094
Growth Related Projects	-	1,500,000	1,500,000	1,500,000
User Rate Leveling	-	400,000	400,000	400,000
Local Improvement Projects	-	99,661	99,661	99,661
	<u>12,832,100</u>	<u>9,533,327</u>	<u>22,365,427</u>	<u>20,766,755</u>
<b>Total Reserve Accounts</b>	<b><u>\$ 26,096,269</u></b>	<b><u>\$ 37,232,342</u></b>	<b><u>\$ 63,328,611</u></b>	<b><u>\$ 61,451,995</u></b>



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 23 – 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 five key areas – Legislative Services, Human Resources and Organizational Planning, Information Technology, Financial Services and Purchasing, and Community Development Administration. The Corporate Services Department is also the liaison to the Nanaimo Economic Development Corporation, the Vancouver Island Conference Centre, the Nanaimo Port Authority and Snuneymuxw First Nation.

**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.

**Social and Protective Services**

The Social and Protective services department is responsible for the City's regulatory services, including the bylaw, animal control, and parking functions. Protective services include emergency management, planning and coordination functions.

**Fire**

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

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 23 – SEGMENT REPORTING (CONTINUED)**

**Police**

The City contracts the Royal Canadian Mounted Police 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.

**Culture & Heritage**

The Culture & Heritage department fosters the importance and visibility of cultural vitality in Nanaimo. This department facilitates cultural planning and development and also focuses on heritage conservation.

**Parks, Recreation and Environment**

The Parks, Recreation and Environment 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.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**NOTE 23 – SEGMENT REPORTING (CONTINUED)**

**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**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended December 31, 2014**

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**CITY OF NANAIMO**  
**SCHEDULE OF OPERATIONS BY SEGMENT**  
**for the year ended December 31, 2014**

	Corporate Services	Development Services	Social and Protective Services	Fire	Police	Culture & Heritage
<b>Revenues</b>						
Taxes*	\$ 13,448,723	\$ 3,109,814	\$ 1,816,386	\$ 14,265,876	\$ 23,043,921	\$ 8,044,684
Payments in lieu of taxes*	197,631	46,483	27,150	213,236	344,443	120,246
User fees and sales of services	229,667	120,750	1,323,034	89,345	113,242	1,562,481
Investment income	274,840	64,643	37,757	296,544	479,012	167,441
Other - general revenue*	120,067	28,240	16,495	129,549	209,263	73,054
Other revenue	264,572	3,144,097	619,504	871,490	390,985	149,711
Development cost charges	-	-	-	-	-	-
Donations and contributions - capital	353	-	-	-	-	-
Transfers from other governments - capital	-	-	-	-	-	-
Transfers from other governments - operating	221,525	-	3,158	-	842,466	-
Casino revenue sharing**	123,223	28,983	103,877	132,954	738,476	978,014
Municipal Finance Authority refunds and debt forgiven	-	-	-	-	-	-
Developer assets provided	-	-	-	-	-	-
Gain (Loss) on disposal of assets	(327,999)	965,730	(346)	(9,851)	-	-
	14,552,602	7,508,740	3,947,015	15,989,143	26,161,808	11,095,631
<b>Expenses</b>						
Wages and salaries	9,623,057	4,497,352	1,420,180	13,303,153	5,083,433	429,729
Services and supply contracts	3,929,068	1,009,036	1,319,993	993,648	19,349,990	3,063,847
Amortization	983,655	289,263	401,295	570,374	327,924	1,649,205
Material and supplies	789,226	180,967	88,035	562,040	98,850	124,875
Other	770,264	127,854	577,571	632,595	172,531	4,957,131
Interest payments on debt	1,037,442	-	61,628	146,707	-	-
	17,132,712	6,104,472	3,868,702	16,208,517	25,032,728	10,224,787
Interprogram credits	(2,244,561)	-	(59,121)	(495,000)	-	-
	14,888,151	6,104,472	3,809,581	15,713,517	25,032,728	10,224,787
<b>Excess (Deficiency) of revenues over expenses</b>	\$ (335,549)	\$ 1,404,268	\$ 137,434	\$ 275,626	\$ 1,129,080	\$ 870,844
<b>Expenditures on capital projects</b>	\$ 2,802,853	\$ -	\$ 121,978	\$ 119,272	\$ -	\$ 140,454

**for the year ended December 31, 2013**

	Corporate Services	Development Services	Social and Protective Services	Fire	Police	Culture & Heritage
<b>Revenues</b>						
Taxes*	\$ 13,128,660	\$ 4,115,827	\$ 1,229,153	\$ 13,439,193	\$ 22,490,665	\$ 6,910,745
Payments in lieu of taxes*	204,289	65,158	19,459	212,759	356,053	109,405
User fees and sales of services	207,258	103,522	1,196,167	84,607	72,133	1,802,381
Investment income	254,256	80,879	24,154	264,092	441,961	135,802
Other - general revenue*	119,939	38,256	11,425	124,914	209,045	64,234
Other revenue	256,300	2,754,376	672,182	816,822	1,329,756	100,243
Development cost charges	-	-	-	-	-	-
Donations and contributions - capital	50,043	-	-	-	-	-
Transfers from other governments - capital	62,529	-	-	-	-	-
Transfers from other governments - operating	212,007	34,481	3,300	-	839,276	-
Casino revenue sharing**	144,905	46,218	114,465	150,913	635,173	1,123,068
Municipal Finance Authority refunds and debt forgiven	-	-	-	-	-	-
Developer assets provided	-	-	-	-	-	-
Gain (Loss) on disposal of assets	2,635,519	-	1,040	(1,720)	(9,272)	-
	17,275,705	7,238,717	3,271,345	15,091,580	26,364,790	10,245,878
<b>Expenses</b>						
Wages and salaries	10,021,588	5,552,829	1,173,014	12,599,600	4,969,129	14,118
Services and supply contracts***	4,277,173	794,472	1,272,688	915,926	19,614,292	2,941,818
Amortization	907,795	327,053	384,171	550,784	300,725	1,954,987
Material and supplies	842,270	202,196	104,386	627,510	83,765	51,373
Other	714,376	253,035	638,582	710,176	117,732	4,594,181
Interest payments on debt	1,087,924	-	68,239	152,860	-	-
	17,851,126	7,129,585	3,641,080	15,556,856	25,085,643	9,556,477
Interprogram credits	(2,358,767)	-	(58,876)	(559,010)	-	-
	15,492,359	7,129,585	3,582,204	14,997,846	25,085,643	9,556,477
<b>Excess (Deficiency) of revenues over expenses</b>	\$ 1,783,346	\$ 109,132	\$ (310,859)	\$ 93,734	\$ 1,279,147	\$ 689,401
<b>Expenditures on capital projects</b>	\$ 6,705,676	\$ -	\$ 6,350	\$ 189,597	\$ 925,812	\$ 59,627

\*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, 2014**

Parks, Recreation and Environment	Engineering and Public Works	Sewer System	Waterworks	Reserve Funds	Consolidated	
\$ 15,237,822	\$ 15,584,043	\$ -	\$ -	\$ -	\$ 94,551,269	Revenues
227,764	232,631	-	-	-	1,409,584	Taxes*
6,091,796	4,053,672	5,539,616	14,575,628	-	33,699,231	Grants in lieu of taxes*
316,748	333,862	-	7,224	1,176,239	3,154,310	User fees and sales of services
138,375	141,332	-	-	-	856,375	Investment income
721,088	357,065	6,170	75,616	26,540	6,626,838	Other - general revenue*
1,298,028	1,212,042	451,375	460,204	-	3,421,649	Other revenue
343,671	145,228	56,786	31,563	-	577,601	Development cost charges
-	-	-	12,674,788	-	12,674,788	Donations and contributions - capital
1,265,330	3,591	-	-	-	2,336,070	Transfers from other governments - capital
142,012	145,046	-	-	-	2,392,585	Transfers from other governments - operating
-	-	-	-	-	-	Casino revenue sharing*
2,718,061	2,348,979	384,554	399,366	-	5,850,960	Municipal Finance Authority refunds and debt forgiven
1,083,598	(31,272)	(16,460)	(212,750)	-	1,450,650	Developer contribution at subdivision
29,584,293	24,526,219	6,422,041	28,011,639	1,202,779	169,001,910	Gain (Loss) on disposal of assets
12,428,919	9,060,987	1,036,317	1,992,989	-	58,876,116	Expenses
3,969,376	5,905,801	1,092,185	837,797	-	41,470,741	Wages and salaries
3,706,810	8,753,321	592,708	2,924,963	-	20,199,518	Services and supply contracts***
1,531,830	2,702,673	312,397	571,377	-	6,962,270	Amortization
977,776	2,462,679	1,839,530	3,025,132	-	15,543,063	Material and supplies
35,649	(1,422)	-	709,175	-	1,989,179	Other
22,650,360	28,884,039	4,873,137	10,061,433	-	145,040,887	Interest payments on debt
-	(5,267,640)	-	-	-	(8,066,322)	Interprogram credits
22,650,360	23,616,399	4,873,137	10,061,433	-	136,974,565	
\$ 6,933,933	\$ 909,820	\$ 1,548,904	\$ 17,950,206	\$ 1,202,779	\$ 32,027,345	Excess (Deficiency) of revenues over expenses
\$ 13,204,665	\$ 6,813,511	\$ 3,440,038	\$ 23,785,099	\$ -	\$ 50,427,870	Expenditures on capital projects

**for the year ended December 31, 2013**

Parks, Recreation and Environment	Engineering and Public Works	Sewer Revenue Fund	Waterworks Revenue Fund	Reserve Funds	Consolidated	
\$ 15,178,427	\$ 14,483,755	\$ -	\$ -	\$ -	\$ 90,976,425	Revenues
240,293	228,969	-	-	-	1,436,385	Taxes*
5,974,885	4,161,120	5,307,087	13,230,471	-	32,139,631	Grants in lieu of taxes*
298,269	294,924	-	5,234	1,196,402	2,995,973	User fees and sales of services
141,080	134,431	-	-	-	843,324	Investment income
612,633	548,720	27	19,637	(548,104)	6,562,592	Other - general revenue*
512,415	316,220	221,491	390,829	-	1,440,955	Other revenue
302,107	97,501	1,527	4,563	-	455,741	Development cost charges
-	26,681	-	17,839,947	-	17,929,157	Donations and contributions - capital
1,225,268	633	-	-	-	2,314,965	Transfers from other governments - capital
170,444	162,412	-	-	-	2,547,598	Transfers from other governments - operating
-	61,645	-	13,089	-	74,734	Casino revenue sharing*
662,300	3,128,704	487,947	637,451	-	4,916,402	Municipal Finance Authority refunds and debt forgiven
259,098	(111,426)	(1,989)	(18,318)	-	2,752,932	Developer contribution at subdivision
25,577,219	23,534,289	6,016,090	32,122,903	648,298	167,386,814	Gain (Loss) on disposal of assets
12,391,529	8,502,246	1,002,473	1,996,224	-	58,222,750	Expenses
6,012,523	6,362,669	621,351	797,450	-	43,610,362	Wages and salaries
3,722,338	8,695,305	579,827	2,818,486	-	20,241,471	Services and supply contracts***
1,619,447	2,563,470	259,612	513,743	-	6,867,772	Amortization
943,690	1,876,739	1,762,362	2,881,286	-	14,492,159	Material and supplies
82,159	(492)	-	119,518	-	1,510,208	Other
24,771,686	27,999,937	4,225,625	9,126,707	-	144,944,722	Interest payments on debt
-	(4,561,218)	-	-	-	(7,537,871)	Interprogram credits
24,771,686	23,438,719	4,225,625	9,126,707	-	137,406,851	
\$ 805,533	\$ 95,570	\$ 1,790,465	\$ 22,996,196	\$ 648,298	\$ 29,979,963	Excess (Deficiency) of revenues over expenses
\$ 3,633,565	\$ 7,123,080	\$ 2,010,814	\$ 40,188,058	\$ -	\$ 60,842,579	Expenditures on capital projects



CITY OF NANAIMO  
SCHEDULE OF TANGIBLE CAPITAL ASSETS  
for the year ended December 31, 2014

	ASSETS				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2013	Additions	Disposals	Transfers	Balance December 31, 2014	Balance December 31, 2013	Additions	Disposals		Balance December 31, 2014
Land	\$ 71,988,215	\$ 11,359,681	\$ 412,628	\$ -	\$ 82,935,268	\$ -	\$ -	\$ -	\$ -	\$ 82,935,268
Land improvements	26,123,592	308,801	43,300	292,649	26,681,742	11,672,188	1,075,206	42,860	12,704,534	13,977,208
Leasehold improvements	2,160,400	13,894	-	-	2,174,294	1,700,548	86,459	-	1,787,007	387,287
Marine	867,490	-	-	-	867,490	640,795	31,060	-	671,855	195,635
Buildings	188,967,895	1,145,550	1,754,425	98,573	188,457,593	57,655,340	5,139,896	1,675,276	61,119,960	127,337,633
Vehicles and equipment	30,891,692	745,506	1,818,917	247,924	30,066,205	17,437,189	1,962,241	1,698,800	17,700,630	12,365,575
Computer	8,570,982	306,880	33,800	-	8,844,062	6,872,341	542,293	33,800	7,380,834	1,463,228
Storm	97,425,140	1,104,580	91,605	63,585	98,501,700	24,818,174	1,543,795	53,881	26,308,088	72,193,612
Transportation	290,881,356	2,630,232	266,490	37,835	293,282,933	147,278,740	6,463,981	256,801	153,485,920	139,797,013
Sewer	29,620,617	1,851,475	81,176	779,358	32,170,274	10,819,268	532,749	64,706	11,287,311	20,882,963
Water	160,017,162	4,390,929	1,169,148	8,100,187	171,339,130	55,738,542	2,821,838	1,004,068	57,556,312	113,782,818
Work in progress	53,087,781	26,570,342	-	(9,620,111)	70,038,012	-	-	-	-	70,038,012
	\$ 960,602,322	\$ 50,427,870	\$ 5,671,489	\$ -	\$ 1,005,358,703	\$ 334,633,125	\$ 20,199,518	\$ 4,830,192	\$ 350,002,451	\$ 655,356,252

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for the year ended December 31, 2013

	ASSETS				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2012	Additions	Disposals	Transfers	Balance December 31, 2013	Balance December 31, 2012	Additions	Disposals		Balance December 31, 2013
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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CITY OF NANAIMO

THE HARBOUR CITY

