

**CITY OF PARKSVILLE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

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**YEAR ENDED DECEMBER 31, 2011**

	<u>Page #</u>
Management Report	1
Independent Auditors' Report	2
Statements	
A    Consolidated Statement of Financial Position	3
B    Consolidated Statement of Operations	4
C    Consolidated Statement of Cash Flows	5
D    Consolidated Statement of Changes in Net Financial Assets	6
Notes to Financial Statements	7-17
Schedules	
1    Schedule of Tangible Capital Assets	18
2    Schedule of Deferred Revenue - Development Cost Charge Activities	19
3    Schedule of Statutory Reserve Fund Activities	20
4    Schedule of Segmented Disclosure	21-22

**CITY OF PARKSVILLE  
MANAGEMENT REPORT  
2011 FINANCIAL STATEMENTS**


The preparation of these financial statements is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards, and the integrity and objectivity of these statements are management's responsibility.


Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of Council. The Audit Committee meets with the external auditors two times per year.

The external auditors, McGorman MacLean, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the City's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of Council.

On behalf of the City of Parksville:

  
G. Lucky Butterworth, BBA, CGA  
Director of Finance

  
Chris Burger  
Mayor

**INDEPENDENT AUDITORS' REPORT**

To the Mayor and Council of the  
City of Parksville

**Report on Financial Statements**

We have audited the accompanying consolidated statement of financial position of the City of Parksville as at December 31, 2011 and the consolidated statements of operations, cash flows and changes in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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, these financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2011 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian Public Sector Accounting Standards.

  
CHARTERED ACCOUNTANTS

Parksville, Canada  
June 18, 2012

**CITY OF PARKSVILLE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

**STATEMENT A**

	<u>2011</u>	<u>2010</u> (restated - Note 2)
<b>FINANCIAL ASSETS</b>		
Cash	\$ 11,916,827	\$ 12,091,606
Investments (Note 3)	14,065,199	13,996,545
Accounts receivable (Note 4)	<u>2,465,798</u>	<u>2,629,371</u>
	<u>28,447,824</u>	<u>28,717,522</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	2,038,410	2,063,848
Deferred revenue	59,392	37,092
Deposits and other liabilities (Note 6)	3,101,959	3,396,605
Employee benefit accrual (Note 7)	416,335	423,689
Deferred revenue - federal gas tax (Note 2 and 8)	1,304,972	939,846
Deferred revenue - development cost charges (Note 9)	5,931,570	6,547,039
Long term debt (Note 10)	<u>3,412,754</u>	<u>3,717,311</u>
	<u>16,265,392</u>	<u>17,125,430</u>
<b>NET FINANCIAL ASSETS</b>	<u>12,182,432</u>	<u>11,592,092</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	48,526	24,139
Inventory	24,677	17,297
Tangible capital assets (Note 11)	<u>149,561,053</u>	<u>146,549,449</u>
	<u>149,634,256</u>	<u>146,590,885</u>
<b>ACCUMULATED SURPLUS (Note 2 and 12)</b>	<u><u>\$ 161,816,688</u></u>	<u><u>\$ 158,182,977</u></u>

Contingent liabilities (Note 13)  
MFA debt reserve fund (Note 14)

  
G. Lucky Butterworth, CGA  
Director of Finance

The accompanying notes are an integral part of these financial statements

**CITY OF PARKSVILLE**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2011**

**STATEMENT B**

	<b>2011 Budget (unaudited)</b>	<b>2011 Actual</b>	<b>2010 Actual (restated - Note 2)</b>
<b>REVENUE</b>			
Taxation	\$ 10,644,951	\$ 10,646,049	\$ 10,223,339
Water and sewer user fees	3,583,320	3,373,754	3,569,644
Services provided to other governments	540,600	535,420	468,618
Sale of services	1,300,470	1,288,381	1,257,946
Interest	274,000	331,916	277,281
Other revenue from own sources	152,100	221,857	261,273
Government transfers	492,000	693,986	224,471
Capital grants	762,910	182,033	2,128,772
Developer contributions of tangible capital assets	72,905	496,321	342,583
Transfer from deferred revenue	2,969,793	1,275,364	670,765
Gain (loss) on disposal of tangible capital assets	-	6,730	(443,819)
	<u>20,793,049</u>	<u>19,051,811</u>	<u>18,950,873</u>
<b>EXPENSES</b>			
General government services	2,129,642	2,010,532	1,915,048
Protective services	3,243,531	2,901,514	2,814,211
Transportation services	4,080,551	3,846,593	3,500,965
Planning	919,372	745,010	699,359
Environmental health services	586,100	587,532	557,972
Parks and cultural services	2,302,138	2,267,694	2,192,247
Water services	2,466,814	1,968,888	1,828,603
Sewer services	1,092,086	1,090,337	996,525
	<u>16,820,234</u>	<u>15,418,100</u>	<u>14,504,930</u>
<b>ANNUAL SURPLUS (Note 2)</b>	3,972,815	3,633,711	4,445,943
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR (Note 2)</b>	<u>158,182,977</u>	<u>158,182,977</u>	<u>153,737,034</u>
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>	<u><u>\$ 162,155,792</u></u>	<u><u>\$ 161,816,688</u></u>	<u><u>\$ 158,182,977</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**

**STATEMENT C**

	<u>2011</u>	<u>2010</u> (restated - Note 2)
<b>CASH PROVIDED BY OPERATIONS</b>		
Annual surplus	\$ 3,633,711	\$ 4,445,943
Items not involving cash:		
Amortization	3,271,176	3,161,399
(Gain) loss on disposal of tangible capital assets	(6,730)	443,819
Developer contribution of tangible capital assets	(496,321)	(312,583)
Actuarial reduction to long term debt	(109,687)	(96,867)
Changes in non-cash operating working capital:		
Decrease (increase)		
Accounts receivable	163,573	(321,909)
Prepaid expenses	(24,387)	61,937
Inventory	(7,380)	29,448
Increase (decrease)		
Accounts payable and accrued liabilities	(25,438)	410,699
Deferred revenue	22,300	25,917
Deposits and other liabilities	(294,644)	(400,611)
Employee benefits accrual	(7,353)	(39,100)
Deferred revenue - federal gas tax	365,126	356,136
Deferred revenue - development cost charges	(615,470)	(84,515)
Cash provided by operating transactions	<u>5,868,476</u>	<u>7,679,713</u>
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets	(5,880,480)	(6,423,666)
Proceeds from the sale of tangible capital assets	100,750	72,000
Cash applied to capital transactions	<u>(5,779,730)</u>	<u>(6,351,666)</u>
<b>FINANCING TRANSACTIONS</b>		
Long term debt repayment	<u>(194,871)</u>	<u>(313,992)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(106,125)	1,014,055
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>26,088,151</u>	<u>25,074,096</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 25,982,026</u>	<u>\$ 26,088,151</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash	\$ 11,916,827	\$ 12,091,606
Investments	14,065,199	13,996,545
	<u>\$ 25,982,026</u>	<u>\$ 26,088,151</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION:</b>		
Cash paid for interest on debt	<u>\$ 187,621</u>	<u>\$ 204,816</u>

The accompanying notes are an integral part of these financial statements

**CITY OF PARKSVILLE**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2011**

**STATEMENT D**

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u> (restated - Note 2)
<b>ANNUAL SURPLUS</b>	\$ 3,972,815	\$ 3,633,711	\$ 4,445,943
Acquisition of tangible capital assets	(10,495,540)	(6,376,800)	(6,736,249)
Amortization of tangible capital assets	3,063,250	3,271,176	3,161,399
(Gain) loss on disposal of tangible capital assets	-	(6,730)	443,819
Proceeds on sale of tangible capital assets	-	100,750	72,000
	<u>(3,459,475)</u>	<u>622,107</u>	<u>1,386,912</u>
Acquisition of supplies inventory	-	(24,677)	(17,297)
Acquisition of prepaid expenses	-	(48,526)	(24,139)
Consumption of supplies inventory	-	17,297	46,745
Use of prepaid expenses	-	24,139	86,076
	<u>-</u>	<u>(31,767)</u>	<u>91,385</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(3,459,475)	590,340	1,478,297
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<u>11,592,092</u>	<u>11,592,092</u>	<u>10,113,795</u>
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	<u>\$ 8,132,617</u>	<u>\$ 12,182,432</u>	<u>\$ 11,592,092</u>

The accompanying notes are an integral part of these financial statements



**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

The City of Parksville operates under the authority of the Local Government Act of British Columbia. The City's principal activities include the provision of services to residents of Parksville. These include protective services, engineering and public works, parks, community planning, general government, water, sewer, and solid waste.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Basis of presentation

Consolidated financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The consolidated statement of financial position includes all assets and liabilities of the City. Interfund transactions and balances have been eliminated.

b) Cash and investments

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary. At various times during the term of each individual investment, market value may be less than cost. Such declines in value are considered temporary for investments with known maturity dates as they generally reverse as the investments mature and therefore an adjustment to market value of these market declines is not recorded.

c) 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 for sale in the ordinary course of operations.

Inventory

The City maintains a minimal level of parts and supplies on hand. Larger inventory items are included on the statement of financial position and are recorded at cost at year end. Spare parts and supplies are expensed when purchased.

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

c) Non-financial assets (continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisitions, construction, development, or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 - 50 years
Buildings	50 years
Vehicles, machinery and equipment	5 - 25 years
Roads, sidewalks and lighting	20 - 75 years
Storm sewer systems	15 - 70 years
Water systems and AWS dam	15 - 80 years
Sanitary sewer systems	15 - 60 years

A full year of amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are initially recorded as work in progress and not amortized until the asset is available for productive use.

d) Basis of accounting

All revenue and expenses are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Revenue is recorded in the period in which the transactions or events occurred that gave rise to the revenue and expenses are recorded in the period the goods and services are acquired and a liability is incurred or transfers are due.

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results may differ from these estimates.

In 2009, the City's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful remaining lives of tangible capital assets. Actual results could differ from these estimates.

**2. CHANGE IN ACCOUNTING POLICY**

The City of Parksville has restated its financial statements to comply with the provisions of Section 3410 of the Public Sector Accounting Board handbook. Section 3410 establishes general reporting principles and standards for the recording of government transfers in the financial statements.

In prior years, federal gas tax funding was recorded as revenue upon receipt. Under the provisions of Section 3410, these funds are recorded as revenue as the stipulation liabilities are settled. The change has been applied retroactively and prior periods restated. The impact of the change on the current year is a reduction of grant and interest income totalling \$365,126. Amounts reported in prior years were changed as follows:

**Adjustments to 2010 Accumulated Surplus at Beginning of Year**

Accumulated surplus, beginning of year, as previously reported	\$ 154,320,744
Less: Transfer to Deferred Revenue - federal gas tax	<u>(583,710)</u>
Accumulated surplus, beginning of year, restated	<u><u>\$ 153,737,034</u></u>

**2010 Annual Surplus**

Annual surplus, as previously reported	\$ 4,802,079
Less:	
Removal of 2010 gas tax funding	(345,466)
Transfer of 2010 interest on gas tax fund to Deferred Revenue	<u>(10,670)</u>
Annual surplus, as restated	<u><u>\$ 4,445,943</u></u>

**Adjustments to 2010 Financial Liabilities**

Financial liabilities, as previously reported	\$ 16,185,584
Add: Deferred revenue - federal gas tax	<u>939,846</u>
Financial liabilities, as restated	<u><u>\$ 17,125,430</u></u>

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**3. INVESTMENTS**

		<b>2011</b>	<b>2010</b>
Short term notes and deposits	Cost	\$ 14,065,199	\$ 9,963,049
Long term notes and deposits	Cost	-	4,033,496
		<u>\$ 14,065,199</u>	<u>\$ 13,996,545</u>
Short term notes and deposits	Market value	\$ 14,148,560	\$ 9,963,049
Long term notes and deposits	Market value	-	4,188,640
		<u>\$ 14,148,560</u>	<u>\$ 14,151,689</u>

Short term notes and deposits have interest rates varying from 1.30% to 4.60% (2010 - 1.35% to 1.75%) and mature in less than one year.

**4. ACCOUNTS RECEIVABLE**

	<b>2011</b>	<b>2010</b>
Property taxes and utilities receivable	\$ 840,503	\$ 893,110
Accrued utilities receivable	859,500	875,750
Receivable from provincial government	23,198	213,098
Receivable from federal government	376,403	239,613
Receivable from other government agencies	118,001	98,830
Trade accounts receivable	131,246	189,119
Accrued interest receivable	116,947	119,851
	<u>\$ 2,465,798</u>	<u>\$ 2,629,371</u>

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2011</b>	<b>2010</b>
Payable to federal government	\$ 498,412	\$ 533,223
Payable to provincial government	73,122	162,525
Payable to other government agencies	375,581	113,615
Trade accounts payable	755,447	914,581
Accrued payroll and vacation payable	335,848	339,904
	<u>\$ 2,038,410</u>	<u>\$ 2,063,848</u>

**6. DEPOSITS AND OTHER LIABILITIES**

	<b>2011</b>	<b>2010</b>
Prepaid property taxes and utilities	\$ 1,558,843	\$ 1,486,275
Development security deposits	1,284,437	1,660,049
Developer contributions and grant deposits	257,320	246,502
Building permit and other advance deposits	1,359	3,779
	<u>\$ 3,101,959</u>	<u>\$ 3,396,605</u>

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**7. EMPLOYEE BENEFIT ACCRUAL**

	<b>2011</b>	<b>2010</b>
Retirement benefits payable	\$ 329,952	\$ 337,306
Sick time accrual	86,383	86,383
	<u>\$ 416,335</u>	<u>\$ 423,689</u>

Retirement benefits - employees who retire may qualify for a payout of their accumulated unused sick leave bank. Union employees may qualify for a payout of up to 60 days and non-union staff qualify for a payout of up to 261 days if certain restrictions are met. The City calculates the value of this liability based on a statistical analysis of the age and length of service of its workforce. The liability reflects the likelihood that employees will reach the age of 60, retire and become eligible for this benefit.

**8. DEFERRED REVENUE - FEDERAL GAS TAX**

Federal gas tax funding is provided by the Government of Canada and the use of the funding is established by a funding agreement between the local government and the Union of BC Municipalities. Funding must only be used for designated capital projects as specified in the funding agreements.

The City reports the balance of unused funding as deferred revenue until it is used to fund specified capital projects. Interest is required to be accrued on the fund balance.

	<b>2011</b>	<b>2010</b>
Balance at beginning of year	\$ 939,846	\$ 583,710
Contributions from government	345,431	345,466
Interest	19,695	10,670
	<u>\$ 1,304,972</u>	<u>\$ 939,846</u>

**9. DEFERRED REVENUE - DEVELOPMENT COST CHARGES**

Development cost charges represents funds collected from development for capital purposes as specified by a bylaw under the authority of the Community Charter. The collections from development are recorded as a deferred revenue until such time as they are spent for the purposes specified in the City bylaw.

	<b>2011</b>	<b>2010</b>
Balance at beginning of year	\$ 6,547,039	\$ 6,631,555
Contributions from developers	540,111	487,829
Interest	119,784	98,421
Transfer to revenue	(1,275,364)	(670,766)
	<u>\$ 5,931,570</u>	<u>\$ 6,547,039</u>

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**10. LONG TERM DEBT**

**General Revenue Fund**

<u>Debenture Debt</u>	<u>Maturity</u>	<u>Interest</u>		
<u>Purpose</u>	<u>Date</u>	<u>Rate</u>	<u>2011</u>	<u>2010</u>
Civic and Technology Centre	Dec. 2021	3.05%	\$ 650,592	\$ 699,854
Civic and Technology Centre	Dec. 2021	5.69%	509,894	544,076
Northwest Bay Road local improvement	Apr. 2025	5.10%	600,706	636,047
Total General fund long term debt			<u>1,761,192</u>	<u>1,879,977</u>

**Water Utility Fund**

<u>Debenture Debt</u>				
<u>Purpose</u>				
Water	Mar. 2018	4.65%	557,176	622,350
Water	Sep. 2018	4.65%	914,698	1,021,691
Water	Jun. 2021	3.05%	179,688	193,293
Total Water fund long term debt			<u>1,651,562</u>	<u>1,837,334</u>
Total long term debt			<u>\$ 3,412,754</u>	<u>\$ 3,717,311</u>

Principal due over the next five years on long term debt is as follows:

	<u>General</u>	<u>Water</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
2012	\$ 91,133	\$ 104,639	\$ 195,772
2013	92,057	104,639	196,696
2014	93,005	104,639	197,644
2015	93,977	104,639	198,616
2016	94,973	104,639	199,612
	<u>\$ 465,145</u>	<u>\$ 523,195</u>	<u>\$ 988,340</u>

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**11. TANGIBLE CAPITAL ASSETS**

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 52,765,639	\$ 51,507,158
Buildings	10,898,577	7,683,617
Vehicles, machinery and equipment	5,392,704	4,832,079
Infrastructure		
Roads, sidewalks and lighting	50,548,630	50,518,674
Storm sewer systems	23,873,712	23,595,394
Water systems and Arrowsmith Dam	33,630,601	33,538,507
Sanitary sewer systems	15,940,274	15,924,590
Work in progress	<u>2,538,572</u>	<u>2,007,227</u>
	195,588,709	189,607,246
Less: Accumulated amortization	<u>46,027,656</u>	<u>43,057,797</u>
Net book value (Schedule 1)	<u><u>\$ 149,561,053</u></u>	<u><u>\$ 146,549,449</u></u>

Land and land improvements includes the cost of land under roads recognized at fair market value at the date of acquisition.

Contributed tangible capital assets are recognized at fair market value at the date of contribution. In 2011, \$496,321 (2010 - \$312,583) of tangible capital assets were contributed and included in infrastructure.

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**12. ACCUMULATED SURPLUS**

	<u>2011</u>	<u>2010</u>
Restricted Surplus		
General revenue fund reserves for future expenditures	\$ 2,500,367	\$ 4,018,676
Water utility fund reserves for future expenditures	590,721	117,500
Sewer utility fund reserves for future expenditures	10,120	24,500
Equity in Arrowsmith Water Services Joint Venture reserves	118,001	98,831
	<u>3,219,209</u>	<u>4,259,507</u>
General fund capital reserve	174,235	171,036
Water utility fund capital reserve	149,719	146,970
Sewer utility fund capital reserve	650,480	638,535
Statutory reserve funds (Schedule 3)	1,661,103	1,818,449
	<u>5,854,746</u>	<u>7,034,497</u>
Unrestricted Surplus		
General revenue fund	3,852,799	2,768,811
Water utility fund	3,125,091	2,790,679
Sewer utility fund	2,835,752	2,756,852
	<u>9,813,642</u>	<u>8,316,342</u>
Equity in tangible capital assets		
General revenue fund	108,689,352	106,099,565
Water utility fund	26,344,598	25,489,792
Sewer utility fund	11,114,350	11,242,781
	<u>146,148,300</u>	<u>142,832,138</u>
	<u>\$ 161,816,688</u>	<u>\$ 158,182,977</u>

The restricted surplus represents reserves to be used to fund specified future expenditures, as authorized by Council. It includes both statutory reserves set up by bylaw under the authority of the Community Charter and reserve accounts, for which Council is not restricted by external parties in providing for the use of funds.

The unrestricted surplus represents the accumulated operating surpluses of the City.



**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**13. CONTINGENT LIABILITIES**

- a) The City is responsible, as a member of the Regional District of Nanaimo and the Nanaimo Regional Hospital District, for its proportion of any operating deficits or capital debt related to functions in which it participates.
- b) The City has issued demand notes to the Regional District of Nanaimo totalling \$197,998. These notes are callable only if required by the Regional District.
- c) The municipality and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee 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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has approximately 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the Plan.

The City of Parksville paid \$365,666 for employer contributions to the Plan in fiscal 2011.

- d) Other contingent liabilities consisting of routine claims will be accounted for as an expense in the period in which the costs are incurred. It is not possible to determine the City's liability, if any, with respect to these other matters.

**14. MFA DEBT RESERVE FUND**

The Municipal Finance Authority requires the City to establish a reserve fund equal to one half the annual instalment of principal and interest of debentures issued. The cash portion of the fund is equal to one percent of the total principal with the remainder to be covered by a non-interest bearing promissory note. The balance of the MFA debt reserve fund is as follows:

	<b>2011</b>	<b>2010</b>
Cash	\$ 100,392	\$ 97,083
Demand note	197,998	197,998
	<u>\$ 298,390</u>	<u>\$ 295,081</u>

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**15. SEGMENTED INFORMATION**

The City of Parksville provides a diverse range of services to its citizens including water and sewer, fire, police, bylaw, building inspections and park maintenance among others. The City maintains three separate funds (general revenue, water revenue and sewer revenue) to account for the services. Each fund is expected to cover its expenditures through its own revenue collections.

City services are provided by departments and their activities are reported in one of these funds. Certain departments have been amalgamated to reduce the number of segments and provide information along the following related functional lines:

**Protective Services**

Includes the provision of police, fire, bylaw and emergency services. The City shares costs in a regional police force that serves Parksville, Qualicum Beach, French Creek, Errington and other local areas within the Regional District of Nanaimo. The City of Parksville has an allocation of 16 police officers. The Parksville volunteer fire department includes three full time officers and 36 volunteer members and provides first responder services in addition to fire protection to Parksville and part of the Regional District of Nanaimo (half of French Creek, San Paniel, and Martindale Road). Bylaw enforcement is provided part time by 2 bylaw officers, one of which also acts as the emergency program coordinator.

**Engineering and Public Works**

Responsible for the delivery of municipal public works services including the planning, development and maintenance of roads, sidewalks, street lighting, traffic signals, snow removal and facilities. The engineering department also contracts itself to the water and sewer revenue funds for the planning and development of the City's water and sewer infrastructure.

**Parks and Cultural Services**

Maintains the City's numerous parks and roadside greenery. It also maintains the recreational sports fields, hard courts, dog park and children's playgrounds. Cultural services includes the costs paid to the Vancouver Island Regional Library and Parksville community centres.

**Community Planning**

Manages urban development for environmental concerns, local neighbourhoods and the downtown through City planning, community development, parks and sustainability planning. It ensures acceptable quality of building construction and property maintenance through enforcement of construction and building codes and standards. It also assists economic development through review and approval of land development plans, application of zoning by-laws and processing of building permit applications.

**General Government**

Provides services for legislative and general administration as well as financial management, revenue collection, human resources and information technology.

**Other Services**

Includes activities which do not easily fit into any of the above segment categories including unallocated common service costs and insurance.

**CITY OF PARKSVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**15. SEGMENTED INFORMATION** (continued)

**Water, Sewer, and Solid Waste**

Water and Sewer are each accounted for in their own funds and are consolidated for segmentation purposes. The water fund is responsible for providing water to the citizens of Parksville including the maintenance of the water distribution and supply system. The sewer fund is responsible for the maintenance of the sanitary sewer collection system. The planning and development of the systems is provided by the Engineering department. Solid waste collection and disposal is contracted out by the City to the Regional District of Nanaimo.

See Schedule 4 for a detailed summary of the revenues and expenses of each segment for 2010 and 2011.

**16. EXPENSES BY OBJECT**

The following is a summary of expenses by object:

<u>Expense Object</u>	<u>2011</u>	<u>2010</u>
Wages and benefits	\$ 5,792,689	\$ 4,989,105
Consulting and contract services	4,037,695	4,082,905
Materials and supplies	1,241,419	1,235,091
Office and insurance	566,150	543,429
Amortization of tangible capital assets	3,271,176	3,161,399
Interest	187,621	204,816
Grants	321,350	288,185
	<u>\$ 15,418,100</u>	<u>\$ 14,504,930</u>

**17. ANNUAL BUDGET**

The financial statements include unaudited budget data from the Annual Budget as adopted by Council on May 9, 2011.

**18. COMPARATIVE FIGURES**

Certain 2011 comparative figures have been changed to reflect financial statement presentation adopted in the current year.

CITY OF PARKSVILLE  
SCHEDULE OF TANGIBLE CAPITAL ASSETS

AS AT DECEMBER 31, 2011

## ASSET COST

	Balance December 31, 2010	2011 Additions	2011 Disposals	Balance December 31, 2011
Land	\$ 46,633,453	\$ 1,097,185	\$ -	\$ 47,730,638
Land improvements	4,873,705	184,230	22,934	5,035,001
Buildings	7,683,617	3,214,960	-	10,898,577
Vehicles and equipment	4,832,079	821,822	261,197	5,392,704
Roads	50,518,674	116,689	86,733	50,548,630
Drainage systems	23,595,394	291,392	13,074	23,873,712
Water system & AWS dam	33,538,507	101,966	9,872	33,630,601
Sewer system	15,924,590	17,212	1,528	15,940,274
Work in progress	2,007,227	531,345	-	2,538,572
	\$ 189,607,246	\$ 6,376,801	\$ 395,338	\$ 195,588,709

## ACCUMULATED AMORTIZATION

	Balance December 31, 2010	2011 Amortization	2011 Disposals	Balance December 31, 2011
	\$ -	\$ -	\$ -	\$ -
	1,637,524	187,714	9,174	1,816,064
	1,436,831	224,302	-	1,661,133
	2,479,088	457,372	246,117	2,690,343
	18,181,285	1,179,496	37,933	19,322,848
	6,138,603	399,317	1,090	6,536,830
	8,426,662	552,946	5,781	8,973,827
	4,757,804	270,029	1,222	5,026,611
	-	-	-	-
	\$ 43,057,797	\$ 3,271,176	\$ 301,317	\$ 46,027,656

NET BOOK  
VALUE

\$ 47,730,638

3,218,937

9,237,444

2,702,361

31,225,782

17,336,882

24,656,774

10,913,663

2,538,572

\$ 149,561,053

AS AT DECEMBER 31, 2010

## ASSET COST

	Balance December 31, 2009	2010 Additions	2010 Disposals	Balance December 31, 2010
Land	\$ 46,633,453	\$ -	\$ -	\$ 46,633,453
Land improvements	4,000,208	873,497	-	4,873,705
Buildings	6,900,892	782,725	-	7,683,617
Vehicles and equipment	4,560,105	604,344	332,370	4,832,079
Roads	48,434,109	2,837,770	753,205	50,518,674
Drainage systems	23,165,808	543,160	113,574	23,595,394
Water system & AWS dam	32,406,799	1,263,533	131,825	33,538,507
Sewer system	15,737,913	264,965	78,288	15,924,590
Work in progress	2,440,973	(433,746)	-	2,007,227
	\$ 184,280,260	\$ 6,736,248	\$ 1,409,262	\$ 189,607,246

## ACCUMULATED AMORTIZATION

	Balance December 31, 2009	2010 Amortization	2010 Disposals	Balance December 31, 2010
	\$ -	\$ -	\$ -	\$ -
	1,437,453	200,071	-	1,637,524
	1,276,828	160,003	-	1,436,831
	2,256,089	406,018	183,019	2,479,088
	17,545,913	1,179,239	543,867	18,181,285
	5,806,763	394,670	62,830	6,138,603
	7,928,104	551,631	53,073	8,426,662
	4,538,692	269,767	50,655	4,757,804
	-	-	-	-
	\$ 40,789,842	\$ 3,161,399	\$ 893,444	\$ 43,057,797

NET BOOK  
VALUE

\$ 46,633,453

3,236,181

6,246,786

2,352,991

32,337,389

17,456,791

25,111,845

11,166,786

2,007,227

\$ 146,549,449

## CITY OF PARKSVILLE

## SCHEDULE 2

## SCHEDULE OF DEFERRED REVENUE - DEVELOPMENT COST CHARGE ACTIVITIES

AS AT DECEMBER 31, 2011

	Public Open Space	Water	Sanitary Sewer	Storm Sewer	Roads	2011 Total	2010 Total
Balance at beginning of year	\$ 1,961,254	\$ 1,548,043	\$ 129,407	\$ 351,222	\$ 2,557,113	\$ 6,547,039	\$ 6,631,555
Add:							
Development cost charge collections	41,495	232,472	12,029	23,321	230,794	540,111	487,829
Interest	37,000	23,624	2,294	6,524	50,342	119,784	98,421
Less:							
Transfers to:							
General capital projects	-	-	-	(57,779)	(278,834)	(336,613)	(391,376)
Water capital projects	-	(864,065)	-	-	-	(864,065)	(244,262)
Sewer capital projects	-	-	(74,686)	-	-	(74,686)	(35,128)
Balance at end of year	\$ 2,039,749	\$ 940,074	\$ 69,044	\$ 323,288	\$ 2,559,415	\$ 5,931,570	\$ 6,547,039

CITY OF PARKSVILLE

SCHEDULE 3

SCHEDULE OF STATUTORY RESERVE FUND ACTIVITIES

AS AT DECEMBER 31, 2011

	2011				2010	
	Land Sale Reserve	General Parkland Reserve	Off Street Parking Reserve	Equipment Replacement Reserve	Total Reserves	Total Reserves
Balance at beginning of year	\$ 324,130	\$ 630,521	\$ 207,306	\$ 656,491	\$ 1,818,449	\$ 1,931,131
Add:						
Proceeds on sale of equipment				87,250	87,250	71,999
Equipment rental				479,300	479,300	477,814
Interest	4,314	11,794	3,878	11,628	31,614	27,481
Less:						
Transfers to:						
General capital	(191,811)				(191,811)	-
Equipment operations				(332,514)	(332,514)	(302,162)
Equipment capital				(231,185)	(231,185)	(387,814)
Balance at end of year	\$ 136,633	\$ 642,315	\$ 211,184	\$ 670,970	\$ 1,661,103	\$ 1,818,449

**CITY OF PARKSVILLE**  
**SCHEDULE OF SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

SCHEDULE 4

	Protective Services	Engineering and Public Works	Parks and Cultural Services	Community Planning	General Government	Other Services	Water, Sewer and Solid Waste	Adjustments and Eliminations	2011 Consolidated Totals
<b>Revenues</b>									
External taxes	\$ -	\$ -	\$ 455,552	\$ -	\$ 10,101,919	\$ -	\$ 88,577	\$ -	\$ 10,646,048
Fees and charges	25,363	309,988	19,180	298,208	53,587	-	3,992,317	-	4,698,643
Other sources	587,497	-	156,345	-	811,671	8,770	122,235	60,154	1,746,672
Capital grants and developer contributions	39,194	446,881	-	-	-	-	192,279	-	678,354
Transfers from DCC reserves	-	336,613	-	-	-	-	938,751	-	1,275,364
Internal charges	-	522,000	-	-	455,852	77,148	-	(1,055,000)	-
Gain (loss) on disposal of tangible capital assets	13,500	(2,375)	-	-	-	-	(4,395)	-	6,730
	<u>665,554</u>	<u>1,613,107</u>	<u>631,077</u>	<u>298,208</u>	<u>11,423,029</u>	<u>85,918</u>	<u>5,329,764</u>	<u>(994,846)</u>	<u>19,051,811</u>
<b>Expenses</b>									
Labour	777,978	1,414,691	748,738	650,545	1,546,662	-	564,160	-	5,702,774
Consulting and contract services	1,685,859	719,993	619,554	85,811	168,401	900	703,335	-	3,983,853
Other	213,589	584,488	558,029	14,899	264,946	186,747	449,978	-	2,272,676
Internal charges	53,136	-	31,000	-	-	-	970,864	(1,055,000)	-
Amortization of tangible capital assets	158,470	1,870,710	186,547	-	175,635	-	879,814	-	3,271,176
	<u>2,889,032</u>	<u>4,589,882</u>	<u>2,143,868</u>	<u>751,255</u>	<u>2,155,644</u>	<u>187,647</u>	<u>3,568,151</u>	<u>(1,055,000)</u>	<u>15,230,479</u>
<b>Fiscal Services</b>									
Debt servicing and repayments	-	101,106	-	-	7,909	-	78,606	-	187,621
Segment surplus (deficit)	<u>\$ (2,223,478)</u>	<u>\$ (3,077,881)</u>	<u>\$ (1,512,791)</u>	<u>\$ (453,047)</u>	<u>\$ 9,259,476</u>	<u>\$ (101,729)</u>	<u>\$ 1,683,007</u>	<u>\$ 60,154</u>	<u>\$ 3,633,711</u>

CITY OF PARKSVILLE  
SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2010

SCHEDULE 4

Revenues	Protective Services	Engineering and Public Works	Parks and Cultural Services	Community Planning	General Government	Other Services	Water, Sewer and Solid Waste	Adjustments and Eliminations	2010 Consolidated Totals
External taxes	\$ -	\$ -	\$ 433,884	\$ -	\$ 9,684,908	\$ -	\$ 104,547	\$ -	\$ 10,223,339
Fees and charges	30,093	296,039	15,130	340,677	24,411	-	4,154,797	-	4,861,147
Other sources	393,838	44,205	141,680	10,000	444,787	3,317	88,821	71,438	1,198,086
Capital grants and developer contributions	-	1,601,309	315,201	-	-	-	524,844	-	2,441,354
Transfers from DCC reserves	-	391,376	-	-	-	-	279,390	-	670,766
Internal charges	-	339,000	-	-	409,131	88,469	-	(836,600)	-
Loss on disposal of tangible capital assets	-	(337,433)	-	-	-	-	(106,386)	-	(443,819)
	<u>423,931</u>	<u>2,671,929</u>	<u>905,895</u>	<u>350,677</u>	<u>10,563,237</u>	<u>91,786</u>	<u>5,152,399</u>	<u>(765,162)</u>	<u>18,950,873</u>
Expenses									
Labour	751,419	928,409	683,633	595,265	1,420,441	-	520,610	-	4,899,777
Consulting and contract services	1,741,849	780,682	623,550	91,267	125,910	580	697,775	-	4,061,613
Other	192,933	506,195	546,530	23,555	259,241	215,599	433,539	(267)	2,177,325
Internal charges	50,309	-	21,500	-	-	-	764,791	(836,600)	-
Amortization of tangible capital assets	66,200	1,846,890	198,904	-	175,635	-	873,770	-	3,161,399
	<u>2,802,710</u>	<u>4,062,176</u>	<u>2,074,117</u>	<u>710,087</u>	<u>1,981,227</u>	<u>216,179</u>	<u>3,290,485</u>	<u>(836,867)</u>	<u>14,300,114</u>
Fiscal Services									
Debt servicing and repayments	-	109,149	-	-	3,051	-	92,616	-	204,816
Segment surplus (deficit)	<u>\$ (2,378,779)</u>	<u>\$ (1,499,396)</u>	<u>\$ (1,168,222)</u>	<u>\$ (359,410)</u>	<u>\$ 8,578,959</u>	<u>\$ (124,393)</u>	<u>\$ 1,769,298</u>	<u>\$ 71,705</u>	<u>\$ 4,445,943</u>