

**The Corporation of the City of
North Vancouver
Consolidated Financial Statements
For the year ended December 31, 2012**



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

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

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Corporation of the City of North Vancouver

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance 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 Corporation of the City of North Vancouver as at December 31, 2012, its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink, consisting of a long, sweeping horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

April 22, 2013

Burnaby, Canada

**The Corporation of the City of North Vancouver
Consolidated Statement of Financial Position
As at December 31, 2012 with comparative figures for 2011
(in thousands of dollars)**

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash	\$ 1,856	\$ 3,960
Temporary investments (note 3(a))	40,962	31,236
Portfolio investments (note 3(b))	117,541	118,637
Investment in Lonsdale Energy Corp. (note 4)	1,831	1,776
Due from other governments	3,285	3,302
Accounts receivable	15,606	11,058
Interest receivable	6,910	5,863
	<u>187,991</u>	<u>175,832</u>
LIABILITIES		
Accounts payable and accrued liabilities	14,054	12,628
Deferred revenue	39,746	35,404
Long-term debt (note 5)	2,000	-
Employee future benefits (note 6)	5,967	6,007
Advances and other liabilities	8,478	9,290
	<u>70,245</u>	<u>63,329</u>
NET FINANCIAL ASSETS	<u>117,746</u>	<u>112,503</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	196,272	188,581
Inventories	289	366
Prepaid expenses	873	1,123
	<u>197,434</u>	<u>190,070</u>
ACCUMULATED SURPLUS (note 8)	<u>\$ 315,180</u>	<u>\$ 302,573</u>

Commitments and contingencies (note 9)
See accompanying notes to the consolidated financial statements



Director of Finance

**The Corporation of the City of North Vancouver
Consolidated Statement of Operations
Year ended December 31, 2012 with comparative figures for 2011
(in thousands of dollars)**

	2012 Budget	2012	2011
(unaudited notes 2(f) and 12)			
REVENUE			
Property value tax	\$ 44,614	\$ 44,612	\$ 43,231
Parcel taxes	2,120	2,132	2,148
Licences and permits	3,248	4,313	3,416
Fines and fees	3,750	4,589	4,671
Rent	1,235	1,248	1,193
Interest and penalties	2,066	6,461	6,744
Sale of services	20,827	21,463	20,945
Rebate and recoveries	50	682	86
Grants and other	6,995	7,945	9,671
Gain on disposal of assets	-	5,783	-
Other developer contributions	-	1,968	-
Lonsdale Energy Corp. equity income	-	56	148
	<u>84,905</u>	<u>101,252</u>	<u>92,253</u>
EXPENSES			
General government	11,959	14,234	13,230
Transportation and transit	2,747	4,018	3,760
Health, social services and housing	2,186	2,220	2,262
Development services	4,297	3,956	3,924
Protective services	20,816	21,558	20,513
Parks, recreation and culture	19,011	23,004	22,147
Water utilities	7,022	8,378	6,995
Sewer utilities	6,424	7,424	6,237
Solid waste	4,027	3,853	3,731
	<u>78,489</u>	<u>88,645</u>	<u>82,799</u>
Total expenses (note 11)	<u>78,489</u>	<u>88,645</u>	<u>82,799</u>
Annual surplus	6,416	12,607	9,454
Accumulated surplus beginning of year	<u>302,573</u>	<u>302,573</u>	<u>293,119</u>
Accumulated surplus end of year	<u>\$ 308,989</u>	<u>\$ 315,180</u>	<u>\$ 302,573</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Change in Net Financial Assets
Year ended December 31, 2012 with comparative figures for 2011
(in thousands of dollars)

	2012	2012	2011
	Budget		
	(unaudited note 2(f) and 12)		
Annual surplus	\$ 6,416	\$ 12,607	\$ 9,454
Acquisition of tangible capital assets	(107,012)	(14,791)	(23,203)
Contributed tangible capital assets		(1,968)	-
Proceeds on sale of tangible capital assets	-	6,130	31
Depreciation of tangible capital assets	8,520	8,721	9,095
Loss (gain) on sale of tangible capital assets	-	(5,783)	1,340
	<u>(98,492)</u>	<u>(7,691)</u>	<u>(12,737)</u>
Acquisition of inventories	-	(1,104)	(1,019)
Acquisition of prepaid expenses	-	(837)	(1,150)
Use of inventories	-	1,181	1,052
Use of prepaid expenses	-	1,087	702
	<u>-</u>	<u>327</u>	<u>(415)</u>
Increase (decrease) in net financial assets	(92,076)	5,243	(3,698)
Net financial assets, beginning of year	<u>112,503</u>	<u>112,503</u>	<u>116,201</u>
Net financial assets, end of year	<u>\$ 20,427</u>	<u>\$ 117,746</u>	<u>\$ 112,503</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Cash Flows
Year ended December 31, 2012 with comparative figures for 2011
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Cash provided by (used for):		
Operating Activities		
Annual surplus	\$ 12,607	\$ 9,454
Items not involving cash:		
Depreciation expense	8,721	9,095
Loss (gain) on disposal of tangible capital assets	(5,783)	1,340
Developer contributions of tangible capital assets	(1,968)	-
Lonsdale Energy Corp. equity income	(56)	(148)
Changes in non-cash operating items:		
Decrease (increase) in due from other governments	17	(232)
Increase in accounts receivable	(4,548)	(1,767)
Increase in interest receivable	(1,047)	(1,443)
Increase in accounts payable and accrued liabilities	1,426	1,741
Increase in deferred revenue	4,342	2,661
Increase (Decrease) in accrued employee future benefits	(40)	239
Increase (Decrease) in advances and other liabilities	(812)	3,019
Decrease in inventories	77	33
Decrease (Increase) in prepaid expenses	250	(448)
	<u>13,186</u>	<u>23,544</u>
Capital Activities		
Cash used to acquire tangible capital assets	(14,791)	(23,203)
Proceeds from sale of tangible capital assets	6,130	31
	<u>(8,661)</u>	<u>(23,172)</u>
Investing Activities		
Increase in temporary investments	(9,726)	(10,894)
Decrease in portfolio investments	1,097	10,883
	<u>(8,629)</u>	<u>(11)</u>
Financing Activities		
Issuance of long-term debt	2,000	-
	<u>2,000</u>	<u>-</u>
Increase (Decrease) in cash	(2,104)	361
Cash, beginning of year	<u>3,960</u>	<u>3,599</u>
Cash, end of year	<u>\$ 1,856</u>	<u>\$ 3,960</u>

See accompanying notes to the consolidated financial statements

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)**

1. OPERATIONS

The City of North Vancouver (the "City") was incorporated in 1907 under the Local Government Act of British Columbia. The City's principal activity is the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sanitary services.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards, as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized below:

(a) Basis of Presentation

The consolidated financial statements include the accounts of all the funds of the City, the accounts of the North Vancouver City Library, which is controlled by the City, the City's 33% proportionate share of the North Vancouver Recreation Commission, and the City's 50% proportionate share of the operations of the North Vancouver Museum and Archives Commission and North Vancouver Office of Cultural Affairs. The City's investment in Lonsdale Energy Corp. ("LEC"), a wholly owned subsidiary considered to be a government business entity, is accounted for using the modified equity method.

The City participates with the District of North Vancouver in the operation and management of the North Vancouver Recreation Commission, and the City includes its proportionate share in the City's consolidated financial statements. The current agreement specifies that the operating costs shall be paid 33% (2011 – 33%) by the City and 67% (2011 – 67%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

The City also participates with the District of North Vancouver in the operation and management of the North Vancouver Museum and Archives Commission, and the City includes its proportionate share in the City's consolidated financial statements. The current agreement specifies that the operating costs shall be paid 50% (2011 – 50%) by the City and 50% (2011 – 50%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

(b) Basis of Accounting

Revenue is recorded on an accrual basis and recognized when earned. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services.

(c) Deferred Revenue

Deferred revenue consists of prepaid property taxes, prepaid business licenses, parks development cost charges and fees paid in advance for services yet to be provided.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(d) Temporary Investments

Temporary investments include bank issued notes and bonds, and provincial bonds and debentures, which mature in the subsequent year and are valued at the lower of cost or market value.

(e) Portfolio Investments

Portfolio investments include bank issued notes and bonds, and provincial bonds and debentures, which mature after the subsequent year. Securities are recorded at their cost and written down to reflect losses in value that are other than temporary.

(f) Budget Figures

The unaudited budget figures are based on the ten year financial plan adopted on April 16, 2012.

(g) Government Transfers

Unrestricted government transfers are recognized as revenue in the year that the transfer is authorized by the issuing government and any eligibility criteria have been met. Restricted government transfers, in the way of grants or other transfers, are recognized as revenue in the year in which related expenditures are incurred.

(h) Employee Future Benefits

The City and its employees make contributions to the Municipal Pension Plan. The City's contributions are expensed as incurred.

Sick leave and post-employment benefits also accrue to the City's employees. The liabilities related to these benefits are actuarially determined based on services and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(i) Long-term Debt

Long-term debt is recorded in the consolidated financial statements net of repayments and actuarial adjustments.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(j) Non-Financial Assets

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

(i) Tangible Capital Assets

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

Land	Not depreciated	
Land improvements	Straight line over useful life of each asset unit	10 – 20 years
Parks	Straight line over useful life of each asset unit	10 – 50 years
Buildings	Straight line over useful life of each asset unit	10 – 100 years
Machinery & equipment	Straight line over useful life of each asset unit	10 – 12 years
Vehicles	Straight line over useful life of each asset unit	6 – 25 years
Infrastructure	Straight line over useful life of each asset unit	7 – 100 years
Library	Straight line over useful life of each asset unit	2 – 5 years
Work in progress	Not depreciated until put into use	

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of Art and Historic Assets

Works of art and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Natural Resources

Horticultural assets such as treed areas, grassy areas and gardens are not recognized as assets in the consolidated financial statements.

(v) Interest Capitalization

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

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(j) Non-Financial Assets (cont'd)

(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 payments are charged to expenses as incurred.

(vii) Inventories

Inventories held for consumption are recorded at the lower of weighted average cost and replacement cost.

(viii) Prepaid Expenses

Prepaid expenses are recorded as assets in these consolidated financial statements.

(k) Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the disclosure of contingent liabilities. Areas requiring significant estimation are post-employment benefits, compensated absences and termination benefits and estimated useful life of tangible capital assets. Actual results could differ from these estimates.

(l) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information.

3. INVESTMENTS

(a) Temporary Investments

The carrying value of temporary investments at December 31, 2012 was \$40,962,000 (2011 - \$31,236,000) and the market value was \$41,589,000 (2011 - \$31,871,000). These investments range in maturity date from January 10, 2013 to December 21, 2013, and range in yield from 1.55% to 5.25%.

(b) Portfolio Investments

The carrying value of portfolio investments at December 31, 2012 was \$117,541,000 (2011 - \$118,637,000) and the market value was \$130,734,000 (2011 - \$129,313,000). These investments range in maturity from January 20, 2014 to June 20, 2025, and range in yield from 2.00% to 7.52%.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)

4. INVESTMENT IN LONSDALE ENERGY CORP.

The City owns all the issued and outstanding shares of LEC, which was incorporated under the British Columbia Company Act on July 7, 2003. During 2004, LEC began operations of a hydronic heating system in the Lower Lonsdale area of the City of North Vancouver. In 2008, LEC expanded its operations and began providing hydronic heat in a second services area located in Central Lonsdale.

Summarized financial information relating to LEC is as follows:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,294	\$ 1,397
Non-current assets	<u>14,299</u>	<u>10,962</u>
Total assets	<u>17,593</u>	<u>12,359</u>
Current liabilities	7,508	5,054
Long-term liabilities	<u>8,254</u>	<u>5,529</u>
Total liabilities	<u>15,762</u>	<u>10,583</u>
Shareholder's equity	<u>\$ 1,831</u>	<u>\$ 1,776</u>
Total revenue	\$ 1,893	\$ 1,725
Total expenses	<u>1,840</u>	<u>1,574</u>
Net income	<u>\$ 53</u>	<u>\$ 151</u>

Included in Accounts Receivable in the City's Consolidated Statement of Financial Position is a receivable from LEC in the amount of \$8,664,000 (2011 - \$4,376,000).

Also included in the City's Consolidated Statement of Financial Position is "Investment in Lonsdale Energy Corp." in the amount of \$1,831,000 (2011 - \$1,776,000).

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)

5. LONG-TERM DEBT

The City has financed the expansion of LEC by assuming debt through the Municipal Finance Authority in accordance with the Community Charter. Debt principal is reported net of repayments and actuarial adjustments. The City carries no debt for others. The total debt issued and outstanding as at December 31, 2012 was \$2,000,000 (2011 - nil).

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

2013	\$ 166,582
2014	173,245
2015	180,175
2016	187,382
2017	194,877
Thereafter	<u>1,097,739</u>
	<u>\$ 2,000,000</u>

Interest expense of \$3,000 (2011 - nil) has been included in the Consolidated Statement of Operations. Interest rate on long-term debt is 3% per annum.

6. EMPLOYEE FUTURE BENEFITS

(a) Sick and Severance

Employees of the City are entitled to payments related to unused sick leave and severance upon retirement or resignation after ten years of service. The amount recorded for these benefits is based on an actuarial valuation done by an independent firm of actuaries using a projected benefit actuarial valuation method pro-rated on services. The most recent actuarial valuation of the City's future benefits was completed as at December 31, 2012.

Information regarding the City's obligations for these benefits is as follows:

	<u>2012</u>	<u>2011</u>
Benefit obligation - beginning of the year	6,241	5,719
Add: Current service costs	482	422
Interest on accrued benefit obligation	221	252
Actuarial loss	782	282
Less: Benefits paid during the year	<u>(764)</u>	<u>(431)</u>
Benefit obligation - end of the year	6,962	6,244
Less: Unamortized actuarial loss	<u>(995)</u>	<u>(237)</u>
Accrued benefit liability - end of the year	<u>5,967</u>	<u>6,007</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)

6. EMPLOYEE FUTURE BENEFITS (con't)

The significant actuarial assumptions adopted in measuring the City's accrued benefit liability are as follows:

	2012	2011
Discount rates	3.40%	3.40%
Expected future inflation rates	3.00%	3.00%
Expected wage and salary increases	.08 % to 2.0%	.08 % to 2.0%

The unamortized actuarial loss is amortized over a period equal to the employees' average remaining service lifetime of eleven years for the City.

(b) Council Retirement Stipend

Starting 2005, Council Members are entitled to a retirement stipend based on 9.3% of the individual's total indemnity received subsequent to 2002 or his or her current term of office. These amounts are accrued as earned.

7. TANGIBLE CAPITAL ASSETS

2012	Land		Parks	Buildings	Machinery & Equipment		Vehicles	Infrastructure	Library	Work in Progress	2012 Total
	Land	Improvements									
Costs											
Balance beginning of year	\$ 11,452	\$ 11,195	\$ 18,696	\$ 77,222	\$ 15,714	\$ 7,672	\$ 137,839	\$ 2,113	\$ 12,965	\$ 294,868	
Additions	1,644	1,105	528	14,921	1,376	303	4,418	214	5,215	29,724	
Disposals	2	-	-	501	1,294	205	491	243	12,965	15,701	
Balance end of year	\$ 13,094	\$ 12,300	\$ 19,224	\$ 91,642	\$ 15,796	\$ 7,770	\$ 141,766	\$ 2,084	\$ 5,215	\$ 308,891	
Accumulated Depreciation											
Balance beginning of year	\$ -	\$ 4,062	\$ 6,746	\$ 30,353	\$ 8,498	\$ 4,226	\$ 51,175	\$ 1,227	\$ -	\$ 106,287	
Depreciation	-	713	770	2,879	1,594	521	1,794	450	-	8,721	
Disposals	-	-	-	501	1,294	160	191	243	-	2,389	
Balance end of year	\$ -	\$ 4,775	\$ 7,516	\$ 32,731	\$ 8,798	\$ 4,587	\$ 52,778	\$ 1,434	\$ -	\$ 112,619	
Net Book Value	\$ 13,094	\$ 7,525	\$ 11,708	\$ 58,911	\$ 6,998	\$ 3,183	\$ 88,988	\$ 650	\$ 5,215	\$ 196,272	

2011	Land		Parks	Buildings	Machinery & Equipment		Vehicles	Infrastructure	Library	Work in Progress	2011 Total
	Land	Improvements									
Costs											
Balance beginning of year	\$ 11,213	\$ 10,971	\$ 14,025	\$ 75,124	\$ 15,059	\$ 7,426	\$ 132,289	\$ 2,129	\$ 6,389	\$ 274,625	
Additions	239	224	4,671	2,256	1,069	400	7,540	228	12,965	29,592	
Disposals	-	-	-	158	414	154	1,990	244	6,389	9,349	
Balance end of year	\$ 11,452	\$ 11,195	\$ 18,696	\$ 77,222	\$ 15,714	\$ 7,672	\$ 137,839	\$ 2,113	\$ 12,965	\$ 294,868	
Accumulated Depreciation											
Balance beginning of year	\$ -	\$ 3,409	\$ 5,856	\$ 28,076	\$ 7,321	\$ 3,835	\$ 49,270	\$ 1,014	\$ -	\$ 98,781	
Depreciation	-	653	890	2,435	1,591	522	2,547	457	-	9,095	
Disposals	-	-	-	158	414	131	642	244	-	1,589	
Balance end of year	\$ -	\$ 4,062	\$ 6,746	\$ 30,353	\$ 8,498	\$ 4,226	\$ 51,175	\$ 1,227	\$ -	\$ 106,287	
Net Book Value	\$ 11,452	\$ 7,133	\$ 11,950	\$ 46,869	\$ 7,216	\$ 3,446	\$ 86,664	\$ 886	\$ 12,965	\$ 188,581	

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)
7. TANGIBLE CAPITAL ASSETS (con't)

(a) Work in Progress

Work in progress having a value of \$5,215,000 (2011 - \$12,965,000) have not been amortized. Amortization of these assets will commence when the asset is in service.

(b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at their fair value at the date of contribution. Contributed tangible capital assets of \$1,968,000 (2011 - nil) have been recognized during the year.

(c) Works of Art and Historic Assets

The City manages and controls various works of art and non-operational historic assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded in the consolidated financial statements of the City.

(d) Write-Down of Tangible Capital Assets

There were no write-downs of tangible capital assets during the current or prior year.

8. ACCUMULATED SURPLUS

	2012 Actual	2011 Actual
Current Funds - general, water and sewer	\$ 20,374	\$ 17,929
Reserve fund	88,952	88,140
Capital fund	205,854	196,504
Accumulated surplus, end of year	<u>\$ 315,180</u>	<u>\$ 302,573</u>

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)**

8. ACCUMULATED SURPLUS (con't)

The following reserve amounts are set aside for specific purposes:

(a) Reserve Funds

	Balance December 31, 2011	Contributions & Transfers	Earnings	Less Expenditures	Balance December 31, 2012
Engineering works	\$ 3,113	\$ 456	\$ 141	\$ 211	\$ 3,499
Machinery and equipment depreciation					
Fire	420	-	15	119	316
General	144	15	6	39	126
Computer	347	38	10	250	145
Building reserve	2,911	-	119	344	2,686
Local Improvements	1,474	38	53	434	1,131
Affordable housing	2,106	260	96	55	2,407
Tax sale lands	46,225	2	4,021	6,914	43,334
Waterworks	7,008	-	295	480	6,823
Parking reserve	548	-	31	-	579
Community enhancement	11,706	-	4,010	454	15,262
Justice administration accomodation	314	-	14	-	328
Streets and parks	100	54	5	-	159
Lower Lonsdale amenity	8,028	-	329	937	7,420
Lower Lonsdale legacy	1,882	-	801	76	2,607
Infrastructure reserve	571	400	31	114	888
Public art	289	85	75	114	335
Marine Drive Community Amenity	605	-	22	207	420
Sustainable Transportation	272	88	13	11	362
Climate Action Initiative	77	13	4	(31)	125
Total	\$ 88,140	\$ 1,449	\$ 10,091	\$ 10,728	\$ 88,952

(b) Appropriated and Unappropriated

	2012	2011
Appropriated:		
General funds	8,791	5,755
Water fund	157	207
Sewer fund	6,541	6,047
Capital funds	9,582	7,923
Invested in Tangible Capital Assets	196,272	188,581
Unappropriated:		
General funds	3,911	4,654
Water fund	119	410
Sewer fund	855	856
	<u>226,228</u>	<u>214,433</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)

9. COMMITMENTS AND CONTINGENCIES

(a) Property Taxes

The City is obliged to levy, collect and remit the property taxes on behalf of, and to finance the arrears of property taxes of, other bodies as follows:

Collections for and remittances to other governments	2012	2011
Provincial Government - Schools	\$ 30,078	\$ 29,395
Greater Vancouver Regional District	929	1,007
Translink	6,942	6,953
British Columbia Assessment Authority	1,082	1,060
Municipal Finance Authority	3	3
	\$ 39,034	\$ 38,418

The above amounts are excluded from the Property Value Tax in the Financial Statements

(b) Pension Liability

The City 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 Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as of 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 paid \$3,286,000 (2011 - \$3,209,000) for employer contributions to the Plan in fiscal 2012.

(c) Contingent Liabilities

The City is currently engaged in or party to certain legal actions, assessment appeals and other existing conditions involving uncertainty which may result in material loss. A reasonable estimate of these future liabilities has been made where possible and is recorded in the financial statements as a liability. Where the outcomes of amounts or losses are uncertain, no amounts have been recorded.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)**

9. COMMITMENTS AND CONTINGENCIES (con't)

(d) E-Comm

The City is a member of E-Comm, an organization comprised predominately of member municipalities, for the purpose of providing emergency dispatch services. The City is represented on the board and as a class "A" shareholder has voting rights should the organization want to incur additional debt.

The E-Comm facility was constructed using debt as a financing mechanism and members are liable for a proportionate share of that debt. This debt is repaid by members through annual fees charged by E-Comm. Should E-Comm dissolve, the members would be liable for a proportionate share of any residual debt. Alternatively, should members choose to opt out of E-Comm they would be liable for a proportionate share of debt at the time of withdrawal.

The City holds 2 class "A" shares and one class "B" share.

(e) Contractual Obligations

During 2009 the City, in conjunction with the District of North Vancouver and the District of West Vancouver, entered into a contract for recyclables collection, processing and marketing for a period of 5 years commencing July 1, 2009. The City's portion of the annual contract costs is expected to be approximately \$1,400,000 for the years 2013 to 2014.

(f) Royal Canadian Mounted Police

The City has a contract with the federal government whereby the federal government provides Royal Canadian Mounted Police ("RCMP") policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members.

As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the consolidated financial statements as at December 31, 2012.

10. TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by an agreement or statute. The City holds the assets for the benefit of, and stands in a fiduciary relationship, to the beneficiary. The Cemetery Trust Fund, totaling \$1,876,000 (2011 - \$1,701,000), which is administered by the City, has not been included with the City's accounts.

11. SEGMENTED INFORMATION

The City is a diversified municipal government entity in the Province of British Columbia that provides a wide range of services to its citizens. Certain functional areas have been combined and separately disclosed in the segmented information. The segments and the services they provide are as follows:

General Government

General Government provides the administrative and legislative services which support the various sectors of the City. Functions include financial planning and reporting, economic development and legislative services.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)

11. SEGMENTED INFORMATION (con't)

Transportation and Transit

The Transportation department aims to provide enhanced access to public transit, safe pedestrian and cyclist routes, enable accessible transportation for people with limited mobility and maintain existing infrastructure. These goals are achieved through street design, traffic signals and signs, street lighting and road maintenance activities.

Health, Social Services and Housing

Health, Social Services and Housing encompasses a wide variety of City funded initiatives aimed at supporting the social structure and sustainability of the community. Included are cemetery operations, youth and family support services, seniors programs and homeless prevention initiatives.

Development Services

Development Services' focus is community planning which includes land use guidelines, the management of City owned lands, heritage planning and development of the City's official community plan.

Protective Services

Protective Services is comprised of the North Vancouver RCMP detachment, the North Vancouver City Fire Department and bylaw enforcement. The North Vancouver RCMP detachment plays an integral role in the protection of North Vancouver residents and their property through crime prevention and detection, emergency response and victim services. The North Vancouver City Fire Department is responsible to provide fire suppression service, fire prevention services and fire safety education.

Parks, Recreation and Culture

Parks, Recreation and Culture provides access to recreation facilities, the operation and maintenance of the City's many parks and trails, the North Vancouver City Library and the City's participation in the North Vancouver Museum and Archives and the North Vancouver Office of Cultural Affairs.

Water Utilities

The Water Utility, in conjunction with Metro Vancouver, provides safe, clean, reliable water to the residents and businesses of the City of North Vancouver.

Sewer Utilities

The Sewer Utility collects waste water and transports it to trunk water mains and wastewater treatment plants operated by Metro Vancouver. In addition to the collection of wastewater, the Sewer Utility also manages the City's 150km storm sewerage system which diverts rainfall runoff from private property with an emphasis on flood prevention.

Solid Waste

The Solid Waste department provides curbside garbage, recycling and yard trimmings collection to the residents of the City of North Vancouver.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2012
(tabular amounts in thousands of dollars)**

11. SEGMENTED INFORMATION (con't)

	Revenues	Expenses						Annual Surplus(Deficit)
		Wages & Benefits	Goods & Supplies	Services	Depreciation	Capitalized	Total	
General government	\$ 64,707	\$ 10,460	\$ 6,230	\$ 6,414	\$ 1,978	\$ (10,848)	\$ 14,234	\$ 50,473
Transportation and transit	1,152	2,321	470	2,128	633	(1,534)	4,018	(2,866)
Health, social services and housing	428	485	54	1,681	-	-	2,220	(1,792)
Development services	5,333	3,361	29	566	-	-	3,956	1,377
Protective services	1,464	14,729	656	5,282	1,108	(217)	21,558	(20,094)
Parks, recreation and culture	7,487	11,810	856	7,804	3,680	(1,146)	23,004	(15,517)
Water utilities	8,401	1,781	6,201	1,463	648	(1,715)	8,378	23
Sewer utilities	8,171	1,171	259	6,235	604	(845)	7,424	747
Solid waste	4,109	1,112	55	2,615	71	-	3,853	256
2012	<u>\$ 101,252</u>	<u>\$ 47,230</u>	<u>\$ 14,810</u>	<u>\$ 34,188</u>	<u>\$ 8,722</u>	<u>\$ (16,305)</u>	<u>\$ 88,645</u>	<u>\$ 12,607</u>
2011	<u>\$ 92,253</u>	<u>\$ 45,743</u>	<u>\$ 10,408</u>	<u>\$ 40,756</u>	<u>\$ 9,095</u>	<u>\$ (23,203)</u>	<u>\$ 82,799</u>	<u>\$ 9,454</u>

12. BUDGET FIGURES

The unaudited budget figures presented in these consolidated financial statements are based upon the financial plan approved by Council as the Financial Plan for the Years 2012 to 2021 Bylaw, 2012, No. 8231 April 16, 2012. The chart below reconciles the approved budget to the budget figures reported.

Revenue per Statement of Operations	Financial Plan Bylaw	\$ 84,905
Add:		
Transfer from other funds		1,103
Less:		
Interagency recoveries		(7,172)
Revenue per financial plan bylaw		<u>78,836</u>
Expenses per Statement of Operations		78,489
Add:		
Depreciation		8,520
Transfer to other funds		11,989
Less:		
Interagency payments		(7,171)
Expenses per financial plan bylaw		<u>91,827</u>
Surplus (deficit) for the year		(12,991)
Reserves and capital:		
Capital expenditures		(107,012)
Depreciation		8,520
Transfers from reserves		58,442
External contributions		53,041
Annual budgeted deficit per financial plan bylaw		<u>\$ -</u>