

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended December 31, 2007**

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

**(f) Accrued Benefit Obligation**

This liability represents an estimate of the amount of accumulated termination benefits and earned sick leave. The following data is the result of an actuarial valuation at December 31, 2007. Significant assumptions used in the valuation include a discount rate of 5%, inflation of 2% and compensation increases, excluding merit and promotion, of 3%. In 2007, the accumulated sick leave has been amended to include a calculation for active sick leave. There are unamortized actuarial gains of \$125,240. Actuarial gains 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. Starting in 2008, the net accumulated actuarial gains will be amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-employment plan is 16 years.

ACCUMULATED SICK LEAVE

	<u>2007</u>	<u>2006</u>
Sick leave benefit liability	\$ 4,476,172	\$ 2,634,540
Current period benefit cost	\$ 197,326	\$ 187,824
Prior period cost of plan amendment	1,651,390	
Sick leave interest expenditure	<u>159,009</u>	<u>147,454</u>
Total expenditures related to sick leave benefit	\$ <u>2,007,725</u>	\$ <u>335,278</u>

FIREFIGHTER RETIREMENT ALLOWANCE

	<u>2007</u>	<u>2006</u>
Retirement allowance liability	\$ <u>260,370</u>	\$ <u>295,076</u>
Current period benefit cost	\$ 18,875	\$ 20,341
Retirement allowance interest expenditure	<u>16,178</u>	<u>18,516</u>
Total expenditures related to retirement allowance	\$ <u>35,053</u>	\$ <u>38,859</u>
Total accrued benefit obligation	\$ <u>4,736,542</u>	\$ <u>2,929,616</u>

