

City of Nanaimo



Downtown Harbour

ANNUAL FINANCIAL STATEMENTS

2018

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2018

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CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2018

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.

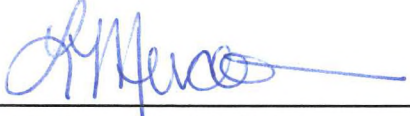
To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for 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, 2018.



Jake Rudolph
Chief Administrative Officer



Laura Mercer, CPA, CGA
Acting Director, Financial Services



KPMG LLP
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Victoria BC V8W 3Y7
Canada
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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Nanaimo

Opinion

We have audited the financial statements of the City of Nanaimo (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, including the schedules of operations by segment and tangible capital assets

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 13, 2019

CITY OF NANAIMO
STATEMENT OF FINANCIAL POSITION

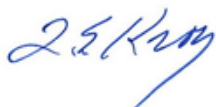
as at December 31, 2018, with comparative figures for 2017

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 74,462,827	\$ 51,082,470
Accounts receivable (Note 2)	20,728,550	20,190,612
Development cost charges receivable (Note 3)	894,774	563,650
Temporary investments (Note 4)	139,943,739	140,151,672
	236,029,890	211,988,404
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	30,970,738	29,881,200
Compensated absences and termination benefits (Note 6)	7,861,239	7,364,676
Deferred revenue (Note 7)	18,750,527	17,210,247
Deferred development cost charges (Note 8)	46,965,417	42,617,685
Debt (Note 9)	46,120,643	42,335,511
	150,668,564	139,409,319
NET FINANCIAL ASSETS	85,361,326	72,579,085
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	701,909,755	686,215,676
Prepaid expenses	1,625,307	1,213,866
Inventories of supplies	1,260,819	1,062,170
	704,795,881	688,491,712
ACCUMULATED SURPLUS (Note 11)	\$ 790,157,207	\$ 761,070,797

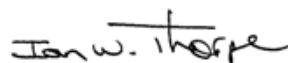
Commitments and contingencies (Note 12)

Contractual rights (Note 24)

Approved on behalf of the Council



Leonard Krog
 Mayor



Ian Thorpe
 Councillor

CITY OF NANAIMO STATEMENT OF OPERATIONS

for the year ended December 31, 2018, with comparative figures for 2017

	2018 Budget (Note 14)	2018	2017
REVENUES			
Taxes	\$ 104,991,010	\$ 105,092,714	\$ 101,772,627
Payments in lieu of taxes	1,858,366	2,047,951	1,858,365
Taxation and payments in lieu (Note 15)	106,849,376	107,140,665	103,630,992
User fees and sales of services (Note 16)	41,972,996	45,329,195	40,781,080
Other revenue	4,858,708	6,845,838	6,511,918
Development cost charges (Note 8)	9,750,091	3,691,180	6,802,341
Transfers from other governments-operating (Note 17)	4,345,133	4,719,165	4,629,890
Transfers from other governments-capital (Note 17)	7,568,116	5,371,865	3,745,004
Developer assets received (Note 10)	-	4,727,790	3,724,488
Investment income	2,826,756	4,380,302	3,403,150
Building permits	1,350,000	2,078,163	1,885,202
Regional recreation sharing	1,113,566	1,150,348	1,113,566
Donations and contributions-capital	1,987,992	1,015,560	972,902
Property rentals	957,661	1,026,203	961,546
	183,580,395	187,476,274	178,162,079
EXPENSES			
Police	29,193,402	28,660,500	28,580,462
Parks and recreation	27,436,894	27,079,836	27,838,680
Engineering and public works	28,475,972	28,230,540	27,046,043
Fire	17,483,291	17,816,050	17,458,206
Waterworks	16,222,707	14,487,298	14,600,044
Corporate services	15,920,285	13,209,352	12,328,650
Development services	11,607,794	10,374,199	11,023,615
City administration	8,360,768	8,715,190	8,683,228
Sewer System	5,586,987	4,692,377	4,755,490
Port of Nanaimo Centre	4,792,533	5,124,522	4,867,614
	165,080,633	158,389,864	157,182,032
ANNUAL SURPLUS	18,499,762	29,086,410	20,980,047
ACCUMULATED SURPLUS - BEGINNING OF YEAR	761,070,797	761,070,797	740,090,750
ACCUMULATED SURPLUS - END OF YEAR	\$ 779,570,559	\$ 790,157,207	\$ 761,070,797

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2018 , with comparative figures for 2017

	2018 Budget (Note 14)	2018	2017
ANNUAL SURPLUS	\$ 18,499,762	\$ 29,086,410	\$ 20,980,047
Acquisition of tangible capital assets	(78,577,359)	(35,978,122)	(25,748,499)
In kind donations of capital assets	-	(4,125)	(227,079)
Developer contributed capital assets	-	(4,727,790)	(3,724,488)
	(78,577,359)	(40,710,037)	(29,700,066)
Amortization of tangible capital assets	24,811,956	23,732,384	23,319,708
(Gain) loss on disposal of tangible capital assets	-	699,224	(852,358)
Proceeds on sale of tangible capital assets	-	584,350	2,145,758
	(53,765,403)	(15,694,079)	(5,086,958)
Acquisition of inventories of supplies	-	(4,330,919)	(4,551,869)
Acquisition of prepaid expenses	-	(1,866,516)	(1,190,316)
Consumption of inventories of supplies	-	4,132,270	4,308,363
Use of prepaid expenses	-	1,455,075	1,161,956
	-	(610,090)	(271,866)
CHANGE IN NET FINANCIAL ASSETS	(35,265,641)	12,782,241	15,621,223
NET FINANCIAL ASSETS - BEGINNING OF YEAR	72,579,085	72,579,085	56,957,862
NET FINANCIAL ASSETS - END OF YEAR	\$ 37,313,444	\$ 85,361,326	\$ 72,579,085

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2018, with comparative figures for 2017

	2018	2017
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 29,086,410	\$ 20,980,047
Non-cash items		
Amortization of tangible capital assets	23,732,384	23,319,708
Developer assets received	(4,727,790)	(3,724,488)
In kind donations of capital assets	(4,125)	(227,079)
(Gain) loss on disposal of tangible capital assets	699,224	(852,358)
Development cost charges recognized as revenue	(3,691,180)	(6,802,341)
Actuarial adjustment on long term debt	(992,431)	(867,932)
Change in non-cash operating assets and liabilities		
Accounts receivable	(869,062)	(4,729,505)
Accounts payable	1,586,101	(941,851)
Deferred revenue	1,540,280	229,463
Inventories of supplies	(198,649)	(243,506)
Prepaid expenses	(411,441)	(28,360)
Net change in cash from operating transactions	45,749,721	26,111,798
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(35,978,122)	(25,748,499)
Proceeds from the sale of tangible capital assets	584,350	2,145,758
Net change in cash from capital transactions	(35,393,772)	(23,602,741)
INVESTING TRANSACTIONS		
Change in investments	207,933	(27,484,862)
FINANCING TRANSACTIONS		
Debt repayment	(2,653,758)	(2,221,857)
Deferred development cost charges	8,038,912	7,191,124
Proceeds from long term borrowing	7,431,321	1,500,000
Net change in cash from financing transactions	12,816,475	6,469,267
CHANGE IN CASH AND CASH EQUIVALENTS	23,380,357	(18,506,538)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	51,082,470	69,589,008
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 74,462,827	\$ 51,082,470

CITY OF NANAIMO SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2018

	City Admin	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks and Recreation	Engineering and Public Works	Sewer System	Waterworks	Consolidated
Revenues											
Taxes	\$ 6,131,629	\$14,633,100	\$ 7,089,073	\$16,192,169	\$27,002,545	\$ 2,726,969	\$17,339,810	\$13,977,419	\$ -	\$ -	\$ 105,092,714
Payments in lieu of taxes	124,993	203,929	144,511	330,078	550,448	55,589	353,473	284,930	-	-	2,047,951
User fees	1,801,883	132,884	115,299	112,428	106,706	2,415,868	6,405,502	6,368,033	7,413,830	20,456,762	45,329,195
Developer assets	-	-	-	-	-	-	1,403,218	2,631,760	435,850	256,962	4,727,790
Other revenue	607,521	775,861	1,609,248	1,698,468	423,199	18,283	419,263	1,194,037	3,103	96,855	6,845,838
Development cost charges revenue	-	-	-	-	-	-	1,041,279	2,279,322	262,763	107,816	3,691,180
Government operating transfers	178,461	450,434	339,901	471,759	2,029,046	79,368	616,731	508,465	45,000	-	4,719,165
Government capital transfers	-	3,758,343	-	-	-	-	-	1,613,522	-	-	5,371,865
Investment income	154,082	2,087,632	178,143	406,894	678,550	68,526	435,734	365,265	-	5,476	4,380,302
Building permits	-	-	2,078,163	-	-	-	-	-	-	-	2,078,163
Regional recreation sharing	-	-	-	-	-	-	1,150,348	-	-	-	1,150,348
Property rentals	32,500	-	280,365	29,100	347,113	-	270,094	46,031	-	21,000	1,026,203
Donations - capital	-	-	-	-	-	-	523,412	230,952	-	261,196	1,015,560
	9,031,069	22,042,183	11,834,703	19,240,896	31,137,607	5,364,603	29,958,864	29,499,736	8,160,546	21,206,067	187,476,274
Expenses											
Wages and salaries	4,266,382	6,490,027	5,825,815	15,078,551	4,751,921	736	14,278,962	9,931,308	1,071,392	3,125,335	64,820,429
Contracted services	3,085,626	2,837,788	1,768,840	1,342,681	23,288,813	3,284,808	6,613,052	7,673,457	520,122	1,063,905	51,479,092
Amortization	386,404	876,254	576,796	578,668	337,738	1,630,386	3,340,448	9,561,796	828,444	5,615,450	23,732,384
Other	545,416	2,865,848	1,982,100	103,840	187,571	16,610	1,043,584	(2,671,760)	2,011,019	3,062,456	9,146,684
Materials and supplies	442,748	153,186	221,987	655,703	94,457	112,068	1,887,171	3,064,358	244,702	875,631	7,752,011
Interest payments on debt	-	-	-	52,768	-	79,914	(124,162)	56,948	1,327	693,246	760,041
(Gain) loss on disposal of assets	(11,386)	(13,751)	(1,339)	3,839	-	-	40,781	614,433	15,371	51,275	699,223
	8,715,190	13,209,352	10,374,199	17,816,050	28,660,500	5,124,522	27,079,836	28,230,540	4,692,377	14,487,298	158,389,864
ANNUAL SURPLUS	315,879	8,832,831	1,460,504	1,424,846	2,477,107	240,081	2,879,028	1,269,196	3,468,169	6,718,769	29,086,410
Capital projects	\$ 186,488	\$ 809,958	\$ -	\$ 186,949	\$ 22,285	\$ 74,308	\$ 5,059,958	\$23,516,331	\$ 2,156,089	\$ 8,697,671	\$ 40,710,037

CITY OF NANAIMO

SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2017

	City Admin	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks and Recreation	Engineering and Public Works	Sewer System	Waterworks	Consolidated
Revenues											
Taxes	\$ 6,336,701	\$13,203,377	\$ 7,246,517	\$16,278,694	\$26,190,233	\$ 1,833,485	\$16,228,719	\$14,454,901	\$ -	\$ -	\$ 101,772,627
Payments in lieu of taxes	121,418	161,284	138,851	311,917	501,833	35,132	310,959	276,971	-	-	1,858,365
User fees	1,614,870	124,213	160,192	112,178	114,399	1,785,899	6,639,352	5,046,516	7,085,084	18,098,377	40,781,080
Developer assets	-	-	-	-	-	-	1,280,700	1,952,764	253,608	237,416	3,724,488
Other revenue	608,351	879,619	1,659,407	1,692,045	443,561	13,026	440,524	666,981	3,497	104,907	6,511,918
Development cost charges revenue	-	-	-	-	-	-	1,249,298	2,061,472	1,158,852	2,332,719	6,802,341
Government operating transfers	105,224	172,133	357,212	270,311	1,628,162	1,149,168	600,053	257,627	90,000	-	4,629,890
Government capital transfers	-	3,637,130	-	-	-	-	-	107,874	-	-	3,745,004
Investment income	129,533	1,561,286	148,130	332,763	535,370	37,479	331,740	317,219	-	9,630	3,403,150
Building permits	-	-	1,885,202	-	-	-	-	-	-	-	1,885,202
Regional recreation sharing	-	-	-	-	-	-	1,113,566	-	-	-	1,113,566
Property rentals	30,000	-	328,481	17,850	281,213	-	251,444	31,558	-	21,000	961,546
Donations - capital	-	-	-	-	-	-	669,445	295,000	-	8,457	972,902
	8,946,097	19,739,042	11,923,992	19,015,758	29,694,771	4,854,189	29,115,800	25,468,883	8,591,041	20,812,506	178,162,079
Expenses											
Wages and salaries	4,837,998	6,315,874	5,851,974	14,630,512	4,976,016	1,652	13,591,921	9,308,918	1,036,921	3,240,844	63,792,630
Contracted services	2,477,697	3,325,669	2,325,460	1,285,686	22,936,251	2,711,691	8,135,172	7,980,076	688,066	1,104,419	52,970,187
Amortization	385,189	1,052,646	570,322	601,407	328,584	1,623,555	3,244,668	9,150,128	755,019	5,608,190	23,319,708
Other	532,499	2,709,831	2,121,032	78,764	170,413	24,120	1,025,958	(2,687,265)	1,983,516	3,044,024	9,002,892
Materials and supplies	451,545	214,583	203,562	726,724	101,760	76,139	1,944,578	2,969,849	228,973	843,825	7,761,538
Interest payments on debt	-	-	-	122,005	-	430,457	(98,763)	6,720	-	727,016	1,187,435
(Gain) Loss on disposal of assets	(1,700)	(1,289,953)	(48,735)	13,108	67,438	-	(4,854)	317,617	62,995	31,726	(852,358)
	8,683,228	12,328,650	11,023,615	17,458,206	28,580,462	4,867,614	27,838,680	27,046,043	4,755,490	14,600,044	157,182,032
ANNUAL SURPLUS	262,869	7,410,392	900,377	1,557,552	1,114,309	(13,425)	1,277,120	(1,577,160)	3,835,551	6,212,462	20,980,047
Capital projects	\$ 14,475	\$ 406,818	\$ -	\$ 150,606	\$ 366,279	\$ 51,844	\$10,276,316	\$ 9,871,534	\$ 4,520,230	\$ 4,041,964	\$ 29,700,066

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2018

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2017	Additions	Disposals	Transfers	Balance December 31, 2018	Balance December 31, 2017	Additions	Disposals		Balance December 31, 2018
Land	\$ 92,324,119	\$ 4,943,889	\$ 90,500	\$ 250	\$ 97,177,758	\$ -	\$ -	\$ -	\$ -	\$ 97,177,758
Land improvements	36,721,936	736,028	284,740	89,110	37,262,334	15,487,934	1,335,075	256,492	16,566,517	20,695,817
Leasehold improvements	2,106,248	1,095,142	91,514	106,045	3,215,921	1,843,466	46,007	83,506	1,805,967	1,409,954
Marine structures	829,224	-	-	-	829,224	478,452	41,162	-	519,614	309,610
Buildings	193,428,259	1,551,537	109,747	2,921,224	197,791,273	75,841,798	5,296,961	73,354	81,065,405	116,725,868
Vehicles and equipment	32,854,593	8,166,881	3,169,595	31,797	37,883,676	19,711,069	2,165,674	2,462,248	19,414,495	18,469,181
IT Infrastructure	9,500,944	742,997	612,938	135,388	9,766,391	8,662,625	345,258	612,386	8,395,497	1,370,894
Drainage	105,281,015	2,160,344	416,800	656,282	107,680,841	30,574,041	1,637,898	379,721	31,832,218	75,848,623
Transportation	304,129,775	7,429,422	1,661,287	2,408,565	312,306,475	171,353,390	6,660,149	1,355,526	176,658,013	135,648,462
Sewer	45,291,071	2,130,159	87,555	1,359,296	48,692,971	12,637,206	823,110	72,184	13,388,132	35,304,839
Water	257,482,987	7,473,923	356,353	1,451,330	266,051,887	70,144,752	5,381,090	302,038	75,223,804	190,828,083
Work In Progress	13,000,238	4,279,715	-	(9,159,287)	8,120,666	-	-	-	-	8,120,666
	\$ 1,092,950,409	\$ 40,710,037	\$ 6,881,029	\$ -	\$ 1,126,779,417	\$ 406,734,733	\$ 23,732,384	\$ 5,597,455	\$ 424,869,662	\$ 701,909,755

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2017

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2016	Additions	Disposals	Transfers	Balance December 31, 2016	Additions	Disposals	Balance December 31, 2017		
Land	\$ 87,649,479	\$ 5,258,995	\$ 584,355	\$ -	\$ 92,324,119	\$ -	\$ -	\$ -	\$ 92,324,119	
Land improvements	35,166,074	1,518,227	171,091	208,726	36,721,936	14,368,433	1,290,592	171,091	15,487,934	21,234,002
Leasehold improvements	2,133,740	-	27,492	-	2,106,248	1,818,213	41,497	16,244	1,843,466	262,782
Marine structures	867,490	240,734	279,000	-	829,224	731,002	26,450	279,000	478,452	350,772
Buildings	193,020,392	621,254	216,500	3,113	193,428,259	70,762,670	5,228,190	149,062	75,841,798	117,586,461
Vehicles and equipment	31,647,962	2,664,168	1,615,714	158,177	32,854,593	19,005,607	1,972,711	1,267,249	19,711,069	13,143,524
IT Infrastructure	9,055,311	277,120	45,428	213,941	9,500,944	8,268,803	438,767	44,945	8,662,625	838,319
Drainage	104,061,927	1,221,556	400,450	397,982	105,281,015	29,351,384	1,615,924	393,267	30,574,041	74,706,974
Transportation	301,897,321	2,892,099	942,101	282,456	304,129,775	165,462,950	6,655,070	764,630	171,353,390	132,776,385
Sewer	41,847,292	2,097,348	201,300	1,547,731	45,291,071	12,025,825	749,686	138,305	12,637,206	32,653,865
Water	251,253,107	2,886,453	296,741	3,640,168	257,482,987	65,106,910	5,300,821	262,979	70,144,752	187,338,235
Work In Progress	9,430,420	10,022,112	-	(6,452,294)	13,000,238	-	-	-	-	13,000,238
	\$ 1,068,030,515	\$ 29,700,066	\$ 4,780,172	\$ -	\$ 1,092,950,409	\$ 386,901,797	\$ 23,319,708	\$ 3,486,772	\$ 406,734,733	\$ 686,215,676

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

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 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 Presentation

The City's resources and operations are segregated into general, water and sewer, capital and reserve funds for accounting and financial reporting purposes. The financial statements reflect the assets, liabilities, revenues and expenses of these funds.

Reporting Entity

As at December 31, 2018, the City does not control any significant external entities. The Nanaimo Economic Development Corporation was consolidated into the financial statements up to June 28, 2018 when it was dissolved.

(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) 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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts and therefore represent amounts expected to be collected.

(e) 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.

(f) Temporary Investments

Temporary 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.

(g) 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. The net accumulated actuarial gains and losses are amortized over the average remaining service period of the active employees.

(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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Debt

Debt is presented net of repayments and actuarial adjustments.

(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 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, is 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 in years are as follows:

Asset	
Land Improvements	2-80
Leasehold Improvements	15-30
Marine Structures	15-35
Buildings	10-40
Vehicles and Equipment	2-25
IT Infrastructure	2-10
Drainage	2-75
Transportation - Linear Infrastructure, Lighting and Signals	10-80
Sewer - Linear Infrastructure and Equipment	25-60
Water - Linear Infrastructure and Equipment	8-80

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 is less than the book value of the asset.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Non-Financial Assets (continued)

(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 values 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, Works of Art and Cultural and Historical Assets

Natural resources, works of art, and cultural and historical assets are not recognized as assets in the financial statements.

(iv) Interest Capitalization

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

(v) 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 with a corresponding lease liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) 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 FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- i. An environmental standard exists;
- ii. Contamination exceeds the environmental standard;
- iii. The City is directly responsible or accepts responsibility;
- iv. It is expected that future economic benefits will be given up; and
- v. A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(l) Revenue Recognition

(i) Taxation Revenue

Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal purposes. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Taxes are recognized as revenue in the year they are levied.

Through the BC Assessment appeal process, taxes may be adjusted by way of supplementary roll adjustments. The impacts of these adjustments on taxes are recognized at the time they are awarded.

(ii) Development Cost Charges

Development cost charges are recognized as revenue during the period in which the related costs are incurred.

(iii) 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. 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 meet eligible criteria.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

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>2018</u>	<u>2017</u>
Utilities	\$ 9,016,945	\$ 11,246,646
Property Taxes	3,365,800	3,302,159
Trade and Other	2,581,057	1,734,615
Due from Provincial Government	2,883,316	1,261,738
Municipal Finance Authority Debt Reserve	954,543	902,317
Due from Federal Government	756,711	534,496
Interest on Investments	931,775	991,960
Due from Regional Government	238,403	216,681
	<u>\$ 20,728,550</u>	<u>\$ 20,190,612</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE 3 - DEVELOPMENT COST CHARGES RECEIVABLE

	<u>Water</u> <u>Distribution</u>	<u>Roads</u>	<u>Drainage</u>	<u>Sewer</u>	<u>Parks</u>	<u>Water</u> <u>Supply</u>	<u>2018</u>	<u>2017</u>
Installments:								
2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,954
2019	12,230	160,387	23,487	34,114	65,192	220,326	515,736	203,696
2020	9,025	117,285	17,328	25,168	47,671	162,561	379,038	-
	<u>\$ 21,255</u>	<u>\$ 277,672</u>	<u>\$ 40,815</u>	<u>\$ 59,282</u>	<u>\$ 112,863</u>	<u>\$ 382,887</u>	<u>\$ 894,774</u>	<u>\$ 563,650</u>

Development cost charges are collected on the approval of a subdivision or the issuance of a building permit. These funds assist the City in the cost of development, including constructing capital improvements, operating projects and the related debt servicing costs. Installments receivable represent funds due from developers within two years and are secured by irrevocable standby letters of credit and/or cash on deposit. No interest is charged on these outstanding installments.

NOTE 4 - TEMPORARY INVESTMENTS

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Temporary Investments	\$ 116,073,939	\$ 116,455,725	\$ 121,196,872	\$ 121,196,872
Debentures	23,869,800	23,362,145	18,954,800	18,669,441
	<u>\$ 139,943,739</u>	<u>\$ 139,817,870</u>	<u>\$ 140,151,672</u>	<u>\$ 139,866,313</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade and Other	\$ 9,336,191	\$ 9,814,046
RCMP Contract	9,040,506	7,666,262
Deposits	7,604,716	6,703,412
Accrued wages and benefits	3,912,950	4,388,820
Contaminated sites	210,000	225,750
Other governments	866,375	1,082,910
	<u>\$ 30,970,738</u>	<u>\$ 29,881,200</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

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, 2016 and the results are extrapolated to December 31, 2018. The current valuation was completed in 2017. Significant assumptions used in the valuation include a discount rate of 4%, inflation of 1.75% and compensation increases, excluding merit and promotion, of 2.75%. There is an unamortized actuarial loss of \$616,905 (2017 – loss of \$677,856).

	<u>2018</u>	<u>2017</u>
Actuarial Benefit Obligation, beginning of year	\$ 8,042,531	\$ 7,728,287
Unamortized Actuarial Gain, beginning of year	(677,856)	(738,807)
	<hr/>	<hr/>
Current Service Cost	7,364,675	6,989,480
Interest Costs	771,087	737,565
Benefits Paid	323,516	309,023
Amortization of Actuarial Loss	(658,990)	(732,344)
	60,951	60,952
	<hr/>	<hr/>
	<u>7,861,239</u>	<u>7,364,676</u>
	<hr/>	<hr/>
Actuarial Benefit Obligation, end of year	8,478,144	8,042,532
Unamortized Actuarial Loss, end of year	(616,905)	(677,856)
	<hr/>	<hr/>
Accrued Benefit Liability, end of year	\$ 7,861,239	\$ 7,364,676

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 \$1,155,554 (2017 - \$1,107,540).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE 7 - DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2018</u>	<u>2017</u>
Tax Prepayments	\$ 12,352,870	\$ 11,825,590
Other Prepayments	6,397,657	5,384,657
	<u>\$ 18,750,527</u>	<u>\$ 17,210,247</u>

NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2018</u>	<u>2017</u>
Deferred Development Cost Charges - beginning of year	\$ 42,617,685	\$ 42,228,902
Additions	7,057,952	6,396,603
Interest Earned	980,960	794,521
Revenue Recognized	(3,691,180)	(6,802,341)
	<u>\$ 46,965,417</u>	<u>\$ 42,617,685</u>

NOTE 9 - 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.

\$46,120,643 (2017 – \$42,335,511) of debt is with the MFA. Payments and actuarial allocations of \$27,660,678 on the gross amount borrowed of \$73,781,321 are held in a sinking fund by the MFA. The rates of interest on the principal amount of the MFA debentures vary between 1.6% and 3.85% per annum.

	<u>2018</u>	<u>2017</u>
Total Outstanding Debt - beginning of year	\$ 42,335,511	\$ 43,925,300
Reduction of Long-term Debt	(3,646,189)	(3,089,789)
Proceeds from long-term borrowing	7,431,321	1,500,000
	<u>\$ 46,120,643</u>	<u>\$ 42,335,511</u>

The City of Nanaimo is subject to 'Liability Servicing Limits' as outlined in Section 174 of the *Community Charter*. The maximum value of liability servicing cost for a given year is 25% of a municipality's controllable and sustainable revenues for the previous year. The calculated liability servicing limit for the City of Nanaimo for 2018 at December 31, 2017 was \$40,133,329. The actual liability servicing cost was \$4,861,362, leaving \$35,271,967 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 9 - 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>
2019	\$ 3,595,337	\$ 904,833	\$ 4,500,170
2020	3,726,321	941,026	4,667,347
2021	3,189,871	978,667	4,168,538
2022	3,272,336	1,017,814	4,290,150
2023	2,900,808	1,058,526	3,959,334
Thereafter	10,667,056	13,868,048	24,535,104
	<u>\$ 27,351,729</u>	<u>\$ 18,768,914</u>	<u>\$ 46,120,643</u>

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2018</u>	<u>2017</u>
<u>General Fund - Tax Supported</u>						
5425	72	Leisure and Aquatic Center	2.10	2020	\$ 658,564	\$ 966,732
5457	73	Leisure and Aquatic Center	1.60	2020	600,025	880,801
5750	99	Port of Nanaimo Center	1.75	2026	7,431,107	8,206,571
5750	101	Port of Nanaimo Center	2.25	2027	8,206,571	8,952,209
7050	102	Fire Station #4	2.25	2027	2,051,643	2,238,052
7257	146	Fire Station #1	3.20	2038	3,235,354	-
		Garbage Trucks	2.80	2022	1,168,000	1,452,200
		Garbage Trucks	2.80	2023	4,000,465	-
					<u>27,351,729</u>	<u>22,696,565</u>
<u>Waterworks Fund - User Fee Supported</u>						
7127	126	Water Treatment Plant	3.85	2033	10,880,868	11,403,371
7127	127	Water Treatment Plant	3.30	2034	7,888,046	8,235,575
					<u>18,768,914</u>	<u>19,638,946</u>
					<u>\$ 46,120,643</u>	<u>\$ 42,335,511</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 10 - TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2018</u>	<u>2017</u>
Land	\$ 97,177,758	\$ 92,324,119
Land Improvements	20,695,817	21,234,002
Leasehold Improvements	1,409,954	262,782
Marine Structures	309,610	350,772
Buildings	116,725,868	117,586,461
Vehicles and Equipment	18,469,181	13,143,524
IT Infrastructure	1,370,894	838,319
Drainage	75,848,623	74,706,974
Transportation	135,648,462	132,776,385
Sewer	35,304,839	32,653,865
Water	190,828,083	187,338,235
	<hr/>	<hr/>
	693,789,089	673,215,438
Work In Progress	8,120,666	13,000,238
	<hr/>	<hr/>
	<u>\$ 701,909,755</u>	<u>\$ 686,215,676</u>

See schedule of tangible capital assets (page 10) for more information. There were no write downs of tangible capital assets for 2017 and 2018. Developer contributed assets recognized in 2018 were \$4,727,790 (2017 - \$3,724,488) recorded at fair 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 FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 11 - ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Reserve Accounts (Note 22)	\$ 72,137,770	\$ 65,325,545
Surplus - General	5,487,046	5,499,908
Surplus - Sewer System	6,722,290	6,834,001
Surplus - Waterworks	5,827,789	5,545,156
Investment in Tangible Capital Assets (Note 18)	659,159,112	643,880,165
Community Works Reserve Fund (Gas Tax Agreement)	8,569,140	5,450,615
Equipment Depreciation Reserve	6,943,362	7,516,016
Facility Development (Recreation) Reserve	3,210,785	3,125,384
Property Sales Reserve	1,140,712	2,325,949
Knowles Estate Reserve	429,499	420,076
Parkland Dedication Reserve	1,149,945	638,458
Old City Neighborhood Parking Reserve	90,891	88,896
General Asset Management Reserve	11,258,946	10,148,379
Sewer Asset Management Reserve	2,833,790	1,146,300
Water Asset Management Reserve	4,646,912	2,664,841
Regional Emissions Reduction Reserve	549,218	461,108
	<u>\$ 790,157,207</u>	<u>\$ 761,070,797</u>

NOTE 12 - COMMITMENTS AND CONTIGENCIES

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) BC Assessment Authority Appeals

As at December 31, 2018, there were various appeals pending with respect to assessed values of 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 \$1,951,342 (2017 – \$1,871,727) 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) 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. 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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Commitments

The City has \$16,700,000 (2017 - \$14,500,000) 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.

(f) Guarantees

The City has guaranteed the amount of a \$2,000,000 line of credit for the Port Theatre Society. Management considers the likelihood of payment on the guarantee to be low.

NOTE 13 - 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. At December 31, 2018, the balance of funds held in trust was \$584,618 (2017 - \$567,918).

NOTE 14 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 7, 2018. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2018 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$	18,499,762
Cemetery Care Fund - not in reporting entity		7,500
Net Proceeds from Internal Borrowing		4,669,250
Use of Development Cost Charges		(9,869,250)
		<hr/>
Annual Surplus from the 2018 Financial Plan		13,307,262
Amortization, not funded		24,811,956
Capital Expenditures		(78,577,359)
Proceeds from Borrowing		7,819,475
Principal Repayment of Debt		(3,830,062)
Transfers from Accumulated Surplus		36,468,728
		<hr/>
Net Annual Budget - as approved	\$	-

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 15 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
Property Taxes	\$ 99,148,750	\$ 63,844,460	\$ 162,993,210	\$ 156,789,437
Business Improvement Area Levies	41,182	-	41,182	40,774
Vancouver Island Regional Library	4,449,268	-	4,449,268	4,332,949
Taxes in Lieu of Licenses	1,453,514	-	1,453,514	1,446,334
Payments in Lieu of Taxes	2,047,951	565,302	2,613,253	2,396,339
	<u>\$ 107,140,665</u>	<u>\$ 64,409,762</u>	<u>\$ 171,550,427</u>	<u>\$ 165,005,833</u>
			<u>2018</u>	<u>2017</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 38,973,462	\$ 38,054,892
Regional District of Nanaimo			20,455,282	18,450,297
Nanaimo Regional Hospital District			3,958,374	3,892,423
Other Agencies			1,022,644	977,229
			<u>64,409,762</u>	<u>61,374,841</u>
Taxation and Payments in Lieu			<u>\$ 107,140,665</u>	<u>\$ 103,630,992</u>

NOTE 16 - USER FEES AND SALES OF SERVICES

	<u>2018</u>	<u>2017</u>
Waterworks	\$ 20,456,762	\$ 18,098,377
Recreation Programs	6,405,502	6,639,352
Sewer System	7,413,830	7,085,084
Garbage Collection	5,661,854	4,395,988
Vancouver Island Conference Centre	2,415,868	1,785,899
Public Works	706,180	650,528
Parking	1,786,935	1,590,319
Other	263,130	308,956
Community Safety	219,134	226,577
	<u>\$ 45,329,195</u>	<u>\$ 40,781,080</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2018</u>	<u>2017</u>
<u>Federal</u>		
Gas Tax	\$ 3,758,343	\$ 3,637,130
Other	228,881	77,527
	<u>3,987,224</u>	<u>3,714,657</u>
<u>Provincial</u>		
Casino Gaming	2,923,995	2,863,235
Revenue Sharing	1,243,135	1,180,215
Other	1,851,426	366,479
	<u>6,018,556</u>	<u>4,409,929</u>
<u>Regional District of Nanaimo</u>		
Other	85,250	250,308
Total transfers from other governments	<u>\$ 10,091,030</u>	<u>\$ 8,374,894</u>
Transfers from other governments - capital	\$ 5,371,865	\$ 3,745,004
Transfers from other governments - operating	4,719,165	4,629,890
Total transfers from other governments	<u>\$ 10,091,030</u>	<u>\$ 8,374,894</u>

NOTE 18 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Investment in Tangible Capital Assets - beginning of year	\$ 643,880,165	\$ 637,203,418
Add:		
Capital Additions	40,710,037	29,700,066
Reductions in Long-term Debt	3,646,189	3,089,789
Less:		
Proceeds from long-term borrowing	(4,061,321)	(1,500,000)
Amortization	(23,732,384)	(23,319,708)
Net Book Value of Asset Disposals	(1,283,574)	(1,293,400)
Investment in Tangible Capital Assets - end of year	<u>\$ 659,159,112</u>	<u>\$ 643,880,165</u>

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018

NOTE 19 - MUNICIPAL PENSION PLAN

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 administering the plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from Local Government.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding surplus and will be adjusted for the amortization of any unfunded liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. During 2018, City of Nanaimo contributions to the plan were:

	<u>2018</u>	<u>2017</u>
Employer Portion	\$ 5,329,342	\$ 5,073,448
Employee Portion	4,438,251	4,196,419
	<u>\$ 9,767,593</u>	<u>\$ 9,269,867</u>

The next valuation will be as at December 31, 2018 with results available in 2019.

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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 20 - FINANCIAL INSTRUMENTS

(a) Financial Risk and Fair Market Values

The City's financial instruments consist of cash and cash equivalents, accounts receivable, development cost charges receivable, temporary investments, 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 temporary investments for which market values are disclosed in Note 4.

(b) 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.

The City reclassified \$986,376 from the Port of Nanaimo Center user fees to the Port of Nanaimo Center contracted services in 2017. This reclassification has no impact on surplus.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 22 - RESERVES

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2018</u>	<u>2017</u>
<u>General Revenue Fund Reserve Accounts</u>				
Fire & Emergency Services	\$ 23,330	\$ 2,592,293	\$ 2,615,623	\$ 2,447,488
Parks & Recreation	-	223,717	223,717	104,281
Strategic Partnerships	-	25,543	25,543	30,728
General Capital	62,033	5,844,634	5,906,667	4,789,403
Prior Year Carry Forwards	3,380,118	-	3,380,118	3,880,471
Housing Legacy Reserve	42,129	2,321,937	2,364,066	2,328,320
Uncollected Taxes	-	2,759,115	2,759,115	2,570,566
Uninsured Claims	-	2,587,805	2,587,805	2,535,386
Allowance for Bad Debts	6,000	44,000	50,000	50,000
RCMP Contract	127,243	2,816,942	2,944,185	3,113,842
Information Technology Infrastructure	620,534	334,033	954,567	1,488,598
Sustainability Initiatives	307,011	119,644	426,655	567,076
Parking Reserve	767,140	922,711	1,689,851	1,117,583
Conference Centre	88,700	524,258	612,958	754,916
Snow Removal	-	200,000	200,000	-
Property Acquisition	-	3,163,383	3,163,383	1,563,383
Strategic Infrastructure	2,018,576	96,586	2,115,162	680,000
General Financial Sustainability	591,954	1,200,046	1,792,000	950,000
Colliery Dam Reserve	26,979	116,924	143,903	199,123
Photocopier Reserve	79,800	352,644	432,444	368,580
Casino Funds	-	1,448,844	1,448,844	1,186,846
Sanitation Leveling Reserve	114,880	314,342	429,222	-
	<u>8,256,427</u>	<u>28,009,401</u>	<u>36,265,828</u>	<u>30,726,590</u>
<u>Sewer Revenue Reserve Accounts</u>				
General Capital	4,416,680	6,825,223	11,241,903	10,612,883
Growth Related Projects	-	-	-	916
	<u>4,416,680</u>	<u>6,825,223</u>	<u>11,241,903</u>	<u>10,613,799</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
General Capital	19,629,974	3,100,065	22,730,039	21,985,495
Growth Related Projects	-	1,900,000	1,900,000	1,900,000
Local Improvement Projects	-	-	-	99,661
	<u>19,629,974</u>	<u>5,000,065</u>	<u>24,630,039</u>	<u>23,985,156</u>
Total Reserve Accounts	<u>\$ 32,303,081</u>	<u>\$ 39,834,689</u>	<u>\$ 72,137,770</u>	<u>\$ 65,325,545</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

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. See Schedule of Operations by Segment (page 8).

GENERAL REVENUE FUND

Certain departments have been separately disclosed in the segmented information, along with the services they provide as follows:

City Administration

The Chief Administrative Officer'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.

The City Administration department is responsible for the City's regulatory services, including legislative services, and the bylaw, animal control, and parking functions.

Corporate Services

Providing service to both the internal organization and the community, the Corporate Services Department is responsible for Human Resources and Organizational Planning, Information Technology, Financial Services and Purchasing.

Development Services

Development Services is responsible for a variety of tasks relating to planning and development. This includes processing development applications and developing related policies and regulations.

Fire

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

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.

Port of Nanaimo Centre

The operation of the Vancouver Island Conference Centre provides a full-service convention centre that hosts meetings, conferences, tradeshow, and weddings for up to 1,300 delegates.

Parks and Recreation

The Parks and Recreation 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 FINANCIAL STATEMENTS
for the year ended December 31, 2018

NOTE 24 - CONTRACTUAL RIGHTS

The City of Nanaimo has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts for the years ending December 31 are as follows:

2019	\$ 872,221
2020	881,776
2021	883,380
2022	885,036
2023	886,774
	<u>\$ 4,409,187</u>

In addition to these contractual rights, the City has agreements with several parties that provide for the recovery of costs and payments of annual fees and commissions based on annual results.



Maffeo Sutton Park

CITY OF NANAIMO

the Harbour THE HARBOUR CITY

