

City of Nanaimo



Maffeo Sutton Park

ANNUAL FINANCIAL STATEMENTS

2019

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2019

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CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2019

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, 2019.



Jake Rudolph
Chief Administrative Officer



Laura Mercer, CPA, CGA
Director, Financial Services



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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, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statements 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, 2019 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.

Chartered Professional Accountants

Victoria, Canada
May 25, 2020

**CITY OF NANAIMO
STATEMENT OF FINANCIAL POSITION**

as at December 31, 2019, with comparative figures for 2018

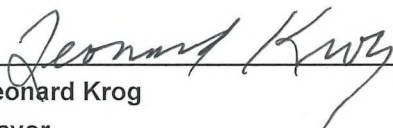
	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 86,646,891	\$ 74,462,827
Accounts receivable (Note 2)	19,378,525	20,728,550
Development cost charges receivable (Note 3)	514,789	894,774
Temporary investments (Note 4)	148,990,798	139,943,739
	255,531,003	236,029,890
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	38,209,488	30,970,738
Compensated absences and termination benefits (Note 6)	8,243,951	7,861,239
Deferred revenue (Note 7)	20,011,567	18,750,527
Deferred development cost charges (Note 8)	49,483,535	46,965,417
Debt (Note 9)	41,616,953	46,120,643
	157,565,494	150,668,564
NET FINANCIAL ASSETS	97,965,509	85,361,326
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	729,839,510	701,909,755
Prepaid expenses	1,834,973	1,625,307
Inventories of supplies	1,407,091	1,260,819
	733,081,574	704,795,881
ACCUMULATED SURPLUS (Note 11)	\$ 831,047,083	\$ 790,157,207

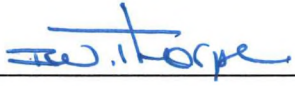
Commitments and contingencies (Note 12)

Contractual rights (Note 24)

Subsequent Events (Note 25)

Approved on behalf of the Council


Leonard Krog
Mayor


Ian Thorpe
Councillor

CITY OF NANAIMO STATEMENT OF OPERATIONS

for the year ended December 31, 2019, with comparative figures for 2018

	2019 Budget (Note 14)	2019	2018
REVENUES			
Taxes	\$ 111,832,323	\$ 111,483,549	\$ 105,092,714
Payments in lieu of taxes	1,895,533	2,077,224	2,047,951
Taxation and payments in lieu (Note 15)	113,727,856	113,560,773	107,140,665
User fees and sales of services (Note 16)	43,943,177	45,848,098	45,329,195
Other revenue	4,805,227	7,904,144	6,845,838
Development cost charges (Note 8)	8,428,985	6,252,024	3,691,180
Transfers from other governments-operating (Note 17)	4,430,468	4,565,401	4,719,165
Transfers from other governments-capital (Note 17)	3,957,275	7,623,208	5,371,865
Developer assets received (Note 10)	-	8,134,351	4,727,790
Investment income	3,064,658	5,262,350	4,380,302
Building permits	1,600,000	2,062,637	2,078,163
Regional recreation sharing	1,231,500	1,231,500	1,150,348
Donations and contributions-capital	1,800,701	1,865,131	1,015,560
Property rentals	908,740	1,023,365	1,026,203
	187,898,587	205,332,982	187,476,274
EXPENSES			
Parks, recreation & culture	32,478,605	31,039,154	30,501,208
Police	30,167,041	29,838,045	28,660,500
Engineering & public works	29,785,554	28,031,568	28,230,539
Fire	18,292,884	17,866,209	17,620,857
Water	17,759,084	15,996,314	14,487,298
Corporate services	16,743,444	14,333,478	13,440,077
Development services	12,310,456	11,354,068	10,462,046
City administration	5,734,969	5,506,080	5,170,440
Port of nanaimo centre	4,515,432	5,239,133	5,124,522
Sewer	6,037,187	5,239,057	4,692,377
	173,824,656	164,443,106	158,389,864
ANNUAL SURPLUS	14,073,931	40,889,876	29,086,410
ACCUMULATED SURPLUS - BEGINNING OF YEAR	790,157,207	790,157,207	761,070,797
ACCUMULATED SURPLUS - END OF YEAR	\$ 804,231,138	\$ 831,047,083	\$ 790,157,207

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2019 , with comparative figures for 2018

	2019 Budget (Note 14)	2019	2018
ANNUAL SURPLUS	\$ 14,073,931	\$ 40,889,876	\$ 29,086,410
Acquisition of tangible capital assets	(83,277,883)	(48,376,888)	(35,978,122)
In kind donations of capital assets	-	(226,520)	(4,125)
Developer contributed capital assets	-	(8,134,351)	(4,727,790)
	(83,277,883)	(56,737,759)	(40,710,037)
Amortization of tangible capital assets	25,119,840	24,606,903	23,732,384
Loss on disposal of tangible capital assets	-	679,600	699,224
Proceeds on sale of tangible capital assets	-	3,521,501	584,350
	(58,158,043)	(27,929,755)	(15,694,079)
Acquisition of inventories of supplies	-	(4,672,020)	(4,330,919)
Acquisition of prepaid expenses	-	(1,467,558)	(1,866,516)
Consumption of inventories of supplies	-	4,525,748	4,132,270
Use of prepaid expenses	-	1,257,892	1,455,075
	-	(355,938)	(610,090)
CHANGE IN NET FINANCIAL ASSETS	(44,084,112)	12,604,183	12,782,241
NET FINANCIAL ASSETS - BEGINNING OF YEAR	85,361,326	85,361,326	72,579,085
NET FINANCIAL ASSETS - END OF YEAR	\$ 41,277,214	\$ 97,965,509	\$ 85,361,326

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2019, with comparative figures for 2018

	2019	2018
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 40,889,876	\$ 29,086,410
Non-cash items		
Amortization of tangible capital assets	24,606,903	23,732,384
Developer assets received	(8,134,351)	(4,727,790)
In kind donations of capital assets	(226,520)	(4,125)
Loss on disposal of tangible capital assets	679,600	669,224
Development cost charges recognized as revenue	(6,252,024)	(3,691,180)
Actuarial adjustment on long term debt	(1,122,034)	(992,431)
Change in non-cash operating assets and liabilities		
Accounts receivable	1,730,010	(869,062)
Accounts payable	7,621,462	1,586,101
Deferred revenue	1,261,040	1,540,280
Inventories of supplies	(146,272)	(198,649)
Prepaid expenses	(209,666)	(411,441)
Net change in cash from operating transactions	60,698,024	45,719,721
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(48,376,888)	(35,978,122)
Proceeds from the sale of tangible capital assets	3,521,501	584,350
Net change in cash from capital transactions	(44,855,387)	(35,393,772)
INVESTING TRANSACTIONS		
Change in investments	(9,047,059)	207,933
FINANCING TRANSACTIONS		
Debt repayment	(3,381,656)	(2,653,758)
Deferred development cost charges	8,770,142	8,038,912
Proceeds from long term borrowing	-	7,431,321
Net change in cash from financing transactions	5,388,486	12,816,475
CHANGE IN CASH AND CASH EQUIVALENTS	12,184,064	23,350,357
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	74,462,827	51,082,470
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 86,646,891	\$ 74,432,827

CITY OF NANAIMO

SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2019

	City Admin	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2019
Revenues											
Taxes	\$ 5,715,594	\$14,031,184	\$ 5,637,134	\$17,077,195	\$28,199,761	\$ 2,737,215	\$22,421,427	\$15,664,039	\$ -	\$ -	\$ 111,483,549
Payments in lieu of taxes	110,775	188,484	109,254	330,976	546,544	53,050	434,554	303,587	-	-	2,077,224
User fees	728	132,519	1,756,686	119,785	82,663	2,397,916	6,993,693	6,195,527	7,694,946	20,473,635	45,848,098
Developer assets	-	-	-	-	-	-	123,200	6,082,967	872,099	1,056,085	8,134,351
Other revenue	123,557	751,762	2,403,311	2,447,099	471,049	20,644	478,551	1,111,644	2,675	93,852	7,904,144
Development cost charges revenue	-	-	-	-	-	-	827,193	3,744,704	1,273,791	406,336	6,252,024
Government operating transfers	144,357	387,715	329,308	431,315	1,883,191	69,133	871,903	392,611	45,000	10,868	4,565,401
Government capital transfers	-	7,623,058	-	-	-	-	-	150	-	-	7,623,208
Investment income	160,534	2,503,369	158,331	479,648	792,047	76,880	629,751	455,800	-	5,990	5,262,350
Building permits	-	-	2,062,637	-	-	-	-	-	-	-	2,062,637
Regional recreation sharing	-	-	-	-	-	-	1,231,500	-	-	-	1,231,500
Property rentals	-	-	285,461	24,695	282,520	-	357,781	51,908	-	21,000	1,023,365
Donations - capital	-	-	-	-	-	-	1,610,692	246,671	1,220	6,548	1,865,131
	6,255,545	25,618,091	12,742,122	20,910,713	32,257,775	5,354,838	35,980,245	34,249,608	9,889,731	22,074,314	205,332,982
Expenses											
Wages and salaries	3,643,378	7,361,633	7,129,854	15,087,529	5,079,002	1,434	15,313,079	10,032,634	1,107,842	3,325,747	68,082,132
Contracted services	1,318,630	2,792,521	2,337,976	1,286,503	24,155,458	3,475,208	7,552,088	7,093,322	929,580	1,889,391	52,830,677
Amortization	6,770	954,108	431,771	541,446	325,195	1,635,053	3,872,995	10,205,079	864,222	5,770,264	24,606,903
Other	129,276	3,097,825	792,248	92,867	199,720	29,240	2,647,926	(2,627,162)	2,068,108	3,251,966	9,682,014
Materials and supplies	408,026	152,391	285,321	738,745	77,898	79,386	1,766,547	3,115,351	228,189	926,953	7,778,807
Interest payments on debt	-	-	-	118,526	-	18,812	(160,482)	116,920	31,070	658,127	782,973
(Gain) loss on disposal of assets	-	(25,000)	376,898	593	772	-	47,001	95,424	10,046	173,866	679,600
	5,506,080	14,333,478	11,354,068	17,866,209	29,838,045	5,239,133	31,039,154	28,031,568	5,239,057	15,996,314	164,443,106
ANNUAL SURPLUS	749,465	11,284,613	1,388,054	3,044,504	2,419,730	115,705	4,941,091	6,218,040	4,650,674	6,078,000	40,889,876
Capital projects	\$ -	\$ 99,032	\$ 6,102,155	\$ 1,211,381	\$ -	\$ -	\$ 3,850,819	\$23,444,946	\$ 8,875,506	\$13,153,920	\$ 56,737,759

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, Recreation & Culture	Engineering & Public Works	Sewer	Water	2018
Revenues											
Taxes	\$ 4,590,854	\$14,830,990	\$ 5,042,524	\$15,994,278	\$27,002,546	\$ 2,726,969	\$20,927,133	\$13,977,420	\$ -	\$ -	\$ 105,092,714
Payments in lieu of taxes	93,585	207,963	102,792	326,044	550,448	55,589	426,600	284,930	-	-	2,047,951
User fees	300	132,884	1,916,882	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	60,388	777,493	2,132,140	1,696,835	423,199	18,283	443,505	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	133,618	456,193	280,336	466,000	2,029,046	79,368	721,139	508,465	45,000	-	4,719,165
Government capital transfers	-	3,758,343	-	-	-	-	-	1,613,522	-	-	5,371,865
Investment income	115,364	2,092,604	126,715	401,921	678,550	68,526	525,881	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	-	-	282,865	29,100	347,113	-	300,094	46,031	-	21,000	1,026,203
Donations - capital	-	-	-	-	-	-	523,412	230,952	-	261,196	1,015,560
	4,994,109	22,256,470	11,962,417	19,026,606	31,137,608	5,364,603	33,868,111	29,499,737	8,160,546	21,206,067	187,476,274
Expenses											
Wages and salaries	3,111,158	6,638,425	6,642,381	14,965,105	4,751,921	736	14,582,668	9,931,308	1,071,392	3,125,335	64,820,429
Contracted services	1,444,078	2,887,338	2,594,051	1,293,712	23,288,813	3,284,808	7,428,808	7,673,457	520,122	1,063,905	51,479,092
Amortization	6,769	876,254	416,774	578,668	337,738	1,630,386	3,880,105	9,561,796	828,444	5,615,450	23,732,384
Other	217,359	2,886,822	564,555	82,865	187,571	16,610	2,789,187	(2,671,760)	2,011,019	3,062,456	9,146,684
Materials and supplies	391,076	164,989	257,009	643,901	94,457	112,068	1,903,821	3,064,357	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	-	(13,751)	(12,724)	3,838	-	-	40,781	614,433	15,371	51,275	699,223
	5,170,440	13,440,077	10,462,046	17,620,857	28,660,500	5,124,522	30,501,208	28,230,539	4,692,377	14,487,298	158,389,864
ANNUAL SURPLUS	(176,331)	8,816,393	1,500,371	1,405,749	2,477,108	240,081	3,366,903	1,269,198	3,468,169	6,718,769	29,086,410
Capital projects	\$ -	\$ 809,958	\$ 186,488	\$ 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 TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2019

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2018	Additions	Disposals	Transfers	Balance December 31, 2019	Balance December 31, 2018	Additions	Disposals		Balance December 31, 2019
Land	\$ 97,177,758	\$ 5,678,724	\$ 3,786,922	\$ -	\$ 99,069,560	\$ -	\$ -	\$ -	\$ -	\$ 99,069,560
Land improvements	37,262,334	2,847,186	72,425	350,671	40,387,766	16,566,517	1,358,084	69,408	17,855,193	22,532,573
Leasehold improvements	3,215,921	-	-	-	3,215,921	1,805,967	87,992	-	1,893,959	1,321,962
Marine structures	829,224	-	-	-	829,224	519,614	41,163	-	560,777	268,447
Buildings	197,791,273	792,776	-	23,496	198,607,545	81,065,405	5,381,429	-	86,446,834	112,160,711
Vehicles and equipment	37,883,676	1,431,122	1,073,699	354,583	38,595,682	19,414,495	2,435,610	904,434	20,945,671	17,650,011
IT Infrastructure	9,766,391	29,951	-	51,932	9,848,274	8,395,497	424,180	-	8,819,677	1,028,597
Drainage	107,680,841	3,717,634	346,000	54,670	111,107,145	31,832,218	1,662,398	343,934	33,150,682	77,956,463
Transportation	312,306,475	11,192,400	899,644	861,300	323,460,531	176,658,013	6,823,799	844,477	182,637,335	140,823,196
Sewer	48,692,971	3,107,066	29,000	135,220	51,906,257	13,388,132	857,986	18,954	14,227,164	37,679,093
Water	266,051,887	8,234,369	991,249	483,566	273,778,573	75,223,804	5,534,262	816,631	79,941,435	193,837,138
Work In Progress	8,120,666	19,706,531	-	(2,315,438)	25,511,759	-	-	-	-	25,511,759
	\$ 1,126,779,417	\$ 56,737,759	\$ 7,198,939	\$ -	\$ 1,176,318,237	\$ 424,869,662	\$ 24,606,903	\$ 2,997,838	\$ 446,478,727	\$ 729,839,510

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2019

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, 2019, 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, 2019

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, 2019

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	8-80
Leasehold Improvements	15-30
Marine Structures	15-35
Buildings	10-40
Vehicles and Equipment	2-25
IT Infrastructure	5-10
Drainage	40-75
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, 2019

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, 2019

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, 2019

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>2019</u>	<u>2018</u>
Utilities	\$ 9,293,795	\$ 9,016,945
Property Taxes	3,740,485	3,365,800
Trade and Other	2,362,657	2,581,057
Due from Provincial Government	903,051	2,883,316
Municipal Finance Authority Debt Reserve	976,776	954,543
Due from Federal Government	627,909	756,711
Interest on Investments	1,282,965	931,775
Due from Regional Government	190,887	238,403
	<u>\$ 19,378,525</u>	<u>\$ 20,728,550</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

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>2019</u>	<u>2018</u>
Installments:								
2020	\$ 11,043	\$ 112,041	\$ 17,766	\$ 36,951	\$ 47,670	\$ 199,617	\$ 425,088	\$ 515,736
2021	2,018	38,406	438	11,783	-	37,056	89,701	379,038
	<u>\$ 13,061</u>	<u>\$ 150,447</u>	<u>\$ 18,204</u>	<u>\$ 48,734</u>	<u>\$ 47,670</u>	<u>\$ 236,673</u>	<u>\$ 514,789</u>	<u>\$ 894,774</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>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Temporary Investments	\$ 135,535,284	\$ 136,012,282	\$ 116,073,939	\$ 116,455,725
Debentures	13,455,514	13,620,017	23,869,800	23,362,145
	<u>\$ 148,990,798</u>	<u>\$ 149,632,299</u>	<u>\$ 139,943,739</u>	<u>\$ 139,817,870</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade and Other	\$ 12,395,826	\$ 9,336,191
RCMP Contract	9,974,701	9,040,506
Deposits	10,175,078	7,604,716
Accrued wages and benefits	4,472,979	3,912,950
Contaminated sites	170,000	210,000
Other governments	1,020,904	866,375
	<u>\$ 38,209,488</u>	<u>\$ 30,970,738</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2019

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, 2019. The current valuation was completed in 2020. Significant assumptions used in the valuation include a discount rate of 3.5%, inflation of 1.75% and compensation increases, excluding merit and promotion, of 2.75%. There is an unamortized actuarial loss of \$678,448 (2018 – loss of \$616,905).

	<u>2019</u>	<u>2018</u>
Actuarial Benefit Obligation, beginning of year	\$ 8,478,144	\$ 8,042,531
Unamortized Actuarial Gain, beginning of year	(616,905)	(677,856)
	<hr/>	<hr/>
Current Service Cost	7,861,239	7,364,675
Interest Costs	807,296	771,087
Benefits Paid	338,576	323,516
Amortization of Actuarial Loss	(824,111)	(658,990)
	60,951	60,951
	<hr/>	<hr/>
	<u>8,243,951</u>	<u>7,861,239</u>
	<hr/>	<hr/>
Actuarial Benefit Obligation, end of year	8,922,399	8,478,144
Unamortized Actuarial Loss, end of year	(678,448)	(616,905)
	<hr/>	<hr/>
Accrued Benefit Liability, end of year	<u>\$ 8,243,951</u>	<u>\$ 7,861,239</u>

Actuarial gains and losses are amortized over 12 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 \$1,206,823 (2018 - \$1,155,554).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE 7 - DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2019</u>	<u>2018</u>
Tax Prepayments	\$ 12,821,621	\$ 12,352,870
Other Prepayments	7,189,946	6,397,657
	<u>\$ 20,011,567</u>	<u>\$ 18,750,527</u>

NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2019</u>	<u>2018</u>
Deferred Development Cost Charges - beginning of year	\$ 46,965,417	\$ 42,617,685
Additions	7,591,978	7,057,952
Interest Earned	1,178,164	980,960
Revenue Recognized	(6,252,024)	(3,691,180)
	<u>\$ 49,483,535</u>	<u>\$ 46,965,417</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.

\$41,616,953 (2018 – \$46,120,643) of debt is with the MFA. Payments and actuarial allocations of \$32,164,368 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>2019</u>	<u>2018</u>
Total Outstanding Debt - beginning of year	\$ 46,120,643	\$ 42,335,511
Reduction of Long-term Debt	(4,503,690)	(3,646,189)
Proceeds from long-term borrowing	-	7,431,321
	<u>\$ 41,616,953</u>	<u>\$ 46,120,643</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 2019 at December 31, 2018 was \$43,120,716. The actual liability servicing cost was \$4,334,383, leaving \$38,786,333 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2019

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>
2020	\$ 3,726,070	\$ 941,026	\$ 4,667,096
2021	3,189,697	978,667	4,168,364
2022	3,271,105	1,017,814	4,288,919
2023	2,898,943	1,058,526	3,957,469
2024	2,300,129	1,100,867	3,400,996
Thereafter	8,366,927	12,767,182	21,134,109
	<u>\$ 23,752,871</u>	<u>\$ 17,864,082</u>	<u>\$ 41,616,953</u>

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2019</u>	<u>2018</u>
<u>General Fund - Tax Supported</u>						
5425	72	Leisure and Aquatic Centre	1.67	2020	\$ 336,528	\$ 658,564
5457	73	Leisure and Aquatic Centre	1.67	2020	306,614	600,025
5750	99	Port of Nanaimo Centre	1.75	2026	6,624,625	7,431,107
5750	101	Port of Nanaimo Centre	2.25	2027	7,431,107	8,206,571
7050	102	First Station #4	2.25	2027	1,857,777	2,051,643
7257	146	First Station #1	3.20	2038	3,114,948	3,235,354
		Garbage Trucks - Equip.	2.54	2022	879,778	1,168,000
		Garbage Trucks - Equip.	2.54	2023	3,201,494	4,000,465
					<u>23,752,871</u>	<u>27,351,729</u>
<u>Waterworks Fund - User Fee Supported</u>						
7127	126	Water Treatment Plant	3.85	2033	10,337,466	10,880,868
7127	127	Water Treatment Plant	3.30	2034	7,526,616	7,888,046
					<u>17,864,082</u>	<u>18,768,914</u>
					<u>\$ 41,616,953</u>	<u>\$ 46,120,643</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

NOTE 10 - TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2019</u>	<u>2018</u>
Land	\$ 99,069,560	\$ 97,177,758
Land Improvements	22,532,573	20,695,817
Leasehold Improvements	1,321,962	1,409,954
Marine Structures	268,447	309,610
Buildings	112,160,711	116,725,868
Vehicles and Equipment	17,650,011	18,469,181
IT Infrastructure	1,028,597	1,370,894
Drainage	77,956,463	75,848,623
Transportation	140,823,196	135,648,462
Sewer	37,679,093	35,304,839
Water	193,837,138	190,828,083
	<hr/>	<hr/>
	704,327,751	693,789,089
Work In Progress	25,511,759	8,120,666
	<hr/>	<hr/>
	<u>\$ 729,839,510</u>	<u>\$ 701,909,755</u>

See schedule of tangible capital assets (page 10) for more information. There were no write downs of tangible capital assets for 2018 and 2019. Developer contributed assets recognized in 2019 were \$8,134,351 (2018 - \$4,727,790) 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, 2019

NOTE 11 - ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Reserve Accounts (Note 22)	\$ 76,198,807	\$ 72,137,770
Surplus - General	5,842,097	5,487,046
Surplus - Sewer	6,898,003	6,722,290
Surplus - Water	5,827,039	5,827,789
Investment in Tangible Capital Assets (Note 18)	687,573,892	659,159,112
Community Works Reserve Fund (Gas Tax Agreement)	13,610,936	8,569,140
Equipment Depreciation Reserve	8,416,206	6,943,362
Facility Development (Recreation) Reserve	3,350,653	3,210,785
Property Sales Reserve	2,061,173	1,140,712
Knowles Estate Reserve	439,868	429,499
Parkland Dedication Reserve	1,747,348	1,149,945
Old City Neighborhood Parking Reserve	123,741	90,891
General Asset Management Reserve	9,172,413	11,258,946
Sewer Asset Management Reserve	2,227,853	2,833,790
Water Asset Management Reserve	6,919,104	4,646,912
Regional Emissions Reduction Reserve	637,950	549,218
	<u>\$ 831,047,083</u>	<u>\$ 790,157,207</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, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) BC Assessment Authority Appeals

As at December 31, 2019, 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 (2018 – \$1,951,342) 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, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Commitments

The City has \$16,800,000 (2018 - \$16,700,000) 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, 2019, the balance of funds held in trust was \$590,988 (2018 - \$584,618).

NOTE 14 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 6, 2019. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2019 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$	14,073,931
Cemetery Care Fund - not in reporting entity		7,500
Net Proceeds from Internal Borrowing		2,977,619
Use of Development Cost Charges		(4,598,501)
		<hr/>
Annual Surplus from the 2019 Financial Plan		12,460,549
Amortization, not funded		25,119,840
Capital Expenditures		(83,277,883)
Proceeds from Borrowing		9,018,245
Principal Repayment of Debt		(4,500,170)
Transfers from Accumulated Surplus		41,179,419
		<hr/>
Net Annual Budget - as approved	\$	-

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

NOTE 15 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
Property Taxes	\$ 105,252,225	\$ 66,698,578	\$ 171,950,803	\$ 162,993,210
Business Improvement Area Levies	41,594	-	41,594	41,182
Vancouver Island Regional Library	4,733,307	-	4,733,307	4,449,268
Taxes in Lieu of Licenses	1,456,423	-	1,456,423	1,453,514
Payments in Lieu of Taxes	2,077,224	549,836	2,627,060	2,613,253
	<u>\$ 113,560,773</u>	<u>\$ 67,248,414</u>	<u>\$ 180,809,187</u>	<u>\$ 171,550,427</u>
			<u>2019</u>	<u>2018</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 40,114,781	\$ 38,973,462
Regional District of Nanaimo			22,039,402	20,455,282
Nanaimo Regional Hospital District			4,036,324	3,958,374
Other Agencies			1,057,907	1,022,644
			<u>67,248,414</u>	<u>64,409,762</u>
Taxation and Payments in Lieu			<u>\$ 113,560,773</u>	<u>\$ 107,140,665</u>

NOTE 16 - USER FEES AND SALES OF SERVICES

	<u>2019</u>	<u>2018</u>
Waterworks	\$ 20,473,635	\$ 20,456,762
Recreation Programs	6,993,693	6,405,502
Sewer System	7,694,946	7,413,830
Garbage Collection	5,957,790	5,661,854
Vancouver Island Conference Centre	2,397,916	2,415,868
Public Works	237,737	706,180
Parking	1,639,105	1,786,935
Other	250,828	263,130
Fire Rescue	119,785	112,428
Police Services	82,663	106,706
	<u>\$ 45,848,098</u>	<u>\$ 45,329,195</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2019</u>	<u>2018</u>
<u>Federal</u>		
Gas Tax	\$ 7,623,058	\$ 3,758,343
Other	279,748	228,881
	<u>7,902,806</u>	<u>3,987,224</u>
<u>Provincial</u>		
Casino Gaming	2,706,954	2,923,995
Revenue Sharing	1,170,957	1,243,135
Other	351,815	1,851,426
	<u>4,229,726</u>	<u>6,018,556</u>
<u>Regional District of Nanaimo</u>		
Other	56,077	85,250
Total transfers from other governments	<u>\$ 12,188,609</u>	<u>\$ 10,091,030</u>
Transfers from other governments - capital	\$ 7,623,208	\$ 5,371,865
Transfers from other governments - operating	4,565,401	4,719,165
Total transfers from other governments	<u>\$ 12,188,609</u>	<u>\$ 10,091,030</u>

NOTE 18 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Investment in Tangible Capital Assets - beginning of year	\$ 659,159,112	\$ 643,880,165
Add:		
Capital Additions	56,737,759	40,710,037
Reductions in Long-term Debt	4,503,690	3,646,189
Less:		
Long-term borrowing spent	(1,160,695)	(4,061,321)
Funding from deferred capital fund	(2,857,969)	-
Amortization	(24,606,903)	(23,732,384)
Net Book Value of Asset Disposals	(4,201,102)	(1,283,574)
Investment in Tangible Capital Assets - end of year	<u>\$ 687,573,892</u>	<u>\$ 659,159,112</u>

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2019

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 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. During 2019, City of Nanaimo contributions to the plan were:

	<u>2019</u>	<u>2018</u>
Employer Portion	\$ 5,492,219	\$ 5,329,342
Employee Portion	4,590,287	4,438,251
	<u>\$ 10,082,506</u>	<u>\$ 9,767,593</u>

The next valuation will be as at December 31, 2021 with results available in 2022.

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, 2019

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 changed its organizational structure in 2019, so the 2018 comparatives have been adjusted to reflect the new organizational layout. This reclassification has no impact on surplus.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

NOTE 22 - RESERVES

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2019</u>	<u>2018</u>
<u>General Revenue Fund Reserve Accounts</u>				
Fire & Emergency Services	\$ 70,778	\$ 3,326,951	\$ 3,397,729	\$ 2,615,623
Parks & Recreation	-	368,599	368,599	223,717
Strategic Partnerships	-	200,043	200,043	25,543
General Capital	-	6,040,729	6,040,729	5,906,667
Prior Year Carry Forwards	5,183,981	-	5,183,981	3,380,118
Housing Legacy Reserve	38,950	2,549,688	2,588,638	2,364,066
Uncollected Taxes	-	2,384,445	2,384,445	2,759,115
Uninsured Claims	-	2,732,755	2,732,755	2,587,805
Allowance for Bad Debts	-	44,000	44,000	50,000
RCMP Contract	394,829	2,422,113	2,816,942	2,944,185
Information Technology Infrastructure	816,533	525,157	1,341,690	954,567
Sustainability Initiatives	57,271	249,934	307,205	426,655
Parking Reserve	1,149,266	726,336	1,875,602	1,689,851
Conference Centre	19,200	660,982	680,182	612,958
Snow Removal	-	300,000	300,000	200,000
Property Acquisition	-	2,600,218	2,600,218	3,163,383
Strategic Infrastructure	2,083,749	1,007,233	3,090,982	2,115,162
General Financial Sustainability	700,000	114,012	814,012	1,792,000
Special Initiatives Reserve	-	4,968,073	4,968,073	-
Colliery Dam Reserve	-	130,538	130,538	143,903
Photocopier Reserve	32,500	361,633	394,133	432,444
Casino Funds	1,448,844	-	1,448,844	1,448,844
Sanitation Leveling Reserve	-	774,008	774,008	429,222
	<u>11,995,901</u>	<u>32,487,447</u>	<u>44,483,348</u>	<u>36,265,828</u>
<u>Sewer Revenue Reserve Accounts</u>				
General Capital	6,203,533	5,047,443	11,250,976	11,241,903
<u>Waterworks Revenue Fund Reserve Accounts</u>				
General Capital	13,752,044	4,812,439	18,564,483	22,730,039
Growth Related Projects	-	1,900,000	1,900,000	1,900,000
	<u>13,752,044</u>	<u>6,712,439</u>	<u>20,464,483</u>	<u>24,630,039</u>
Total Reserve Accounts	<u>\$ 31,951,478</u>	<u>\$ 44,247,329</u>	<u>\$ 76,198,807</u>	<u>\$ 72,137,770</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

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 also responsible for Human Resources and Organizational Planning, Legislative Services, and Communications.

Corporate Services

Providing service to both the internal organization and the community, the Corporate Services Department is responsible for Emergency Management, 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. Development Services is also responsible for bylaw, animal control, and parking.

Fire

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

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, 2019

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:

2020	\$ 1,076,701
2021	1,275,121
2022	1,112,192
2023	1,112,339
2024	1,112,339
	<u>\$ 5,688,692</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.

NOTE 25 - SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the City's future cash flows, and may have a significant impact on the City's future operations. Potential impacts on the City's business could include future decreases in revenue, future increases in expenses, impairment of receivables, impairment of investments or reduction in investment income, and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the City is not practicable at this time.



CITY OF NANAIMO
the Harbor THE HARBOUR CITY