

2022

City of Nanaimo

Annual Financial Statements



CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2022

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CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2022

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 auditor, KPMG LLP, is 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 material respects, the financial position of the City of Nanaimo as at December 31, 2022.



Jake Rudolph
Chief Administrative Officer
May 1, 2023



Laura Mercer, CPA, CGA
Director, Financial Services



KPMG LLP
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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.



Auditor's 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 auditor's 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 auditor's 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 auditor's 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 1, 2023

**CITY OF NANAIMO
STATEMENT OF FINANCIAL POSITION**

as at December 31, 2022, with comparative figures for 2021

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 118,484,793	\$ 158,711,662
Accounts receivable (Note 2)	25,872,621	22,131,504
Development cost charges receivable (Note 3)	1,171,250	1,258,908
Temporary investments (Note 4)	171,942,522	122,525,543
	317,471,186	304,627,617
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	53,605,730	52,769,222
Compensated absences and termination benefits (Note 6)	9,134,493	8,766,164
Deferred revenue (Note 7)	26,146,540	24,209,228
Deferred development cost charges (Note 8)	65,416,377	60,614,941
Debt (Note 9)	41,301,913	45,947,100
	195,605,053	192,306,655
NET FINANCIAL ASSETS	121,866,133	112,320,962
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	809,586,940	781,555,105
Prepaid expenses	1,902,378	1,783,478
Inventories of supplies	2,446,243	2,041,322
	813,935,561	785,379,905
ACCUMULATED SURPLUS (Note 11)	\$ 935,801,694	\$ 897,700,867

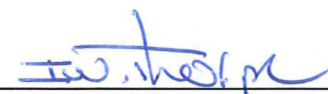
Commitments and contingencies (Note 12)

Contractual rights (Note 23)

Subsequent event (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, 2022, with comparative figures for 2021

	2022 Budget (Note 14)	2022	2021
REVENUES			
Taxes	\$ 132,691,009	\$ 131,968,343	\$ 123,335,853
Payments in lieu of taxes	2,236,800	2,566,901	2,200,597
Taxation and payments in lieu (Note 15)	134,927,809	134,535,244	125,536,450
User fees and sales of services (Note 16)	52,100,462	51,868,373	46,090,489
Other revenue	12,449,212	9,123,003	8,258,270
Investment income	2,325,491	5,684,548	3,073,690
Transfers from other governments-operating (Note 17)	6,160,889	5,460,889	3,336,523
Development cost charges (Note 8)	14,681,805	5,099,130	2,298,671
Transfers from other governments-capital (Note 17)	4,718,768	4,500,541	8,442,931
Building permits	2,000,000	2,597,818	2,694,848
Developer contributed assets (Note 10)	-	2,563,598	7,485,948
Donations and contributions-capital	2,216,660	2,549,971	1,005,147
Regional recreation sharing	1,281,927	1,281,927	1,199,763
Property rentals	920,457	897,571	951,280
	233,783,480	226,162,613	210,374,010
EXPENSES			
Engineering & public works	43,664,328	33,847,190	32,859,123
Police	39,580,413	35,698,638	37,209,660
Parks, recreation & culture	37,179,963	34,026,244	31,864,887
Fire	22,124,799	21,870,468	22,158,439
Water	18,247,570	16,867,494	16,763,860
Development services	16,248,791	13,697,949	11,689,807
Corporate services	12,629,126	12,604,062	11,744,890
Corporate & business development	8,136,627	7,042,470	4,627,710
Sewer	7,030,506	6,222,215	5,862,148
City administration	6,788,636	6,185,056	6,128,719
	211,630,759	188,061,786	180,909,243
ANNUAL SURPLUS	22,152,721	38,100,827	29,464,767
ACCUMULATED SURPLUS - BEGINNING OF YEAR	897,700,867	897,700,867	868,236,100
ACCUMULATED SURPLUS - END OF YEAR	\$ 919,853,588	\$ 935,801,694	\$ 897,700,867

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2022, with comparative figures for 2021

	2022 Budget (Note 14)	2022	2021
ANNUAL SURPLUS	\$ 22,152,721	\$ 38,100,827	\$ 29,464,767
Acquisition of tangible capital assets	(113,537,850)	(53,397,452)	(51,411,094)
In kind donations of capital assets	-	(1,380,290)	(515,194)
Developer contributed capital assets	-	(2,563,598)	(7,485,948)
	(113,537,850)	(57,341,340)	(59,412,236)
Amortization of tangible capital assets	29,655,473	28,035,992	26,687,264
Loss (gain) on disposal of assets	-	(1,387,738)	177,348
Proceeds on sale of tangible capital assets	-	2,661,251	344,181
	(83,882,377)	(28,031,835)	(32,203,443)
Acquisition of inventories of supplies	-	(5,782,821)	(5,446,444)
Acquisition of prepaid expenses	-	(1,557,902)	(1,325,715)
Consumption of inventories of supplies	-	5,377,900	4,870,671
Use of prepaid expenses	-	1,439,002	1,236,583
	-	(523,821)	(664,905)
CHANGE IN NET FINANCIAL ASSETS	(61,729,656)	9,545,171	(3,403,581)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	112,320,962	112,320,962	115,724,543
NET FINANCIAL ASSETS - END OF YEAR	\$ 50,591,306	\$ 121,866,133	\$ 112,320,962

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2022, with comparative figures for 2021

	2022	2021
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 38,100,827	\$ 29,464,767
Non-cash items		
Amortization of tangible capital assets	28,035,992	26,687,264
Developer assets received	(2,563,598)	(7,485,948)
In kind donations of capital assets	(1,380,290)	(515,194)
Loss (gain) on disposal of tangible capital assets	(1,387,738)	177,348
Development cost charges recognized as revenue	(5,099,130)	(2,298,671)
Actuarial adjustment on long term debt	(1,139,028)	(1,017,744)
Change in non-cash operating assets and liabilities		
Accounts receivable	(3,653,459)	2,676,302
Accounts payable	836,508	4,535,941
Compensated absences termination benefits	368,329	383,160
Deferred revenue	1,937,312	2,968,410
Inventories of supplies	(404,921)	(575,773)
Prepaid expenses	(118,900)	(89,132)
Net change in cash from operating transactions	53,531,904	54,910,730
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(53,397,452)	(51,411,094)
Proceeds from the sale of tangible capital assets	2,661,251	344,181
Net change in cash from capital transactions	(50,736,201)	(51,066,913)
INVESTING TRANSACTIONS		
Change in investments	(49,416,979)	(23,959,143)
FINANCING TRANSACTIONS		
Debt repayment	(3,786,428)	(3,501,991)
Deferred development cost charges	9,900,566	6,161,909
Proceeds from long term borrowing	280,269	11,160,000
Net change in cash from financing transactions	6,394,407	13,819,918
CHANGE IN CASH AND CASH EQUIVALENTS	(40,226,869)	(6,295,408)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	158,711,662	165,007,070
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 118,484,793	\$ 158,711,662

CITY OF NANAIMO SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2022

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2022
Revenues											
Taxes	\$ 6,548,122	\$10,801,602	\$ 5,396,314	\$ 7,248,920	\$20,017,047	\$37,743,610	\$24,766,504	\$19,446,224	\$ -	\$ -	\$ 131,968,343
Payments in lieu of taxes	127,367	210,100	104,964	140,998	389,349	734,147	481,730	378,246	-	-	2,566,901
User fees	2,037	122,090	1,890,118	1,423,415	155,542	83,253	5,662,865	8,808,955	9,116,959	24,603,139	51,868,373
Other revenue	197,484	1,790,317	368,709	2,530,723	1,897,685	662,282	793,865	704,700	41,157	136,081	9,123,003
Investment income	187,606	2,186,516	160,099	207,684	573,495	1,081,368	709,569	572,110	-	6,101	5,684,548
Government operating transfers	127,706	535,425	119,416	1,215,151	418,904	1,985,243	590,497	423,547	45,000	-	5,460,889
Development cost charges	-	-	-	-	-	-	167,703	1,177,523	56,272	3,697,632	5,099,130
Government capital transfers	-	4,041,138	-	-	-	-	446,403	13,000	-	-	4,500,541
Building permits	-	-	-	2,597,818	-	-	-	-	-	-	2,597,818
Developer contributed assets	-	-	-	-	-	-	882,000	1,361,881	123,919	195,798	2,563,598
Donations - capital	-	-	-	-	18,758	224,772	1,565,647	672,065	68,729	-	2,549,971
Regional recreation sharing	-	-	-	-	-	-	1,281,927	-	-	-	1,281,927
Property rentals	-	-	358,827	30,513	-	291,069	142,566	51,396	-	23,200	897,571
	7,190,322	19,687,188	8,398,447	15,395,222	23,470,780	42,805,744	37,491,276	33,609,647	9,452,036	28,661,951	226,162,613
Expenses											
Wages and salaries	4,155,337	8,305,216	739,237	8,456,893	16,357,456	5,757,174	16,093,445	12,347,052	1,123,814	3,476,956	76,812,580
Contracted services	1,214,900	4,371,284	4,211,359	2,943,903	2,040,793	27,788,875	7,601,503	9,396,095	1,160,418	1,568,115	62,297,245
Amortization	-	937,130	1,879,383	463,281	965,146	305,817	4,417,534	11,455,630	1,269,715	6,342,356	28,035,992
Other	417,900	(1,212,654)	285,879	1,562,194	1,001,765	1,776,707	3,969,723	(2,090,758)	2,279,214	3,808,420	11,798,390
Materials and supplies	396,919	197,138	67,086	271,678	1,093,325	70,065	1,955,873	4,143,929	194,177	1,096,091	9,486,281
Interest payments on debt	-	-	(81,573)	-	396,851	-	-	26,046	124,286	553,426	1,019,036
Loss (gain) on disposal of assets	-	5,948	(58,901)	-	15,132	-	(11,834)	(1,430,804)	70,591	22,130	(1,387,738)
	6,185,056	12,604,062	7,042,470	13,697,949	21,870,468	35,698,638	34,026,244	33,847,190	6,222,215	16,867,494	188,061,786
ANNUAL SURPLUS (DEFICIT)	1,005,266	7,083,126	1,355,977	1,697,273	1,600,312	7,107,106	3,465,032	(237,543)	3,229,821	11,794,457	38,100,827
Capital projects	\$ -	\$ 817,709	\$ 2,283,240	\$ 81,060	\$ 8,194,049	\$ 343,309	\$ 7,900,115	\$13,796,751	\$ 5,129,447	\$18,795,660	\$ 57,341,340

CITY OF NANAIMO

SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2021

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2021
Revenues											
Taxes	\$ 6,394,209	\$10,479,060	\$ 5,120,137	\$ 6,400,688	\$18,941,756	\$33,193,670	\$24,132,281	\$18,674,052	\$ -	\$ -	\$ 123,335,853
Payments in lieu of taxes	113,622	195,186	90,983	113,737	336,586	589,835	428,819	331,829	-	-	2,200,597
User fees	1,275	133,855	454,926	1,154,733	127,008	86,874	3,728,308	7,724,893	8,704,109	23,974,508	46,090,489
Government capital transfers	-	7,907,567	-	-	-	-	-	535,364	-	-	8,442,931
Other revenue	77,597	1,817,599	301,819	2,123,911	1,843,444	547,931	644,167	802,585	-	99,217	8,258,270
Developer contributed assets	-	-	-	-	-	-	1,314,717	5,053,189	424,950	693,092	7,485,948
Government operating transfers	67,048	282,916	53,583	443,734	258,622	1,683,061	354,704	202,291	15,000	(24,436)	3,336,523
Investment income	99,747	1,285,730	79,870	99,849	295,486	517,813	376,457	314,170	-	4,568	3,073,690
Building permits	-	-	-	2,694,848	-	-	-	-	-	-	2,694,848
Development cost charges	-	-	-	-	-	-	644,209	931,360	165,027	558,075	2,298,671
Regional recreation sharing	-	-	-	-	-	-	1,199,763	-	-	-	1,199,763
Donations - capital	-	-	-	-	-	137,451	809,477	57,500	719	-	1,005,147
Property rentals	-	-	343,344	30,000	-	278,323	229,580	46,833	-	23,200	951,280
	6,753,498	22,101,913	6,444,662	13,061,500	21,802,902	37,034,958	33,862,482	34,674,066	9,309,805	25,328,224	210,374,010
Expenses											
Wages and salaries	4,131,571	8,709,588	522,005	7,755,299	16,189,462	5,547,925	15,196,739	12,033,212	1,147,421	3,553,432	74,786,654
Contracted services	1,290,537	3,208,012	2,294,985	2,186,647	1,841,158	29,688,260	6,930,210	8,038,508	983,675	1,543,481	58,005,473
Amortization	-	892,725	1,770,719	475,185	548,318	309,202	4,102,116	11,203,489	1,150,065	6,235,445	26,687,264
Other	405,351	(1,273,849)	255,138	1,110,814	1,853,988	1,585,474	3,825,491	(2,043,055)	2,241,053	3,798,430	11,758,835
Materials and supplies	301,260	205,658	47,406	161,862	1,449,348	78,799	1,598,409	3,539,538	211,216	966,711	8,560,207
Interest payments on debt	-	-	(36,111)	-	196,659	-	-	24,883	103,990	644,042	933,463
(Gain) Loss on disposal of assets	-	2,756	(226,432)	-	79,506	-	211,922	62,548	24,728	22,319	177,347
	6,128,719	11,744,890	4,627,710	11,689,807	22,158,439	37,209,660	31,864,887	32,859,123	5,862,148	16,763,860	180,909,243
ANNUAL SURPLUS	624,779	10,357,023	1,816,952	1,371,693	(355,537)	(174,702)	1,997,595	1,814,943	3,447,657	8,564,364	29,464,767
Capital projects	\$ -	\$ 1,565,479	\$ 6,499,868	\$ 8,210	\$ 9,428,503	\$ 137,451	\$11,043,129	\$18,279,326	\$ 6,264,495	\$ 6,185,775	\$ 59,412,236

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2022

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2021	Additions	Disposals	Transfers	Balance December 31, 2022	Balance December 31, 2021	Additions	Disposals		Balance December 31, 2022
Land	\$ 109,826,420	\$ 3,030,644	\$ 938,928	\$ (181,752)	\$ 111,736,384	\$ -	\$ -	\$ -	\$ -	\$ 111,736,384
Land improvements	46,933,500	3,657,747	9,700	255,442	50,836,989	20,523,199	1,678,541	9,700	22,192,040	28,644,949
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,963,977	81,512	-	2,045,489	1,074,812
Marine structures	1,592,257	33,031	-	-	1,625,288	440,048	64,762	-	504,810	1,120,478
Buildings	208,481,398	5,913,684	1,472,480	15,335,958	228,258,560	97,533,567	6,276,927	1,440,183	102,370,311	125,888,249
Vehicles and equipment	42,112,673	5,420,521	2,720,230	1,244	44,814,208	24,274,898	2,808,287	2,548,782	24,534,403	20,279,805
IT Infrastructure	9,866,279	199,815	77,600	32,934	10,021,428	9,186,247	341,218	77,600	9,449,865	571,563
Drainage	116,336,647	3,815,412	215,400	1,005,930	120,942,589	35,906,520	1,782,896	199,277	37,490,139	83,452,450
Transportation	341,963,681	6,980,407	980,487	2,364,384	350,327,985	195,508,379	7,647,908	966,174	202,190,113	148,137,872
Sewer	68,982,803	3,769,679	292,400	292,572	72,752,654	16,251,270	1,260,799	223,038	17,289,031	55,463,623
Water	291,329,446	5,206,283	323,374	1,422,195	297,634,550	90,852,240	6,093,142	292,332	96,653,050	200,981,500
Work In Progress	33,450,045	19,314,117	-	(20,528,907)	32,235,255	-	-	-	-	32,235,255
	\$1,273,995,450	\$ 57,341,340	\$ 7,030,599	\$ -	\$1,324,306,191	\$ 492,440,345	\$ 28,035,992	\$ 5,757,086	\$ 514,719,251	\$ 809,586,940

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2021

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2020	Additions	Disposals	Transfers	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021		
Land	\$ 103,954,898	\$ 6,006,029	\$ 3	\$ (134,504)	\$ 109,826,420	\$ -	\$ -	\$ -	\$ 109,826,420	
Land improvements	43,502,009	3,898,261	527,563	60,793	46,933,500	19,322,174	1,513,920	312,895	26,410,301	
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,882,465	81,512	-	1,963,977	
Marine structures	1,028,367	699,970	208,200	72,120	1,592,257	598,991	49,257	208,200	1,152,209	
Buildings	202,632,479	5,710,698	115,000	253,221	208,481,398	91,941,255	5,707,312	115,000	97,533,567	
Vehicles and equipment	41,466,490	1,910,358	1,356,416	92,241	42,112,673	22,820,555	2,663,484	1,209,141	24,274,898	
IT Infrastructure	9,832,423	312,728	278,872	-	9,866,279	9,134,521	330,597	278,871	9,186,247	
Drainage	113,166,019	3,327,436	355,000	198,192	116,336,647	34,509,525	1,743,661	346,666	35,906,520	
Transportation	333,151,284	8,153,768	940,517	1,599,146	341,963,681	188,870,902	7,473,793	836,316	195,508,379	
Sewer	63,382,901	5,435,896	123,647	287,653	68,982,803	15,209,038	1,141,151	98,919	16,251,270	
Water	283,440,202	4,362,207	443,325	3,970,362	291,329,446	85,290,669	5,982,577	421,006	90,852,240	
Work In Progress	20,254,384	19,594,885	-	(6,399,224)	33,450,045	-	-	-	33,450,045	
	\$ 1,218,931,757	\$ 59,412,236	\$ 4,348,543	\$ -	\$ 1,273,995,450	\$ 469,580,095	\$ 26,687,264	\$ 3,827,014	\$ 492,440,345	\$ 781,555,105

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

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. All transactions and balances between funds have been eliminated.

Reporting Entity

As at December 31, 2022, the City does not control any significant external entities.

(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, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(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, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(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	10-80
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, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(j) Non-Financial Assets

(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, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(l) Revenue Recognition

(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.

(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. 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>2022</u>	<u>2021</u>
Utilities	\$ 12,970,833	\$ 11,887,924
Trade and Other	3,721,732	2,923,113
Property Taxes	3,595,561	3,401,049
Interest on Investments	1,891,339	579,250
Due from Federal Government	1,464,341	901,484
Due from Provincial Government	1,004,436	1,174,845
Municipal Finance Authority Debt Reserve	984,822	960,536
Due from Regional Government	239,557	303,303
	<u>\$ 25,872,621</u>	<u>\$ 22,131,504</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

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>2022</u>	<u>2021</u>
Installments:								
2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,924
2023	16,487	313,369	1,496	96,160	34,734	302,371	764,617	357,984
2024	9,002	171,198	353	52,530	8,362	165,188	406,633	-
	<u>\$ 25,489</u>	<u>\$ 484,567</u>	<u>\$ 1,849</u>	<u>\$ 148,690</u>	<u>\$ 43,096</u>	<u>\$ 467,559</u>	<u>\$ 1,171,250</u>	<u>\$ 1,258,908</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>2022</u>	<u>2021</u>
Term deposits	\$ 170,000,000	\$ 115,527,789
MFA pooled investment funds	1,942,522	2,012,319
Debenture	-	4,985,435
	<u>\$ 171,942,522</u>	<u>\$ 122,525,543</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
RCMP Contract	\$ 15,744,828	\$ 18,291,784
Trade and Other	13,828,704	13,731,082
Deposits	11,421,026	12,334,301
Other governments	7,408,118	4,627,892
Accrued wages and benefits	3,743,054	3,404,163
Contaminated sites	1,460,000	380,000
	<u>\$ 53,605,730</u>	<u>\$ 52,769,222</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

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, 2022 and the results are extrapolated to December 31, 2025. The current valuation was completed in 2023. Significant assumptions used in the valuation include a discount rate of 5% (2021 - 3.5%), inflation of 2% (2021 - 1.75%) and compensation increases, excluding merit and promotion, of 3% (2021 - 2.75%). There is an unamortized actuarial gain of \$660,516 (2021 – loss of \$536,130).

	<u>2022</u>	<u>2021</u>
Actuarial Benefit Obligation, beginning of year	\$ 9,302,294	\$ 8,990,293
Unamortized Actuarial Loss, beginning of year	(536,130)	(607,289)
	<u>8,766,164</u>	<u>8,383,004</u>
Current Service Cost	776,355	735,393
Interest Costs	325,091	314,615
Benefits Paid	(804,276)	(738,007)
Amortization of Actuarial Loss	71,159	71,159
	<u>9,134,493</u>	<u>8,766,164</u>
Actuarial Benefit Obligation, end of year	8,473,977	9,302,294
Unamortized Actuarial Gain (Loss), end of year	660,516	(536,130)
Accrued Benefit Liability, end of year	<u>\$ 9,134,493</u>	<u>\$ 8,766,164</u>

Actuarial gains and losses are amortized over 13 (2021 - 12) years for retirement benefits and 12 (2021 - 12) years for sick leave benefits, these 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 \$1,172,605 (2021 - \$1,121,167).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE 7 - DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2022</u>	<u>2021</u>
Tax Prepayments	\$ 16,700,317	\$ 15,637,525
Other Prepayments	9,446,223	8,571,703
	<u>\$ 26,146,540</u>	<u>\$ 24,209,228</u>

NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2022</u>	<u>2021</u>
Deferred Development Cost Charges - beginning of year	\$ 60,614,941	\$ 56,751,703
Additions	8,402,167	5,274,135
Interest Earned	1,498,399	887,774
Revenue Recognized	(5,099,130)	(2,298,671)
	<u>\$ 65,416,377</u>	<u>\$ 60,614,941</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 the authority of the *Community Charter* to finance certain capital expenditures.

\$41,301,913 (2021 – \$45,947,100) of debt is with the MFA. Payments and actuarial allocations of \$37,819,677 on the gross amount borrowed of \$79,121,590 are held in a sinking fund by the MFA. The rates of interest on the principal amount of the MFA debentures vary between 0.91% and 4.51% per annum.

	<u>2022</u>	<u>2021</u>
Total Outstanding Debt - beginning of year	\$ 45,947,100	\$ 39,306,835
Reduction of Long-term Debt	(4,925,456)	(4,519,735)
Proceeds from long-term borrowing	280,269	11,160,000
	<u>\$ 41,301,913</u>	<u>\$ 45,947,100</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 2022 at December 31, 2021 was \$47,198,318. The actual liability servicing cost was \$5,453,198 and the estimated cost on unissued debt is \$206,027, leaving \$41,539,093 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE 9 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY (MFA) SINKING FUND DEPOSITS

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>
2023	\$ 3,310,418	\$ 1,058,526	\$ 4,368,944
2024	2,957,577	1,100,867	4,058,444
2025	3,044,290	1,144,902	4,189,192
2026	3,067,356	1,190,698	4,258,054
2027	2,062,765	1,238,326	3,301,091
Thereafter	11,932,932	9,193,256	21,126,188
	<u>\$ 26,375,338</u>	<u>\$ 14,926,575</u>	<u>\$41,301,913</u>

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2022</u>	<u>2021</u>
<u>General Fund - Tax Supported</u>						
5750	99	Port of Nanaimo Centre	1.53	2026	\$ 4,006,411	\$ 4,913,593
5750	101	Port of Nanaimo Centre	3.39	2027	4,913,593	5,785,884
7050	102	Fire Station #4	3.90	2027	1,228,398	1,446,471
7257	146	Fire Station #1	3.20	2038	2,731,620	2,863,191
7257	152	Fire Station #1	0.91	2040	1,829,758	1,915,618
7257	156	Fire Station #1	2.58	2041	10,712,015	11,160,000
7257	158	Fire Station #1	4.09	2042	280,269	-
		Garbage Trucks - Equipment	4.51	2022	-	268,588
		Garbage Trucks - Equipment	4.51	2023	446,260	1,343,852
		Garbage Trucks - Equipment	4.51	2025	227,014	305,515
					<u>26,375,338</u>	<u>30,002,712</u>
<u>Waterworks Fund - User Fee Supported</u>						
7127	126	Water Treatment Plant	3.85	2033	8,573,329	9,184,583
7127	127	Water Treatment Plant	3.30	2034	6,353,246	6,759,805
					<u>14,926,575</u>	<u>15,944,388</u>
					<u>\$ 41,301,913</u>	<u>\$ 45,947,100</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

NOTE 10 - TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2022</u>	<u>2021</u>
Land	\$ 111,736,384	\$ 109,826,420
Land Improvements	28,644,949	26,410,301
Leasehold Improvements	1,074,812	1,156,324
Marine Structures	1,120,478	1,152,209
Buildings	125,888,249	110,947,831
Vehicles and Equipment	20,279,805	17,837,775
IT Infrastructure	571,563	680,032
Drainage	83,452,450	80,430,127
Transportation	148,137,872	146,455,302
Sewer	55,463,623	52,731,533
Water	200,981,500	200,477,206
	<hr/>	<hr/>
	777,351,685	748,105,060
Work In Progress	32,235,255	33,450,045
	<hr/>	<hr/>
	<u>\$ 809,586,940</u>	<u>\$ 781,555,105</u>

See schedule of tangible capital assets (page 10) for more information. There were no write downs of tangible capital assets for 2021 and 2022. Developer contributed assets recognized in 2022 were \$2,563,598 (2021 - \$7,485,948) 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, 2022

NOTE 11 - ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
Reserve Accounts (Note 21)	\$ 91,636,368	\$ 89,723,172
Investment in Tangible Capital Assets (Note 18)	762,309,770	732,605,556
Community Works Reserve Fund (Gas Tax Agreement)	11,334,551	15,016,599
Equipment Depreciation Reserve	10,470,572	10,830,275
Facility Development (Recreation) Reserve	3,727,612	3,091,890
Property Sales Reserve	2,283,297	1,303,226
Knowles Estate Reserve	426,613	416,659
Parkland Dedication Reserve	787,065	790,121
Old City Neighborhood Parking Reserve	98,651	96,350
General Asset Management Reserve	17,041,030	13,725,330
Sewer Asset Management Reserve	5,618,996	4,099,117
Water Asset Management Reserve	10,309,745	10,636,466
Copier Replacement Reserve	411,061	389,760
Information Technology Reserve	2,512,523	2,084,446
NDSS Community Field Reserve	164,723	128,041
Parking Reserve	1,239,407	1,003,998
911 Reserve	274,057	436,481
Property Acquisition Reserve	5,361,482	2,741,145
Housing Legacy Reserve	3,656,306	3,200,571
Strategic Infrastructure Reserve	5,213,745	4,429,681
Off-Street Parking Reserve	73,450	71,737
Climate Action Reserve	850,670	880,246
	<u>\$ 935,801,694</u>	<u>\$ 897,700,867</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

NOTE 12 - COMMITMENTS AND CONTINGENCIES

(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.

(b) BC Assessment Authority Appeals

As at December 31, 2022, 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 \$1,926,056 (2021 – \$1,918,171) 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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE 12 - COMMITMENTS AND CONTINGENCIES

(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.

(e) Commitments

The City has \$52,200,000 (2021 - \$31,500,000) 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 financial statements. At December 31, 2022, the balance of funds held in trust was \$636,658 (2021 - \$622,968).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

NOTE 14 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 9, 2022. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2022 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 22,152,721
Cemetery Care Fund - not in reporting entity	10,000
Net Development Cost Charges	<u>(7,284,815)</u>
Annual Surplus from the 2022 Financial Plan	14,877,906
Amortization, not funded	29,655,473
Capital Expenditures	(113,537,850)
Proceeds from Borrowing	4,829,441
Principal Repayment of Debt	(4,955,741)
Transfers from Accumulated Surplus	<u>69,130,771</u>
Net Annual Budget - as approved	\$ -

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

NOTE 15 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
Property Taxes	\$ 130,343,495	\$ 84,863,755	\$ 215,207,250	\$ 196,565,661
Business Improvement Area Levies	201,500	-	201,500	192,430
Taxes in Lieu of Licenses	1,423,348	-	1,423,348	1,426,076
Payments in Lieu of Taxes	2,566,901	747,362	3,314,263	2,819,355
	<u>\$ 134,535,244</u>	<u>\$ 85,611,117</u>	<u>\$ 220,146,361</u>	<u>\$ 201,003,522</u>
			<u>2022</u>	<u>2021</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 45,664,995	\$ 42,863,742
Regional District of Nanaimo			28,148,088	25,892,397
Nanaimo Regional Hospital District			10,500,636	5,536,766
Other Agencies			1,297,398	1,174,167
			<u>85,611,117</u>	<u>75,467,072</u>
Taxation and Payments in Lieu			<u>\$ 134,535,244</u>	<u>\$ 125,536,450</u>

NOTE 16 - USER FEES AND SALES OF SERVICES

	<u>2022</u>	<u>2021</u>
Waterworks	\$ 24,603,139	\$ 23,974,508
Sewer System	9,116,959	8,704,109
Garbage Collection	7,748,400	6,796,415
Recreation Programs	5,662,866	3,728,308
Vancouver Island Conference Centre	1,890,117	454,926
Parking	1,344,505	1,033,290
Public Works	1,060,555	928,478
Other	203,037	256,573
Fire Rescue	155,542	127,008
Police Services	83,253	86,874
	<u>\$ 51,868,373</u>	<u>\$ 46,090,489</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2022</u>	<u>2021</u>
<u>Federal</u>		
Capital	\$ 453,403	\$ 10,000
Gas Tax	4,041,138	7,907,567
Other	988,219	504,730
	<u>5,482,760</u>	<u>8,422,297</u>
<u>Provincial</u>		
Capital	6,000	525,364
Casino Gaming	2,569,865	1,296,018
Revenue Sharing	1,235,430	1,325,884
Climate Action Plan Funding	325,082	-
Other	285,531	203,852
	<u>4,421,908</u>	<u>3,351,118</u>
<u>Other Governments</u>		
Other	56,762	6,039
	<u>56,762</u>	<u>6,039</u>
Total transfers from other governments	<u>\$ 9,961,430</u>	<u>\$ 11,779,454</u>
Transfers from other governments - capital	\$ 4,500,541	\$ 8,442,931
Transfers from other governments - operating	5,460,889	3,336,523
	<u>5,460,889</u>	<u>3,336,523</u>
Total transfers from other governments	<u>\$ 9,961,430</u>	<u>\$ 11,779,454</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

NOTE 18 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Investment in Tangible Capital Assets - beginning of year	\$ 732,605,556	\$ 707,273,665
Add:		
Capital Additions	57,341,340	59,412,236
Reductions in Long-term Debt	4,925,456	4,519,735
Unused Borrowing - Fire Hall	-	3,113,972
Funding repaid to Deferred Capital Fund	337,006	272,633
Less:		
Amortization	(28,035,992)	(26,687,264)
Funding from Deferred Capital Fund	(195,843)	(2,379,042)
Used Borrowing - Fire Hall	(3,113,972)	(1,238,850)
New Borrowing - Fire Hall	(280,268)	(11,160,000)
Net Book Value of Asset Disposals	(1,273,513)	(521,529)
Investment in Tangible Capital Assets - end of year	<u>\$ 762,309,770</u>	<u>\$ 732,605,556</u>

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. As at December 31, 2022, the Plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE 19 - MUNICIPAL PENSION PLAN

The most recent valuation for the Municipal Pension Plan as at December 31, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. During 2022, City of Nanaimo contributions to the plan were:

	<u>2022</u>	<u>2021</u>
Employer Portion	\$ 5,675,930	\$ 5,997,240
Employee Portion	4,962,886	5,021,516
	<u>\$ 10,638,816</u>	<u>\$ 11,018,756</u>

The next valuation will be as at December 31, 2024 with results available in 2025.

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.

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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE 20 - FINANCIAL INSTRUMENTS

(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. There has been no significant change to risk exposure throughout 2022.

NOTE 21 - RESERVES

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2022</u>	<u>2021</u>
<u>General Revenue Fund Reserve Accounts</u>				
Brechin Boat Ramp	\$ 93,260	\$ 44,423	\$ 137,683	\$ 124,273
Pipers Park	-	116,843	116,843	94,365
Strategic Partnerships	200,000	43	200,043	200,043
General Capital	2,665,666	2,211,435	4,877,101	4,111,094
Prior Year Carry Forwards	7,338,196	-	7,338,196	5,442,197
RCMP Contract Financial Stability	1,400,000	3,133,433	4,533,433	1,533,433
Fitzwilliam Street Parking	-	142,868	142,868	142,868
Vancouver Island Conference Centre	233,790	587,407	821,197	828,519
Snow and Ice Control Financial Stability	-	1,330,000	1,330,000	1,200,000
General Financial Stability	660,000	15,862,062	16,522,062	16,511,688
Special Initiatives	7,402,048	720,641	8,122,689	9,069,353
Casino	157,067	330,000	487,067	576,301
Sanitation Levelling	548,536	581,247	1,129,783	874,479
	<u>20,698,563</u>	<u>25,060,402</u>	<u>45,758,965</u>	<u>40,708,613</u>
<u>Sewer Revenue Reserve Accounts</u>				
Sewer General	6,350,329	8,266,339	14,616,668	16,711,771
Sewer Financial Stability	-	500,000	500,000	500,000
	<u>6,350,329</u>	<u>8,766,339</u>	<u>15,116,668</u>	<u>17,211,771</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
Water General	29,059,680	-	29,059,680	30,101,733
Water Financial Stability	-	1,701,055	1,701,055	1,701,055
	<u>29,059,680</u>	<u>1,701,055</u>	<u>30,760,735</u>	<u>31,802,788</u>
Total Reserve Accounts	<u>\$56,108,572</u>	<u>\$ 35,527,796</u>	<u>\$91,636,368</u>	<u>\$89,723,172</u>

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE 22 - 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 Information Technology, and Financial Services and Purchasing.

Corporate & Business Development

Corporate & Business Development is responsible for managing the City's real estate assets, delivering economic development services, and providing oversight of the City's external agencies (Nanaimo Prosperity Corporation, Tourism Nanaimo Society, and Nanaimo Systems Planning Organization Society). In addition, the contractor for the Vancouver Island Conference Centre is overseen by this department.

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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2022

NOTE 22 - SEGMENT REPORTING

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.

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

Parks, Recreation and Culture

The Parks, Recreation and Culture 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 FUND

The City Sanitary Sewer Utility is a self-funded department that operates and maintains a sewer collection system that serves the City.

WATERWORKS FUND

The City Waterworks Utility is a self-funded department 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, 2022

NOTE 23 - 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:

2023	\$ 1,048,912
2024	1,050,744
2025	1,050,745
2026	1,050,744
2027	1,050,745
	<u>\$ 5,251,890</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 24 - SUBSEQUENT EVENT

Subsequent to year-end, the Province publicly announced the Growing Communities Fund that will provide local governments in the province with one-time funding to address the needs of their growing communities. The City of Nanaimo has received \$16,088,000 under this program which will be spent in accordance with the guidelines provided by the Province.

NOTE 25 - 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 2022, so the 2021 comparatives have been adjusted to reflect the new organizational layout. This reclassification has no impact on surplus.



CITY OF NANAIMO
THE HARBOUR CITY

