



2023

CITY OF NANAIMO

**Annual Financial
Statements**

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2023

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CITY OF NANAIMO MANAGEMENT REPORT

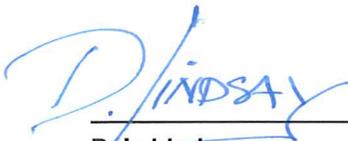
For the Year Ended December 31, 2023

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, 2023.



Dale Lindsay
Chief Administrative Officer
April 22, 2024



Laura Mercer, CPA, CGA
General Manager, Corporate 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, 2023
- 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, 2023 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
April 22, 2024

**CITY OF NANAIMO
STATEMENT OF FINANCIAL POSITION**

as at December 31, 2023, with comparative figures for 2022

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 129,049,911	\$ 118,484,793
Accounts receivable (Note 3)	31,988,407	25,872,621
Development cost charges receivable (Note 4)	618,339	1,171,250
Temporary investments (Note 5)	185,000,000	171,942,522
	346,656,657	317,471,186
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	59,896,616	53,605,730
Compensated absences and termination benefits (Note 7)	9,252,759	9,134,493
Deferred revenue (Note 8)	29,160,720	26,146,540
Deferred development cost charges (Note 9)	63,008,279	65,416,377
Debt (Note 10)	38,170,336	41,301,913
Asset retirement obligations (Note 11)	1,818,739	-
	201,307,449	195,605,053
NET FINANCIAL ASSETS	145,349,208	121,866,133
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	857,489,915	809,586,940
Prepaid expenses	2,222,224	1,902,378
Inventories of supplies	3,218,115	2,446,243
	862,930,254	813,935,561
ACCUMULATED SURPLUS (Note 13)	\$ 1,008,279,462	\$ 935,801,694

Commitments and contingencies (Note 14)

Contractual rights (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, 2023, with comparative figures for 2022

	2023 Budget (Note 16)	2023	2022
REVENUES			
Taxes	\$ 143,194,038	\$ 143,458,228	\$ 131,968,343
Payments in lieu of taxes	2,618,100	2,542,209	2,566,901
Taxation and payments in lieu (Note 17)	145,812,138	146,000,437	134,535,244
User fees and sales of services (Note 18)	53,299,598	56,123,095	51,868,373
Transfers from other governments-capital (Note 19)	24,931,575	24,460,056	4,500,541
Investment income	7,399,168	11,618,399	5,684,548
Development cost charges (Note 9)	19,378,578	11,489,965	5,099,130
Other revenue	12,852,834	11,001,832	9,123,003
Transfers from other governments-operating (Note 19)	6,542,887	6,678,240	5,460,889
Developer contributed assets (Note 12)	-	5,395,488	2,563,598
Building permits	2,185,000	2,243,113	2,597,818
Donations and contributions-capital	3,436,309	1,298,161	2,549,971
Regional recreation sharing	1,284,723	1,284,723	1,281,927
Property rentals	931,507	923,899	897,571
	278,054,317	278,517,408	226,162,613
EXPENSES			
Police	41,632,759	38,410,312	35,698,638
Parks, recreation & culture	39,515,287	36,674,448	34,073,266
Engineering & public works	46,446,892	35,938,910	33,847,190
Fire	24,878,508	24,672,218	21,870,468
Water	20,749,876	18,991,244	16,867,494
Development services	19,012,360	16,402,774	13,659,190
Corporate services	14,504,804	13,740,413	12,604,062
Corporate & business development	8,217,677	8,592,958	7,034,207
City administration	7,201,473	6,474,874	6,185,056
Sewer	7,229,881	6,141,489	6,222,215
	229,389,517	206,039,640	188,061,786
ANNUAL SURPLUS	48,664,800	72,477,768	38,100,827
ACCUMULATED SURPLUS - BEGINNING OF YEAR	935,801,694	935,801,694	897,700,867
ACCUMULATED SURPLUS - END OF YEAR	\$ 984,466,494	\$ 1,008,279,462	\$ 935,801,694

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2023, with comparative figures for 2022

	2023 Budget (Note 16)	2023	2022
ANNUAL SURPLUS	\$ 48,664,800	\$ 72,477,768	\$ 38,100,827
Acquisition of tangible capital assets	(141,399,032)	(70,005,600)	(53,397,452)
Asset retirement obligations	-	(1,818,739)	-
In kind donations of capital assets	-	(65,821)	(1,380,290)
Developer contributed capital assets	-	(5,395,488)	(2,563,598)
	(141,399,032)	(77,285,648)	(57,341,340)
Amortization of tangible capital assets	32,523,752	29,258,862	28,035,992
Loss (gain) on disposal of assets	-	73,749	(1,387,738)
Proceeds on sale of tangible capital assets	-	50,062	2,661,251
	(108,875,280)	(47,902,975)	(28,031,835)
Acquisition of inventories of supplies	-	(7,135,655)	(5,782,821)
Acquisition of prepaid expenses	-	(2,030,605)	(1,557,902)
Consumption of inventories of supplies	-	6,363,783	5,377,900
Use of prepaid expenses	-	1,710,759	1,439,002
	-	(1,091,718)	(523,821)
CHANGE IN NET FINANCIAL ASSETS	(60,210,480)	23,483,075	9,545,171
NET FINANCIAL ASSETS - BEGINNING OF YEAR	121,866,133	121,866,133	112,320,962
NET FINANCIAL ASSETS - END OF YEAR	\$ 61,655,653	\$ 145,349,208	\$ 121,866,133

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2023, with comparative figures for 2022

	2023	2022
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 72,477,768	\$ 38,100,827
Non-cash items		
Amortization of tangible capital assets	29,258,862	28,035,992
Developer assets received	(5,395,488)	(2,563,598)
In kind donations of capital assets	(65,821)	(1,380,290)
Loss (gain) on disposal of tangible capital assets	73,749	(1,387,738)
Development cost charges recognized as revenue	(11,489,965)	(5,099,130)
Actuarial adjustment on long term debt	(1,161,700)	(1,139,028)
Change in non-cash operating assets and liabilities		
Accounts receivable	(5,562,875)	(3,653,459)
Accounts payable	6,290,886	836,508
Compensated absences termination benefits	118,266	368,329
Deferred revenue	3,014,180	1,937,312
Inventories of supplies	(771,872)	(404,921)
Prepaid expenses	(319,846)	(118,900)
Net change in cash from operating transactions	86,466,144	53,531,904
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(70,005,600)	(53,397,452)
Proceeds from the sale of tangible capital assets	50,062	2,661,251
Net change in cash from capital transactions	(69,955,538)	(50,736,201)
INVESTING TRANSACTIONS		
Change in investments	(13,057,478)	(49,416,979)
FINANCING TRANSACTIONS		
Debt repayment	(3,262,191)	(3,786,428)
Deferred development cost charges	9,081,867	9,900,566
Proceeds from long-term borrowing	1,292,314	280,269
Net change in cash from financing transactions	7,111,990	6,394,407
CHANGE IN CASH AND CASH EQUIVALENTS	10,565,118	(40,226,869)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	118,484,793	158,711,662
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 129,049,911	\$ 118,484,793

CITY OF NANAIMO

SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2023

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2023
Revenues											
Taxes	\$ 7,024,244	\$14,842,904	\$ 5,384,505	\$ 8,784,928	\$22,372,790	\$39,476,165	\$25,529,717	\$20,042,975	\$ -	\$ -	\$ 143,458,228
Payments in lieu of taxes	124,476	263,029	95,418	155,677	396,466	699,553	452,410	355,180	-	-	2,542,209
User fees	20	121,436	2,955,042	1,713,796	147,411	67,063	6,915,067	9,357,243	9,457,189	25,388,828	56,123,095
Government capital transfers	-	20,302,850	-	375,000	-	-	3,257,555	524,651	-	-	24,460,056
Investment income	337,659	5,379,448	276,847	422,295	1,075,470	1,897,637	1,227,225	993,138	-	8,680	11,618,399
Development cost charges	-	-	-	-	-	-	1,481,812	1,478,590	2,633,915	5,895,648	11,489,965
Other revenue	166,099	2,137,180	82,645	2,562,538	1,888,281	809,386	1,908,862	1,234,558	53,863	158,420	11,001,832
Government operating transfers	125,364	589,988	96,099	2,390,661	437,125	2,010,865	607,060	376,078	45,000	-	6,678,240
Developer contributed assets	-	-	-	-	-	-	744,000	3,811,505	463,329	376,654	5,395,488
Building permits	-	-	-	2,243,113	-	-	-	-	-	-	2,243,113
Donations - capital	-	-	-	-	19,808	449,970	225,126	601,671	1,586	-	1,298,161
Regional recreation sharing	-	-	-	-	-	-	1,284,723	-	-	-	1,284,723
Property rentals	-	-	381,503	30,037	-	314,778	126,910	47,471	-	23,200	923,899
	7,777,862	43,636,835	9,272,059	18,678,045	26,337,351	45,725,417	43,760,467	38,823,060	12,654,882	31,851,430	278,517,408
Expenses											
Wages and benefits	4,345,215	8,409,062	738,870	9,470,306	18,044,414	6,056,905	17,701,011	12,568,705	1,110,862	3,803,555	82,248,905
Contracted services	1,195,661	4,688,285	4,338,198	2,989,582	2,145,904	30,160,522	7,890,717	10,707,778	1,153,397	1,834,679	67,104,723
Amortization	-	1,018,485	1,875,916	444,861	1,498,638	299,084	4,618,960	11,708,284	1,344,410	6,450,224	29,258,862
Other	443,418	(723,501)	1,584,579	3,256,060	1,087,509	1,815,095	4,208,992	(3,245,808)	2,161,892	5,058,173	15,646,409
Materials and supplies	490,580	356,332	59,731	241,965	1,436,231	78,706	2,214,137	4,130,022	251,423	1,310,586	10,569,713
Interest payments on debt	-	-	(4,336)	-	450,920	-	-	35,044	119,505	536,150	1,137,283
(Gain) loss on disposal of assets	-	(8,250)	-	-	8,602	-	40,631	34,885	-	(2,123)	73,745
	6,474,874	13,740,413	8,592,958	16,402,774	24,672,218	38,410,312	36,674,448	35,938,910	6,141,489	18,991,244	206,039,640
ANNUAL SURPLUS (DEFICIT)	1,302,988	29,896,422	679,101	2,275,271	1,665,133	7,315,105	7,086,019	2,884,150	6,513,393	12,860,186	72,477,768
Capital projects	\$ -	\$ 3,351,434	\$ 3,534,891	\$ 1,303,063	\$ 1,550,673	\$ 554,822	\$11,789,897	\$18,206,429	\$ 5,539,270	\$31,455,169	\$ 77,285,648

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
Government capital transfers	-	4,041,138	-	-	-	-	446,403	13,000	-	-	4,500,541
Other revenue	197,484	1,790,317	368,709	2,525,686	1,897,685	662,282	798,902	704,700	41,157	136,081	9,123,003
Developer contributed assets	-	-	-	-	-	-	882,000	1,361,881	123,919	195,798	2,563,598
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
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
Building permits	-	-	-	2,597,818	-	-	-	-	-	-	2,597,818
Development cost charges	-	-	-	-	-	-	167,703	1,177,523	56,272	3,697,632	5,099,130
Regional recreation sharing	-	-	-	-	-	-	1,281,927	-	-	-	1,281,927
Donations - capital	-	-	-	-	18,758	224,772	1,565,647	672,065	68,729	-	2,549,971
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	15,390,185	23,470,780	42,805,744	37,496,313	33,609,647	9,452,036	28,661,951	226,162,613
Expenses											
Wages and benefits	4,155,337	8,305,216	739,237	8,453,719	16,357,456	5,757,174	16,096,619	12,347,052	1,123,814	3,476,956	76,812,580
Contracted services	1,214,900	4,371,284	4,203,197	2,908,833	2,040,793	27,788,875	7,644,735	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	66,985	271,163	1,093,325	70,065	1,956,489	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	7,034,207	13,659,190	21,870,468	35,698,638	34,073,266	33,847,190	6,222,215	16,867,494	188,061,786
ANNUAL SURPLUS	1,005,266	7,083,126	1,364,240	1,730,995	1,600,312	7,107,106	3,423,047	(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 TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2023

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2022	Additions	Disposals	Transfers	Balance December 31, 2023	Balance December 31, 2022	Additions	Disposals		Balance December 31, 2023
Land	\$ 111,736,384	\$ 4,636,672	\$ -	\$ 97,830	\$ 116,470,886	\$ -	\$ -	\$ -	\$ -	\$ 116,470,886
Land improvements	50,836,989	3,696,117	160,700	45,719	54,418,125	22,192,040	1,758,157	160,700	23,789,497	30,628,628
Leasehold improvements	3,120,301	-	-	-	3,120,301	2,045,489	81,376	-	2,126,865	993,436
Marine structures	1,625,288	257,280	60,443	2,150	1,824,275	504,810	63,581	52,382	516,009	1,308,266
Buildings	228,258,560	3,849,371	123,365	2,447,465	234,432,031	102,370,311	6,769,535	84,706	109,055,140	125,376,891
Vehicles and equipment	61,837,989	4,153,783	683,465	251,900	65,560,207	34,111,521	4,200,763	634,048	37,678,236	27,881,971
IT Infrastructure	10,021,428	656,118	943,052	1,036,341	10,770,835	9,449,865	428,044	943,052	8,934,857	1,835,978
Drainage	120,942,589	3,215,114	171,700	104,759	124,090,762	37,490,139	1,839,655	171,700	39,158,094	84,932,668
Transportation	350,327,985	7,827,151	710,822	229,953	357,674,267	202,190,113	7,777,435	683,949	209,283,599	148,390,668
Sewer	71,435,134	3,510,420	-	903,813	75,849,367	16,313,997	1,276,045	-	17,590,042	58,259,325
Water	281,928,289	4,455,983	113,243	467,800	286,738,829	88,050,966	5,064,271	112,442	93,002,795	193,736,034
Work In Progress	32,235,255	41,027,639	-	(5,587,730)	67,675,164	-	-	-	-	67,675,164
	\$1,324,306,191	\$ 77,285,648	\$ 2,966,790	\$ -	\$1,398,625,049	\$ 514,719,251	\$29,258,862	\$ 2,842,979	\$ 541,135,134	\$ 857,489,915

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, 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	58,856,688	5,712,487	2,732,430	1,244	61,837,989	32,693,491	3,979,012	2,560,982	34,111,521	27,726,468
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	67,945,049	3,477,713	280,200	292,572	71,435,134	15,313,397	1,211,438	210,838	16,313,997	55,121,137
Water	275,623,185	5,206,283	323,374	1,422,195	281,928,289	83,371,520	4,971,778	292,332	88,050,966	193,877,323
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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

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, 2023, 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. Prior year cash equivalents included investments in the Municipal Finance Authority of British Columbia (MFA) Money Market Funds which were recorded at cost plus earnings reinvested in the funds.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(h) Non-Financial Assets

(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	8-60
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.

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(h) Non-Financial Assets

(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.

(i) Asset Retirement Obligation

An asset retirement obligation (ARO) is recognized when, as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(i) Asset Retirement Obligation

The liability for the removal of asbestos and other hazardous materials in several buildings owned by the City has been recognized based on estimated future expenses on closure of the site and post-closure care. It is the City's practice to, as necessary, remediate these hazardous materials either on disposal of a tangible capital asset or in the course of completing repairs and maintenance. The liability has been recognized based on estimated present value of expenses to remediate the sites.

Under the prospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions will be reviewed annually and adjusted to present value, if required.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. The increase in building and fuel tank assets is being amortized in accordance with the amortization accounting policies outlined in Note 1(h)(i). Fuel tanks are considered equipment and are presented within the Vehicles and Equipment capital asset account.

(j) Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivables, development cost charges receivables, temporary investments, accounts payables and accrued liabilities and debt.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations. There are no unrealized changes in fair value as at December 31, 2023 and December 31, 2022. As a result, the City does not have a Statement of Remeasurement Gains and Losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(j) Financial Instruments

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

Long-term debt is recorded net of repayments and actuarial adjustments.

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(i) Revenue Recognition

(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.

(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, amounts to settle asset retirement obligations 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 - CHANGE IN ACCOUNTING POLICIES

(a) PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation

On January 1, 2023, the City adopted Public Accounting Standards PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 2 - CHANGE IN ACCOUNTING POLICIES

(a) PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation

Under PS 3450, all financial instruments, including derivatives, are included on the Statement of Financial Position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see Note 1 – Significant Accounting Policies).

The adoption of these standards did not result in changes to previously reported amounts.

(b) PS 3280 – Asset Retirement Obligations

On January 1, 2023, the City also adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the prospective basis at the date of adoption.

In accordance with the provisions of this new standard, the City reflected the following increases at January 1, 2023 to the following asset and liability accounts:

- Buildings - \$1,380,739
- Vehicles and Equipment - \$438,000
- Asset retirement obligations - \$1,818,739

NOTE 3 - ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Utilities	\$ 11,008,557	\$ 12,970,833
Due from Federal Government	5,303,465	1,464,341
Property Taxes	4,046,184	3,595,561
Trade and Other	3,835,730	3,721,732
Interest on Investments	3,499,624	1,891,339
Due from Provincial Government	2,657,373	1,004,436
Municipal Finance Authority Debt Reserve	1,015,431	984,822
Due from Regional Government	622,043	239,557
	<u>\$ 31,988,407</u>	<u>\$ 25,872,621</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 4 - 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>2023</u>	<u>2022</u>
Installments:								
2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,617
2024	11,194	212,796	583	65,298	17,288	205,327	512,486	406,633
2025	2,192	41,598	230	12,767	8,926	40,140	105,853	-
	<u>\$ 13,386</u>	<u>\$ 254,394</u>	<u>\$ 813</u>	<u>\$ 78,065</u>	<u>\$ 26,214</u>	<u>\$ 245,467</u>	<u>\$ 618,339</u>	<u>\$ 1,171,250</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 5 - TEMPORARY INVESTMENTS

	<u>2023</u>	<u>2022</u>
Term deposits	\$ 185,000,000	\$ 170,000,000
MFA pooled investment funds	-	1,942,522
	<u>\$ 185,000,000</u>	<u>\$ 171,942,522</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade and other	\$ 19,739,263	\$ 13,828,704
RCMP Contract	17,084,830	15,744,828
Deposits	13,502,966	11,421,026
Accrued wages and benefits	4,684,852	3,743,054
Other	3,412,705	7,408,118
Contaminated sites	1,472,000	1,460,000
	<u>\$ 59,896,616</u>	<u>\$ 53,605,730</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 7 - 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% (2022 - 5%), inflation of 2% (2022 - 2%) and compensation increases, excluding merit and promotion, of 3% (2022 - 3%). There is an unamortized actuarial gain of \$638,714 (2022 – gain of \$660,516).

	<u>2023</u>	<u>2022</u>
Actuarial Benefit Obligation, beginning of year	\$ 8,473,977	\$ 9,302,294
Unamortized Actuarial Gain (Loss), beginning of year	660,516	(536,130)
	<hr/>	<hr/>
Current Service Cost	9,134,493	8,766,164
Interest Costs	679,035	776,355
Benefits Paid	416,781	325,091
Amortization of Actuarial (Gain) Loss	(955,748)	(804,276)
	(21,802)	71,159
	<hr/>	<hr/>
	<u>9,252,759</u>	<u>9,134,493</u>
	<hr/>	<hr/>
Actuarial Benefit Obligation, end of year	8,614,045	8,473,977
Unamortized Actuarial Gain, end of year	638,714	660,516
	<hr/>	<hr/>
Accrued Benefit Liability, end of year	<u>\$ 9,252,759</u>	<u>\$ 9,134,493</u>

Actuarial gains and losses are amortized over 13 (2022 - 13) years for retirement benefits and 12 (2022 - 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 \$1,074,014 (2022 - \$1,172,605).

NOTE 8 - DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2023</u>	<u>2022</u>
Tax Prepayments	\$ 18,520,675	\$ 16,700,317
Other Prepayments	10,640,045	9,446,223
	<hr/>	<hr/>
	<u>\$ 29,160,720</u>	<u>\$ 26,146,540</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 9 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2023</u>	<u>2022</u>
Deferred Development Cost Charges - beginning of year	\$ 65,416,377	\$ 60,614,941
Additions	6,314,324	8,402,167
Interest Earned	2,767,543	1,498,399
Revenue Recognized	(11,489,965)	(5,099,130)
Deferred Development Cost Charges - end of year	<u>\$ 63,008,279</u>	<u>\$ 65,416,377</u>

NOTE 10 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY SINKING FUND DEPOSITS

The City obtains debt through the Municipal Finance Authority (MFA) pursuant to security issuing bylaws under the authority of the *Community Charter* to finance certain capital expenditures.

\$38,170,336 (2022 – \$41,301,913) of debt is with the MFA. Payments and actuarial allocations of \$36,454,186 on the gross amount borrowed of \$74,624,522 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 5.63% per annum.

	<u>2023</u>	<u>2022</u>
Total Outstanding Debt - beginning of year	\$ 41,301,913	\$ 45,947,100
Reduction of long-term debt	(4,423,891)	(4,925,456)
Proceeds from long-term borrowing	1,292,314	280,269
Total Outstanding Debt - end of year	<u>\$ 38,170,336</u>	<u>\$ 41,301,913</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 2023 at December 31, 2022 was \$51,683,357. The actual liability servicing cost was \$5,944,492 and the estimated cost on unissued debt is \$208,032, leaving \$45,530,833 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 10 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY 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>
2024	\$ 3,188,477	\$ 1,116,349	\$ 4,304,826
2025	3,291,743	1,157,620	4,449,363
2026	3,326,992	1,200,423	4,527,415
2027	2,337,348	1,244,816	3,582,164
2028	1,000,917	1,290,858	2,291,775
Thereafter	11,156,811	7,857,982	19,014,793
	<u>\$ 24,302,288</u>	<u>\$ 13,868,048</u>	<u>\$38,170,336</u>

Balance Outstanding

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>2023</u>	<u>2022</u>
<u>General Fund</u>						
5750	99	Port of Nanaimo Centre	1.53	2026	\$ 3,062,941	\$ 4,006,411
5750	101	Port of Nanaimo Centre	3.39	2027	3,988,096	4,913,593
7050	102	Fire Station #4	3.90	2027	999,325	1,228,398
7257	146	Fire Station #1	3.20	2038	2,596,102	2,731,620
7257	152	Fire Station #1	0.91	2040	1,742,397	1,829,758
7257	156	Fire Station #1	2.58	2041	10,253,949	10,712,015
7257	158	Fire Station #1	4.09	2042	270,359	280,269
		Garbage Trucks - Equipment	5.63	2023	-	446,260
		Garbage Trucks - Equipment	5.63	2025	152,644	227,014
		Garbage Trucks - Equipment	5.63	2028	1,236,475	-
					<u>24,302,288</u>	<u>26,375,338</u>
<u>Waterworks Fund</u>						
7127	126	Water Treatment Plant	4.52	2033	7,937,625	8,573,329
7127	127	Water Treatment Plant	3.30	2034	5,930,423	6,353,246
					<u>13,868,048</u>	<u>14,926,575</u>
					<u>\$ 38,170,336</u>	<u>\$ 41,301,913</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 11 - ASSET RETIREMENT OBLIGATIONS

The City owns and operates some buildings that are known to contain asbestos and other hazardous materials, which represents a health hazard when undergoing certain repairs and maintenance work and upon demolition of the building. Additionally, some sites owned by the City contain underground fuel tanks. As there is a legal obligation to remove hazardous materials, the City has recognized a liability relating to the removal and post-removal care of the asbestos and other hazardous materials in these buildings, and fuel tanks on these sites, as estimated at January 1, 2023.

The recognition of asset retirement obligations upon adoption of the standard involved an accompanying increase to the Buildings and Vehicles and Equipment asset values.

Changes to the asset retirement obligations in the year are as follows:

	<u>Buildings</u>	<u>Fuel Tanks</u>	<u>Total</u>
Opening balance	\$ -	\$ -	\$ -
Adoption of asset retirement obligations standard (Note 2(b))	1,380,739	438,000	1,818,739
Accretion expense	-	-	-
Closing balance	<u>\$ 1,380,739</u>	<u>\$ 438,000</u>	<u>\$ 1,818,739</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 12 - TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2023</u>	<u>2022</u>
Land	\$ 116,470,886	\$ 111,736,384
Land Improvements	30,628,628	28,644,949
Leasehold Improvements	993,436	1,074,812
Marine Structures	1,308,266	1,120,478
Buildings	125,376,891	125,888,249
Vehicles and Equipment	27,881,971	27,726,468
IT Infrastructure	1,835,978	571,563
Drainage	84,932,668	83,452,450
Transportation	148,390,668	148,137,872
Sewer	58,259,325	55,121,137
Water	193,736,034	193,877,323
	<hr/>	<hr/>
	789,814,751	777,351,685
Work In Progress	67,675,164	32,235,255
	<hr/>	<hr/>
	<u>\$ 857,489,915</u>	<u>\$ 809,586,940</u>

See schedule of tangible capital assets (page 10) for more information. The Linley Valley Dam (Developer Contribution) was revalued from \$1,237,756 to \$572,000 in 2023. Developer contributed assets recognized in 2023 were \$5,395,488 (2022 - \$2,563,598) 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, 2023

NOTE 13 - ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u>
Reserve Accounts (Note 23)	\$ 90,050,776	\$ 91,636,368
Investment in Tangible Capital Assets (Note 20)	813,686,224	762,309,770
Community Works Reserve Fund (Gas Tax Agreement)	12,396,391	11,334,551
Equipment Depreciation Reserve	11,339,981	10,470,572
Facility Development (Recreation) Reserve	4,520,120	3,727,612
Property Sales Reserve	2,389,598	2,283,297
Knowles Estate Reserve	446,473	426,613
Parkland Dedication Reserve	285,702	787,065
Old City Neighbourhood Parking Reserve	103,244	98,651
General Asset Management Reserve	20,962,550	17,041,030
Sewer Asset Management Reserve	8,561,081	5,618,996
Water Asset Management Reserve	5,526,573	10,309,745
Cart Replacement Reserve	1,103,260	-
Copier Replacement Reserve	400,813	411,061
Information Technology Reserve	2,224,402	2,512,523
NDSS Community Field Reserve	208,412	164,723
Growing Communities Reserve	14,933,659	-
Parking Reserve	1,440,512	1,239,407
911 Reserve	153,185	274,057
Property Acquisition Reserve	5,430,761	5,361,482
Housing Legacy Reserve	4,178,222	3,656,306
Strategic Infrastructure Reserve	6,800,803	5,213,745
Off-Street Parking Reserve	76,870	73,450
Climate Action Reserve	1,059,850	850,670
	<u>\$ 1,008,279,462</u>	<u>\$ 935,801,694</u>

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 14 - 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, 2023, 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 (2022 – \$1,926,056) 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, 2023

NOTE 14 - 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 \$42,500,000 (2022 - \$52,200,000) 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 15 - 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, 2023, the balance of funds held in trust was \$651,508 (2022 - \$636,658).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 16 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 8, 2023. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2023 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 48,664,800
Cemetery Care Fund - not in reporting entity	10,000
Net Development Cost Charges	(11,416,911)
	<hr/>
Annual Surplus from the 2023 Financial Plan	37,257,889
Amortization, not funded	32,523,752
Capital Expenditures	(141,399,032)
Proceeds from Borrowing	6,428,350
Principal Repayment of Debt	(4,616,353)
Transfers from Accumulated Surplus	69,805,394
	<hr/>
Net Annual Budget - as approved	\$ -

NOTE 17 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2023</u> <u>Total</u>	<u>2022</u> <u>Total</u>
Property Taxes	\$ 141,951,416	\$ 93,954,940	\$ 235,906,356	\$ 215,207,250
Business Improvement Area Levies	-	204,265	204,265	201,500
Taxes in Lieu of Licenses	1,506,812	-	1,506,812	1,423,348
Payments in Lieu of Taxes	2,542,209	732,256	3,274,465	3,314,263
	<hr/>			
	\$ 146,000,437	\$ 94,891,461	\$ 240,891,898	\$ 220,146,361
	<hr/>			
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 49,315,137	\$ 45,664,995
Regional District of Nanaimo			30,589,985	28,148,088
Nanaimo Regional Hospital District			13,377,436	10,500,636
Other Agencies			1,608,903	1,297,398
			<hr/>	
			94,891,461	85,611,117
			<hr/>	
Taxation and Payments in Lieu			\$ 146,000,437	\$ 134,535,244
			<hr/> <hr/>	

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 18 - USER FEES AND SALES OF SERVICES

	<u>2023</u>	<u>2022</u>
Waterworks	\$ 25,388,828	\$ 24,603,139
Sewer System	9,457,189	9,116,959
Garbage Collection	8,249,952	7,748,400
Recreation Programs	6,915,067	5,662,866
Vancouver Island Conference Centre	2,955,042	1,890,117
Parking	1,638,041	1,344,505
Public Works	1,107,291	1,060,555
Other	197,211	203,037
Fire Rescue	147,411	155,542
Police Services	67,063	83,253
	<u>\$ 56,123,095</u>	<u>\$ 51,868,373</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 19 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2023</u>	<u>2022</u>
<u>Federal</u>		
Capital	\$ 3,258,725	\$ 453,403
Gas Tax	4,214,850	4,041,138
Other	715,979	988,219
	<u>8,189,554</u>	<u>5,482,760</u>
<u>Provincial</u>		
Capital	898,481	6,000
Casino Gaming	2,560,346	2,569,865
Revenue Sharing	1,272,000	1,235,430
Growing Communities	16,088,000	-
Climate Action Plan	325,082	325,082
Other	1,735,988	285,531
	<u>22,879,897</u>	<u>4,421,908</u>
<u>Other Governments</u>		
Other	68,845	56,762
	<u>68,845</u>	<u>56,762</u>
Total transfers from other governments	<u>\$ 31,138,296</u>	<u>\$ 9,961,430</u>
Transfers from other governments - capital	\$ 24,460,056	\$ 4,500,541
Transfers from other governments - operating	6,678,240	5,460,889
Total transfers from other governments	<u>\$ 31,138,296</u>	<u>\$ 9,961,430</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 20 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Investment in Tangible Capital Assets - beginning of year	\$ 762,309,770	\$ 732,605,556
Add:		
Capital Additions	77,285,648	57,341,340
Reductions in Long-term Debt	4,423,891	4,925,456
Funding repaid to Deferred Capital Fund	341,902	337,006
Less:		
Amortization	(29,258,862)	(28,035,992)
Funding from Deferred Capital Fund	-	(195,843)
Used Borrowing - Fire Hall	-	(3,113,972)
New Borrowing - Fire Hall	-	(280,268)
New Borrowing - Sanitation Trucks	(1,292,314)	-
Net Book Value of Asset Disposals	(123,811)	(1,273,513)
	<u>\$ 813,686,224</u>	<u>\$ 762,309,770</u>
Investment in Tangible Capital Assets - end of year	<u>\$ 813,686,224</u>	<u>\$ 762,309,770</u>

NOTE 21 - 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 City accounts for the Plan as a defined contribution plan. 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 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 21 - 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 2023, City of Nanaimo contributions to the Plan were:

	<u>2023</u>	<u>2022</u>
Employer Portion	\$ 6,062,626	\$ 5,675,930
Employee Portion	5,303,243	4,962,886
	<u>\$ 11,365,869</u>	<u>\$ 10,638,816</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 22 - FINANCIAL INSTRUMENTS

(a) Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The City is exposed to credit risk with respect to its accounts receivable, cash and cash equivalents and temporary investments.

The City assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts at December 31, 2023 is \$192,800 (2022 - \$142,700).

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 22 - FINANCIAL INSTRUMENTS

(a) Credit Risk

As at December 31, 2023, \$155,700 (2022 - \$657,700) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2022.

(b) Liquidity risk

Liquidity risk is the risk that the City will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The City manages its liquidity risk by monitoring its operating requirements. The City prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of long-term debt are disclosed in Note 10.

There have been no significant changes to the liquidity risk exposure from 2022.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the City's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk

The City is exposed to financial risk as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the City makes purchases denominated in U.S. dollars. The City does not currently enter into forward contracts to mitigate this risk. The City does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2022.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 22 - FINANCIAL INSTRUMENTS

(c) Market risk

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

There is no interest rate risk regarding City investments as only term deposits with guaranteed interest rates are held. There may be interest rate risk on long term debt issued by the Municipal Finance Authority as rates may be reset after the end of the first 10 year term, followed by subsequent interest rate resets every five years thereafter.

The City's investments are disclosed in Note 5 and debt in Note 10.

There has been no change to the interest rate risk exposure from 2022.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 23 - RESERVES

	<u>Work in</u> <u>Progress</u>	<u>Available for</u> <u>Future</u> <u>Commitments</u>	<u>2023</u>	<u>2022</u>
<u>General Revenue Fund Reserve Accounts</u>				
Brechin Boat Ramp	\$ -	\$ 53,992	\$ 53,992	\$ 137,683
Pipers Park	-	116,843	116,843	116,843
Strategic Partnerships	191,990	43	192,033	200,043
General Capital	2,632,210	5,808,874	8,441,084	4,877,101
Prior Year Carry Forwards	9,704,836	-	9,704,836	7,338,196
RCMP Contract Financial Stability	1,795,000	4,438,433	6,233,433	4,533,433
Fitzwilliam Street Parking	-	142,868	142,868	142,868
Vancouver Island Conference Centre	132,026	587,454	719,480	821,197
Snow and Ice Control Financial Stability	-	1,330,000	1,330,000	1,330,000
General Financial Stability	-	17,722,062	17,722,062	16,522,062
Special Initiatives	2,395,326	4,768,138	7,163,464	8,122,689
Casino	40,499	3,544	44,043	487,067
Sanitation Levelling	80,612	850,497	931,109	1,129,783
	<u>16,972,499</u>	<u>35,822,748</u>	<u>52,795,247</u>	<u>45,758,965</u>
<u>Sewer Revenue Reserve Accounts</u>				
Sewer General	2,522,819	11,372,031	13,894,850	14,616,668
Sewer Financial Stability	-	600,000	600,000	500,000
	<u>2,522,819</u>	<u>11,972,031</u>	<u>14,494,850</u>	<u>15,116,668</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
Water General	12,450,444	8,560,235	21,010,679	29,059,680
Water Financial Stability	-	1,750,000	1,750,000	1,701,055
	<u>12,450,444</u>	<u>10,310,235</u>	<u>22,760,679</u>	<u>30,760,735</u>
Total Reserve Accounts	<u>\$ 31,945,762</u>	<u>\$ 58,105,014</u>	<u>\$ 90,050,776</u>	<u>\$ 91,636,368</u>

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2023

NOTE 24 - 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 Supply Chain Management.

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 and Tourism Nanaimo 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. In addition, the City provides oversight of the Nanaimo Systems Planning Organization Society, an external agency.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

NOTE 24 - 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 & 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 & 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, 2023

NOTE 25 - 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:

2024	\$ 1,006,141
2025	1,003,860
2026	1,003,980
2027	1,004,101
2028	986,229
	<u>\$ 5,004,311</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 26 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

GROWING COMMUNITIES FUND: RESERVE FUNDS (UNAUDITED)

The Province of British Columbia distributed conditional Growing Communities Fund (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of the population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia.

The City of Nanaimo received \$16,088,000 of GCF funding in March 2023.

	2023
Funds received	\$ 16,088,000
Eligible costs - Harewood Centennial Turf Fields	(1,731,796)
Interest earned on reserve balance	577,455
<u>Balance, December 31, 2023</u>	<u>\$ 14,933,659</u>



CITY OF NANAIMO
THE HARBOUR CITY

