

City of Nanaimo



ANNUAL FINANCIAL STATEMENTS

2021

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2021

<u>INDEX</u>	<u>PAGE</u>
Management Report.....	1
Independent Auditors' Report.....	2 - 3
Financial Statements	
Statement of Financial Position.....	4
Statement of Operations.....	5
Statement of Changes in Net Financial Assets.....	6
Statement of Cash Flows.....	7
Schedule of Operations by Segment.....	8 - 9
Schedule of Tangible Capital Assets.....	10 - 11
Notes to the Financial Statements.....	12 - 34

CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2021

The Council of the City of Nanaimo has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the City of Nanaimo. The financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

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

The City of Nanaimo's independent auditors, KPMG LLP, are engaged to express an opinion as to whether these financial statements present fairly the City of Nanaimo's financial position and operating results in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all significant respects, the financial position of the City of Nanaimo as at December 31, 2021.



Jake Rudolph
Chief Administrative Officer



Laura Mercer, CPA, CGA
Director, Financial Services



KPMG LLP
800 - 730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Nanaimo

Opinion

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

- the statement of financial position as at December 31, 2021
- 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, 2021 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
April 25, 2022

**CITY OF NANAIMO
STATEMENT OF FINANCIAL POSITION**

as at December 31, 2021, with comparative figures for 2020

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 158,711,662	\$ 165,007,070
Accounts receivable (Note 2)	22,131,504	24,891,134
Development cost charges receivable (Note 3)	1,258,908	1,175,580
Temporary investments (Note 4)	122,525,543	98,566,400
	304,627,617	289,640,184
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	52,769,222	48,233,281
Compensated absences and termination benefits (Note 6)	8,766,164	8,383,004
Deferred revenue (Note 7)	24,209,228	21,240,818
Deferred development cost charges (Note 8)	60,614,941	56,751,703
Debt (Note 9)	45,947,100	39,306,835
	192,306,655	173,915,641
NET FINANCIAL ASSETS	112,320,962	115,724,543
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	781,555,105	749,351,662
Prepaid expenses	1,783,478	1,694,346
Inventories of supplies	2,041,322	1,465,549
	785,379,905	752,511,557
ACCUMULATED SURPLUS (Note 11)	\$ 897,700,867	\$ 868,236,100

Commitments and contingencies (Note 12)

Contractual rights (Note 23)

Approved on behalf of the Council


 Leonard Krog
 Mayor


 Ian Thorpe
 Councillor

CITY OF NANAIMO STATEMENT OF OPERATIONS

for the year ended December 31, 2021, with comparative figures for 2020

	2021 Budget (Note 14)	2021	2020
REVENUES			
Taxes	\$ 123,887,305	\$ 123,335,853	\$ 118,370,973
Payments in lieu of taxes	2,083,500	2,200,597	2,111,857
Taxation and payments in lieu (Note 15)	125,970,805	125,536,450	120,482,830
User fees and sales of services (Note 16)	44,844,379	46,090,489	40,618,459
Transfers from other governments-capital (Note 17)	4,369,021	8,442,931	4,379,065
Other revenue	5,614,782	8,258,270	6,960,051
Developer contributed assets (Note 10)	-	7,485,948	10,400,599
Transfers from other governments-operating (Note 17)	1,664,470	3,336,523	9,730,686
Investment income	2,283,757	3,073,690	4,636,197
Building permits	1,800,000	2,694,848	1,790,008
Development cost charges (Note 8)	7,351,014	2,298,671	1,647,250
Regional recreation sharing	1,199,763	1,199,763	1,335,318
Donations and contributions-capital	622,543	1,005,147	735,524
Property rentals	810,388	951,280	825,525
	196,530,922	210,374,010	203,541,512
EXPENSES			
Police	33,735,231	35,818,130	32,238,119
Engineering & public works	33,929,759	32,076,278	29,559,454
Parks, recreation & culture	33,624,829	31,470,536	28,240,625
Fire	21,400,318	21,095,665	18,600,069
Water	17,710,724	16,763,860	16,508,376
Corporate services	17,788,491	16,744,728	15,306,364
Development services	14,954,944	12,088,649	10,693,978
Sewer	6,667,103	5,862,148	5,644,576
City administration	6,636,337	5,860,663	6,111,310
Port of Nanaimo centre	4,063,387	3,128,586	3,449,624
	190,511,123	180,909,243	166,352,495
ANNUAL SURPLUS	6,019,799	29,464,767	37,189,017
ACCUMULATED SURPLUS - BEGINNING OF YEAR	868,236,100	868,236,100	831,047,083
ACCUMULATED SURPLUS - END OF YEAR	\$ 874,255,899	\$ 897,700,867	\$ 868,236,100

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2021, with comparative figures for 2020

	2021 Budget (Note 14)	2021	2020
ANNUAL SURPLUS	\$ 6,019,799	\$ 29,464,767	\$ 37,189,017
Acquisition of tangible capital assets	(94,605,642)	(51,411,094)	(35,855,358)
In kind donations of capital assets	-	(515,194)	(70,920)
Developer contributed capital assets	-	(7,485,948)	(10,400,599)
	(94,605,642)	(59,412,236)	(46,326,877)
Amortization of tangible capital assets	27,384,507	26,687,264	25,514,512
Loss (gain) on disposal of assets	-	177,348	(283,403)
Proceeds on sale of tangible capital assets	-	344,181	1,583,616
	(67,221,135)	(32,203,443)	(19,512,152)
Acquisition of inventories of supplies	-	(5,446,444)	(4,686,334)
Acquisition of prepaid expenses	-	(1,325,715)	(1,221,664)
Consumption of inventories of supplies	-	4,870,671	4,627,876
Use of prepaid expenses	-	1,236,583	1,362,291
	-	(664,905)	82,169
CHANGE IN NET FINANCIAL ASSETS	(61,201,336)	(3,403,581)	17,759,034
NET FINANCIAL ASSETS - BEGINNING OF YEAR	115,724,543	115,724,543	97,965,509
NET FINANCIAL ASSETS - END OF YEAR	\$ 54,523,207	\$ 112,320,962	\$ 115,724,543

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2021, with comparative figures for 2020

	2021	2020
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 29,464,767	\$ 37,189,017
Non-cash items		
Amortization of tangible capital assets	26,687,264	25,514,512
Developer assets received	(7,485,948)	(10,400,599)
In kind donations of capital assets	(515,194)	(70,920)
Loss (gain) on disposal of tangible capital assets	177,348	(283,403)
Development cost charges recognized as revenue	(2,298,671)	(1,647,250)
Actuarial adjustment on long term debt	(1,017,744)	(1,260,567)
Change in non-cash operating assets and liabilities		
Accounts receivable	2,676,302	(6,173,400)
Accounts payable	4,535,941	10,023,793
Compensated absences termination benefits	383,160	139,053
Deferred revenue	2,968,410	1,229,251
Inventories of supplies	(575,773)	(58,458)
Prepaid expenses	(89,132)	140,627
Net change in cash from operating transactions	54,910,730	54,341,656
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(51,411,094)	(35,855,358)
Proceeds from the sale of tangible capital assets	344,181	1,583,616
Net change in cash from capital transactions	(51,066,913)	(34,271,742)
INVESTING TRANSACTIONS		
Change in investments	(23,959,143)	50,424,398
FINANCING TRANSACTIONS		
Debt repayment	(3,501,991)	(3,456,136)
Deferred development cost charges	6,161,909	8,915,418
Proceeds from long term borrowing	11,160,000	2,406,585
Net change in cash from financing transactions	13,819,918	7,865,867
CHANGE IN CASH AND CASH EQUIVALENTS	(6,295,408)	78,360,179
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	165,007,070	86,646,891
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 158,711,662	\$ 165,007,070

CITY OF NANAIMO

SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2021

	City Administration	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2021
Revenues											
Taxes	\$ 6,130,619	\$15,404,026	\$ 7,501,358	\$17,888,269	\$31,825,322	\$ 2,839,393	\$23,842,619	\$17,904,247	\$ -	\$ -	\$ 123,335,853
Payments in lieu of taxes	113,622	200,239	139,027	331,533	589,835	52,624	441,888	331,829	-	-	2,200,597
User fees	1,275	133,855	1,154,733	127,008	86,874	454,926	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	44,748	2,398,733	2,125,459	1,744,780	377,405	14,107	747,169	706,652	-	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	308,143	458,628	233,395	1,683,061	30,992	362,401	202,291	15,000	(24,436)	3,336,523
Investment income	99,747	1,290,166	122,050	291,049	517,813	46,198	387,929	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	-	-	373,344	-	278,323	-	229,580	46,833	-	23,200	951,280
	6,457,059	27,642,729	14,569,447	20,616,034	35,496,084	3,438,240	33,708,060	33,808,328	9,309,805	25,328,224	210,374,010
Expenses											
Wages and salaries	4,131,571	8,843,542	8,273,961	16,055,507	5,547,925	3,343	15,196,739	12,033,213	1,147,421	3,553,432	74,786,654
Contracted services	1,290,537	3,311,818	2,388,461	1,737,352	29,688,260	1,482,289	7,541,092	8,038,508	983,675	1,543,481	58,005,473
Amortization	-	892,725	610,849	548,318	309,202	1,635,055	4,102,116	11,203,489	1,150,065	6,235,445	26,687,264
Other	137,295	3,480,934	875,621	1,036,270	193,944	7,349	2,813,840	(2,825,901)	2,241,053	3,798,430	11,758,835
Materials and supplies	301,260	212,953	166,189	1,442,053	78,799	36,661	1,604,827	3,539,538	211,216	966,711	8,560,207
Interest payments on debt	-	-	-	196,659	-	(36,111)	-	24,883	103,990	644,042	933,463
Loss (gain) on disposal of assets	-	2,756	(226,432)	79,506	-	-	211,922	62,548	24,728	22,319	177,347
	5,860,663	16,744,728	12,088,649	21,095,665	35,818,130	3,128,586	31,470,536	32,076,278	5,862,148	16,763,860	180,909,243
ANNUAL SURPLUS (DEFICIT)	596,396	10,898,001	2,480,798	(479,631)	(322,046)	309,654	2,237,524	1,732,050	3,447,657	8,564,364	29,464,767
Capital projects	\$ -	\$ 1,565,479	\$ 5,896,482	\$ 9,428,503	\$ 137,451	\$ 611,596	\$11,043,129	\$18,279,326	\$ 6,264,495	\$ 6,185,775	\$ 59,412,236

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2020

	City Administration	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2020
Revenues											
Taxes	\$ 6,023,354	\$14,793,887	\$ 6,622,570	\$17,494,036	\$29,765,516	\$ 2,721,195	\$23,160,195	\$17,790,220	\$ -	\$ -	\$ 118,370,973
Payments in lieu of taxes	112,433	178,473	123,618	326,546	555,607	50,794	432,311	332,075	-	-	2,111,857
User fees	(100)	127,002	1,092,158	121,849	62,273	670,016	2,691,171	6,827,192	8,215,799	20,811,099	40,618,459
Government capital transfers	-	3,866,429	32,000	-	-	-	-	480,636	-	-	4,379,065
Other revenue	60,234	756,440	2,566,136	2,078,907	404,392	16,502	598,921	394,089	560	83,870	6,960,051
Developer contributed assets	-	-	-	-	-	-	3,330,526	5,294,858	864,675	910,540	10,400,599
Government operating transfers	719,512	357,206	709,397	410,764	1,990,291	60,130	4,880,187	394,187	90,000	119,012	9,730,686
Investment income	122,608	2,498,328	134,805	356,099	605,887	55,391	471,438	386,226	-	5,415	4,636,197
Building permits	-	-	1,790,008	-	-	-	-	-	-	-	1,790,008
Development cost charges	-	-	-	-	-	-	17,801	824,360	266,624	538,465	1,647,250
Regional recreation sharing	-	-	-	-	-	-	1,335,318	-	-	-	1,335,318
Donations - capital	-	-	-	-	-	-	419,951	109,004	169,838	36,731	735,524
Property rentals	-	-	286,500	7,908	274,644	-	187,821	47,652	-	21,000	825,525
	7,038,041	22,577,765	13,357,192	20,796,109	33,658,610	3,574,028	37,525,640	32,880,499	9,607,496	22,526,132	203,541,512
Expenses											
Wages and salaries	4,001,183	7,930,344	7,521,599	15,594,431	5,133,703	1,075	13,638,845	10,565,886	1,180,424	3,564,491	69,131,981
Contracted services	1,418,950	3,122,851	2,570,023	1,464,003	26,528,680	1,818,934	6,827,605	7,385,553	1,016,836	1,902,698	54,056,133
Amortization	6,770	870,565	495,489	550,840	309,202	1,635,053	3,984,244	10,663,661	1,019,046	5,979,642	25,514,512
Other	143,403	3,193,887	882,300	94,748	199,960	8,849	2,588,720	(2,788,955)	2,167,144	3,487,183	9,977,239
Materials and supplies	541,004	188,717	171,183	777,925	66,574	30,446	1,459,615	3,084,286	189,003	877,314	7,386,067
Interest payments on debt	-	-	-	111,601	-	(44,733)	(252,897)	63,915	70,478	621,602	569,966
(Gain) Loss on disposal of assets	-	-	(946,616)	6,521	-	-	(5,507)	585,108	1,645	75,446	(283,403)
	6,111,310	15,306,364	10,693,978	18,600,069	32,238,119	3,449,624	28,240,625	29,559,454	5,644,576	16,508,376	166,352,495
ANNUAL SURPLUS	926,731	7,271,401	2,663,214	2,196,040	1,420,491	124,404	9,285,015	3,321,045	3,962,920	6,017,756	37,189,017
Capital projects	\$ -	\$ 98,036	\$ 3,135,336	\$ 4,566,711	\$ -	\$ 51,487	\$ 7,811,458	\$15,020,940	\$ 5,792,605	\$ 9,850,304	\$ 46,326,877

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	20,523,199	26,410,301
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,882,465	81,512	-	1,963,977	1,156,324
Marine structures	1,028,367	699,970	208,200	72,120	1,592,257	598,991	49,257	208,200	440,048	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	110,947,831
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	17,837,775
IT Infrastructure	9,832,423	312,728	278,872	-	9,866,279	9,134,521	330,597	278,871	9,186,247	680,032
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	80,430,127
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	146,455,302
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	52,731,533
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	200,477,206
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
SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2020

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2019	Additions	Disposals	Transfers	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020		
Land	\$ 99,069,560	\$ 5,485,399	\$ 600,061	\$ -	\$ 103,954,898	\$ -	\$ -	\$ -	\$ 103,954,898	
Land improvements	40,387,766	2,931,886	2,900	185,257	43,502,009	17,855,193	1,469,881	2,900	19,322,174	24,179,835
Leasehold improvements	3,215,921	-	95,620	-	3,120,301	1,893,959	84,126	95,620	1,882,465	1,237,836
Marine structures	829,224	126,553	-	72,590	1,028,367	560,777	38,214	-	598,991	429,376
Buildings	198,607,545	1,606,112	-	2,418,822	202,632,479	86,446,834	5,494,421	-	91,941,255	110,691,224
Vehicles and equipment	38,595,682	3,312,890	725,241	283,159	41,466,490	20,945,671	2,495,081	620,197	22,820,555	18,645,935
IT Infrastructure	9,848,274	10,454	26,305	-	9,832,423	8,819,677	341,149	26,305	9,134,521	697,902
Drainage	111,107,145	2,594,087	862,290	327,077	113,166,019	33,150,682	1,708,748	349,905	34,509,525	78,656,494
Transportation	323,460,531	8,859,727	912,037	1,743,063	333,151,284	182,637,335	7,139,970	906,403	188,870,902	144,280,382
Sewer	51,906,257	5,460,379	29,889	6,046,154	63,382,901	14,227,164	1,010,118	28,244	15,209,038	48,173,863
Water	273,778,573	8,453,996	459,014	1,666,647	283,440,202	79,941,435	5,732,804	383,570	85,290,669	198,149,533
Work In Progress	25,511,759	7,485,394	-	(12,742,769)	20,254,384	-	-	-	-	20,254,384
	\$1,176,318,237	\$46,326,877	\$3,713,357	\$-	\$1,218,931,757	\$446,478,727	\$25,514,512	\$2,413,144	\$469,580,095	\$749,351,662

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

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, 2021, 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, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Accounts Receivable

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

(e) Development Cost Charges

Deferred development cost charges are restricted by legislation to expenditures on capital infrastructure and related debt servicing costs and operating projects. These amounts are deferred upon receipt and recognized as revenue when the expenditures are incurred in accordance with the restrictions.

(f) Temporary Investments

Temporary investments consist of term deposits and debentures which are expected to be held for a term exceeding 90 days. Investments are recorded at cost. When, in the opinion of management, there is a decline in value, other than a temporary decline, investments are written down to their net realizable value.

(g) Compensated Absences and Termination Benefits

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred. Compensated absences and termination benefits also accrue to the City's employees. The liabilities related to these termination benefits and earned sick leave are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefit plans are accrued based on projected benefits prorated as employees render services necessary to earn the future benefits. Actuarial gains and losses on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains and losses are amortized over the average remaining service period of the active employees.

(h) Deferred Revenue

The City defers a portion of the revenue collected from permits, licenses and other fees and recognizes this revenue in the year in which related inspections are performed or other related expenditures are incurred.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Debt

Debt is presented net of repayments and actuarial adjustments.

(j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended to be sold in the ordinary course of operations.

(i) Tangible Capital Assets

Tangible capital assets are comprised of capital assets and capital works in progress, and are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost of the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful lives of the assets, commencing at the time the assets are available for use.

Estimated useful lives in years are as follows:

Asset	
Land Improvements	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, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Non-Financial Assets (continued)

(ii) Contribution of Tangible Capital Assets

Subdivision streets, lighting, sidewalks, drainage and other infrastructure assets are required to be provided by subdivision developers. Tangible capital assets received from developers are recorded at their fair values at the date of receipt and also recorded as revenue. The City is not involved in the construction and does not budget for assets received from developers.

(iii) Natural Resources, Works of Art and Cultural and Historical Assets

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

(iv) Interest Capitalization

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

(v) Leased Tangible Capital Assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets with a corresponding lease liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) Inventories of Supplies

Inventories of supplies are recorded at cost, net of an allowance for obsolete stock. Cost is determined on a weighted average basis.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Contaminated Sites

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

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

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

(l) Revenue Recognition

(i) Taxation Revenue

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

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

(ii) Development Cost Charges

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

(iii) Government Transfers

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which eligible expenses are incurred provided they are authorized and meet eligible criteria.

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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>2021</u>	<u>2020</u>
Utilities	\$ 11,887,924	\$ 14,574,106
Property Taxes	3,401,049	4,274,391
Trade and Other	2,923,113	2,145,814
Due from Provincial Government	1,174,845	905,449
Municipal Finance Authority Debt Reserve	960,536	834,189
Due from Federal Government	901,484	1,162,693
Interest on Investments	579,250	615,461
Due from Regional Government	303,303	379,031
	<u>\$ 22,131,504</u>	<u>\$ 24,891,134</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

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>2021</u>	<u>2020</u>
Installments:								
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 843,235
2022	18,741	355,845	2,706	109,204	71,068	343,360	900,924	332,345
2023	7,486	142,171	1,143	43,629	26,372	137,183	357,984	-
	<u>\$ 26,227</u>	<u>\$ 498,016</u>	<u>\$ 3,849</u>	<u>\$ 152,833</u>	<u>\$ 97,440</u>	<u>\$ 480,543</u>	<u>\$ 1,258,908</u>	<u>\$ 1,175,580</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>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Term deposits	\$ 115,527,789	\$ 115,425,693	\$ 93,601,731	\$ 93,744,907
Debentures	6,997,754	7,126,920	4,964,669	5,227,406
	<u>\$ 122,525,543</u>	<u>\$ 122,552,613</u>	<u>\$ 98,566,400</u>	<u>\$ 98,972,313</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Trade and Other	\$ 13,731,082	\$ 8,487,746
RCMP Contract	18,291,784	13,104,121
Deposits	12,334,301	10,843,253
Accrued wages and benefits	3,404,163	3,203,026
Contaminated sites	380,000	170,000
Other governments	4,627,892	12,425,135
	<u>\$ 52,769,222</u>	<u>\$ 48,233,281</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE 6 - COMPENSATED ABSENCES AND TERMINATION BENEFITS

The City provides certain post-employment benefits, non-vested sick leave, compensated absences and termination benefits to its employees. An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2019 and the results are extrapolated to December 31, 2021. The current valuation was completed in 2020. Significant assumptions used in the valuation include a discount rate of 3.5%, inflation of 1.75% and compensation increases, excluding merit and promotion, of 2.75%. There is an unamortized actuarial loss of \$536,130 (2020 – loss of \$607,289).

	<u>2021</u>	<u>2020</u>
Actuarial Benefit Obligation, beginning of year	\$ 8,990,293	\$ 8,922,399
Unamortized Actuarial Loss, beginning of year	(607,289)	(678,448)
	<u>8,383,004</u>	<u>8,243,951</u>
Current Service Cost	735,393	696,593
Interest Costs	314,615	308,081
Benefits Paid	(738,007)	(936,780)
Amortization of Actuarial Loss	71,159	71,159
	<u>8,766,164</u>	<u>8,383,004</u>
Actuarial Benefit Obligation, end of year	9,302,294	8,990,293
Unamortized Actuarial Loss, end of year	(536,130)	(607,289)
Accrued Benefit Liability, end of year	<u>\$ 8,766,164</u>	<u>\$ 8,383,004</u>

Actuarial gains and losses are amortized over 12 years, being the expected average remaining service period of the related employee groups, commencing the year after the gain or loss arises. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$1,121,167 (2020 - \$1,075,833).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE 7 - DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2021</u>	<u>2020</u>
Tax Prepayments	\$ 15,637,525	\$ 13,405,043
Other Prepayments	8,571,703	7,835,775
	<u>\$ 24,209,228</u>	<u>\$ 21,240,818</u>

NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2021</u>	<u>2020</u>
Deferred Development Cost Charges - beginning of year	\$ 56,751,703	\$ 49,483,535
Additions	5,274,135	7,877,509
Interest Earned	887,774	1,037,909
Revenue Recognized	(2,298,671)	(1,647,250)
	<u>\$ 60,614,941</u>	<u>\$ 56,751,703</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.

\$45,947,100 (2020 – \$39,306,835) of debt is with the MFA. Payments and actuarial allocations of \$34,394,221 on the gross amount borrowed of \$80,341,321 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 3.85% per annum.

	<u>2021</u>	<u>2020</u>
Total Outstanding Debt - beginning of year	\$ 39,306,835	\$ 41,616,953
Reduction of Long-term Debt	(4,519,735)	(4,716,703)
Proceeds from long-term borrowing	11,160,000	2,406,585
	<u>\$ 45,947,100</u>	<u>\$ 39,306,835</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 2021 at December 31, 2020 was \$44,370,220. The actual liability servicing cost was \$5,286,669 and the estimated cost on unissued debt is \$1,088,783, leaving \$37,994,768 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

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

Future payments on net outstanding debt over the next five years and thereafter are as follows:

<u>Year</u>	<u>General</u>	<u>Water</u>	<u>Total</u>
2022	\$ 3,894,242	\$ 1,017,814	\$ 4,912,056
2023	3,304,052	1,058,526	4,362,578
2024	2,940,842	1,100,867	4,041,709
2025	3,017,659	1,144,902	4,162,561
2026	3,066,645	1,190,698	4,257,343
Thereafter	13,779,272	10,431,581	24,210,853
	<u>\$ 30,002,712</u>	<u>\$ 15,944,388</u>	<u>\$45,947,100</u>

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2021</u>	<u>2020</u>
<u>General Fund - Tax Supported</u>						
5750	99	Port of Nanaimo Centre	1.53	2026	\$ 4,913,593	\$ 5,785,884
5750	101	Port of Nanaimo Centre	2.25	2027	5,785,884	6,624,625
7050	102	Fire Station #4	2.25	2027	1,446,471	1,656,157
7257	146	Fire Station #1	3.20	2038	2,863,191	2,990,930
7257	152	Fire Station #1	0.91	2040	1,915,618	2,000,000
7257	156	Fire Station #1	2.58	2041	11,160,000	-
		Garbage Trucks-Equipment	0.96	2022	268,588	578,687
		Garbage Trucks-Equipment	0.96	2023	1,343,852	2,360,791
		Garbage Trucks-Equipment	0.96	2025	305,515	386,706
					<u>30,002,712</u>	<u>22,383,780</u>
<u>Waterworks Fund - User Fee Supported</u>						
7127	126	Water Treatment Plant	3.85	2033	9,184,583	9,772,327
7127	127	Water Treatment Plant	3.30	2034	6,759,805	7,150,728
					<u>15,944,388</u>	<u>16,923,055</u>
					<u>\$ 45,947,100</u>	<u>\$ 39,306,835</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

NOTE 10 - TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2021</u>	<u>2020</u>
Land	\$ 109,826,420	\$ 103,954,898
Land Improvements	26,410,301	24,179,835
Leasehold Improvements	1,156,324	1,237,836
Marine Structures	1,152,209	429,376
Buildings	110,947,831	110,691,224
Vehicles and Equipment	17,837,775	18,645,935
IT Infrastructure	680,032	697,902
Drainage	80,430,127	78,656,494
Transportation	146,455,302	144,280,382
Sewer	52,731,533	48,173,863
Water	200,477,206	198,149,533
	<u>748,105,060</u>	<u>729,097,278</u>
Work In Progress	33,450,045	20,254,384
	<u>\$ 781,555,105</u>	<u>\$ 749,351,662</u>

See schedule of tangible capital assets (page 10) for more information. There were no write downs of tangible capital assets for 2020 and 2021. Developer contributed assets recognized in 2021 were \$7,485,948 (2020 - \$10,400,599) 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, 2021

NOTE 11 - ACCUMULATED SURPLUS

	<u>2021</u>	<u>2020</u>
Reserve Accounts (Note 21)	\$ 89,723,172	\$ 89,515,381
Investment in Tangible Capital Assets (Note 18)	732,605,556	707,273,665
Community Works Reserve Fund (Gas Tax Agreement)	15,016,599	15,088,694
Equipment Depreciation Reserve	10,830,275	9,066,494
Facility Development (Recreation) Reserve	3,091,890	3,634,205
Property Sales Reserve	1,303,226	3,129,464
Knowles Estate Reserve	416,659	410,565
Parkland Dedication Reserve	790,121	1,126,691
Old City Neighborhood Parking Reserve	96,350	165,628
General Asset Management Reserve	13,725,330	11,464,273
Sewer Asset Management Reserve	4,099,117	3,441,257
Water Asset Management Reserve	10,636,466	7,604,782
Emission Reduction Reserve	-	513,697
Copier Replacement Reserve	389,760	382,026
Information Technology Reserve	2,084,446	1,827,833
NDSS Community Field Reserve	128,041	94,661
Parking Reserve	1,003,998	1,040,669
911 Reserve	436,481	1,596,057
Property Acquisition Reserve	2,741,145	3,440,266
Housing Legacy Reserve	3,200,571	2,973,608
Strategic Infrastructure Reserve	4,429,681	4,025,304
Sustainability Reserve	-	420,880
Off-Street Parking Reserve	71,737	-
Climate Action Reserve	880,246	-
	<u>\$ 897,700,867</u>	<u>\$ 868,236,100</u>

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

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, 2021, 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 \$1,918,171 (2020 – \$1,661,815) 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, 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(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 \$31,500,000 (2020 - \$29,600,000) 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, 2021, the balance of funds held in trust was \$622,968 (2020 - \$603,907).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

NOTE 14 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 10, 2021. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2021 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 6,019,799
Cemetery Care Fund - not in reporting entity	10,000
Net Development Cost Charges	<u>(1,582,752)</u>
Annual Surplus from the 2021 Financial Plan	4,447,047
Amortization, not funded	27,384,507
Capital Expenditures	(94,605,642)
Proceeds from Borrowing	13,308,450
Principal Repayment of Debt	(4,373,983)
Transfers from Accumulated Surplus	<u>53,839,621</u>
Net Annual Budget - as approved	\$ -

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE 15 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
Property Taxes	\$ 116,804,646	\$ 74,848,314	\$ 191,652,960	\$ 176,228,818
Business Improvement Area Levies	192,430	-	192,430	42,010
Vancouver Island Regional Library	4,912,701	-	4,912,701	4,823,864
Taxes in Lieu of Licenses	1,426,076	-	1,426,076	1,433,730
Payments in Lieu of Taxes	2,200,597	618,758	2,819,355	2,563,835
	<u>\$ 125,536,450</u>	<u>\$ 75,467,072</u>	<u>\$ 201,003,522</u>	<u>\$ 185,092,257</u>
			<u>2021</u>	<u>2020</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 42,863,742	\$ 34,907,572
Regional District of Nanaimo			25,892,397	24,390,187
Nanaimo Regional Hospital District			5,536,766	4,144,977
Other Agencies			1,174,167	1,166,691
			<u>75,467,072</u>	<u>64,609,427</u>
Taxation and Payments in Lieu			<u>\$ 125,536,450</u>	<u>\$ 120,482,830</u>

NOTE 16 - USER FEES AND SALES OF SERVICES

	<u>2021</u>	<u>2020</u>
Waterworks	\$ 23,974,508	\$ 20,811,099
Sewer System	8,704,109	8,215,799
Garbage Collection	6,796,415	6,137,720
Recreation Programs	3,728,308	2,691,171
Parking	1,033,290	999,938
Public Works	928,478	689,472
Vancouver Island Conference Centre	454,926	670,016
Other	256,573	219,122
Fire Rescue	127,008	121,849
Police Services	86,874	62,273
	<u>\$ 46,090,489</u>	<u>\$ 40,618,459</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2021</u>	<u>2020</u>
<u>Federal</u>		
Capital	\$ 10,000	\$ 20,000
Gas Tax	7,907,567	3,866,429
Other	504,730	462,716
	<u>8,422,297</u>	<u>4,349,145</u>
<u>Provincial</u>		
Capital	525,364	492,636
Casino Gaming	1,296,018	514,751
Revenue Sharing	1,325,884	1,332,568
COVID-19 Restart Grant	-	6,693,000
Other	203,852	621,313
	<u>3,351,118</u>	<u>9,654,268</u>
<u>Other Governments</u>		
Other	6,039	106,338
	<u>6,039</u>	<u>106,338</u>
Total transfers from other governments	<u>\$ 11,779,454</u>	<u>\$ 14,109,751</u>
Transfers from other governments - capital	\$ 8,442,931	\$ 4,379,065
Transfers from other governments - operating	3,336,523	9,730,686
	<u>3,336,523</u>	<u>9,730,686</u>
Total transfers from other governments	<u>\$ 11,779,454</u>	<u>\$ 14,109,751</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

NOTE 18 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Investment in Tangible Capital Assets - beginning of year	\$ 707,273,665	\$ 687,573,892
Add:		
Capital Additions	59,412,236	46,326,877
Reductions in Long-term Debt	4,519,735	4,716,703
Unused Borrowing - Fire Hall	3,113,972	1,238,851
Less:		
Funding from Deferred Capital Fund	(2,106,409)	(1,152,043)
Amortization	(26,687,264)	(25,514,512)
Used Borrowing - Fire Hall	(1,238,850)	(2,209,305)
New Borrowing - Fire Hall	(11,160,000)	(2,000,000)
New Borrowing - Garbage Truck	-	(406,585)
Net Book Value of Asset Disposals	(521,529)	(1,300,213)
Investment in Tangible Capital Assets - end of year	<u>\$ 732,605,556</u>	<u>\$ 707,273,665</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. The Plan has about 220,000 active members and approximately 112,000 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, 2021

NOTE 19 - MUNICIPAL PENSION PLAN (CONTINUED)

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. During 2021, City of Nanaimo contributions to the plan were:

	<u>2021</u>	<u>2020</u>
Employer Portion	\$ 5,997,240	\$ 5,916,889
Employee Portion	5,021,516	4,976,591
	<u>\$ 11,018,756</u>	<u>\$ 10,893,480</u>

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

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

NOTE 20 - FINANCIAL INSTRUMENTS

(a) Financial Risk and Fair Market Values

The City's financial instruments consist of cash and cash equivalents, accounts receivable, development cost charges receivable, temporary investments, accounts payable and accrued liabilities and debt. The City does not hold any asset-backed commercial paper or hedge funds. The financial risk is the risk to the City's earnings that arises from fluctuations in interest rates, foreign exchange rates, and the degree of volatility of these rates. The City does not use derivative instruments to reduce its exposure to interest rate risk nor foreign exchange risk as management does not consider the risks material. Based on available market information, the carrying value of the City's financial instruments approximates their fair value with the exception of temporary investments for which market values are disclosed in Note 4.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

NOTE 20 - FINANCIAL INSTRUMENTS (CONTINUED)

(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 2021.

NOTE 21 - RESERVES

	<u>Work in</u> <u>Progress</u>	<u>Available for</u> <u>Future</u> <u>Commitments</u>	<u>2021</u>	<u>2020</u>
<u>General Revenue Fund Reserve Accounts</u>				
Parks & Recreation	\$ 93,260	\$ 125,378	\$ 218,638	\$ 195,305
Strategic Partnerships	-	200,043	200,043	200,043
General Capital	511,623	3,599,471	4,111,094	3,298,046
Prior Year Carry Forwards	5,442,197	-	5,442,197	5,411,586
RCMP Contract	106,875	1,426,558	1,533,433	2,008,433
Fitzwilliam Street Parking	-	142,868	142,868	142,868
Conference Centre	311,000	517,519	828,519	780,182
Snow Removal	-	1,200,000	1,200,000	1,200,000
General Financial Stability	620,000	15,891,688	16,511,688	17,689,135
Special Initiatives	6,859,468	2,209,885	9,069,353	12,195,731
Casino Funds	576,301	-	576,301	1,243,375
Sanitation Leveling	185,581	688,898	874,479	774,008
	<u>14,706,305</u>	<u>26,002,308</u>	<u>40,708,613</u>	<u>45,138,712</u>
<u>Sewer Revenue Reserve Accounts</u>				
General Capital	7,174,599	9,537,172	16,711,771	16,842,033
Sewer Financial Stability	-	500,000	500,000	500,000
	<u>7,174,599</u>	<u>10,037,172</u>	<u>17,211,771</u>	<u>17,342,033</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
General Capital	25,166,412	4,935,321	30,101,733	25,333,581
Water Financial Stability	-	1,701,055	1,701,055	1,701,055
	<u>25,166,412</u>	<u>6,636,376</u>	<u>31,802,788</u>	<u>27,034,636</u>
Total Reserve Accounts	<u>\$47,047,316</u>	<u>\$ 42,675,856</u>	<u>\$89,723,172</u>	<u>\$89,515,381</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

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 Emergency Management, Information Technology, Financial Services and Purchasing.

Development Services

Development Services is responsible for a variety of tasks relating to planning and development. This includes processing development applications and developing related policies and regulations. Development Services is also responsible for bylaw, animal control, and parking.

Fire

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

NOTE 22 - SEGMENT REPORTING (CONTINUED)

Police

The City contracts the Royal Canadian Mounted Police to provide top quality policing services in Nanaimo. With administrative support services provided by City employees, the detachment provides all standard policing services, including response to emergency and non-emergency calls, criminal investigations and traffic safety measures.

Port of Nanaimo Centre

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

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, 2021

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:

2022	\$ 1,064,046
2023	1,165,741
2024	1,165,742
2025	1,165,741
2026	1,165,742
	<u>\$ 5,727,012</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 - COMPARATIVE FIGURES

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



CITY OF NANAIMO

the Harbor THE HARBOUR CITY

