

# City of Nanaimo



Pipers Lagoon Park

**ANNUAL FINANCIAL STATEMENTS**

**2016**

**CITY OF NANAIMO, BRITISH COLUMBIA, CANADA**  
**FINANCIAL REPORT**  
for the year ended December 31, 2016

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# CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2016

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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, 2016.



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Tracy Samra, LL.B., LL.M.  
Chief Administrative Officer



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Victor Mema, CPA, CMA  
Chief Financial Officer



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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Nanaimo, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including the schedules of operations by segment and tangible capital assets.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Nanaimo as at December 31, 2016, and its consolidated results of operations, its changes in net consolidated financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

May 1, 2017  
Vancouver, Canada


**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2016, with comparative figures for 2015

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 69,589,008	\$ 66,205,116
Accounts receivable (Note 2)	15,712,240	18,065,818
Development cost charges receivable (Note 3)	312,517	768,904
Temporary investments (Note 4)	112,666,810	100,726,222
	<b>198,280,575</b>	<b>185,766,060</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	31,198,247	26,580,762
Compensated absences and termination benefits (Note 6)	6,989,480	6,824,923
Deferred revenue (Note 7)	16,980,784	16,526,003
Deferred development cost charges (Note 8)	42,228,902	38,658,888
Debt (Note 9)	43,925,300	47,773,593
	<b>141,322,713</b>	<b>136,364,169</b>
<b>NET FINANCIAL ASSETS</b>	<b>56,957,862</b>	<b>49,401,891</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	681,128,718	669,581,917
Prepaid expenses	1,185,506	1,980,822
Inventories of supplies	818,664	665,746
	<b>683,132,888</b>	<b>672,228,485</b>
<b>ACCUMULATED SURPLUS (Note 11)</b>	<b>\$ 740,090,750</b>	<b>\$ 721,630,376</b>

Commitments and contingencies (Note 12)

Approved on behalf of the Council

  
William B. McKay  
Mayor

  
Bill Bestwick  
Councillor, Chair Finance & Audit Committee

# CITY OF NANAIMO

## CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended December 31, 2016, with comparative figures for 2015

	2016 Budget (Note 14)	2016	2015
<b>REVENUES</b>			
Taxes	\$ 98,450,880	\$ 98,006,106	\$ 96,670,960
Payments in lieu of taxes	1,501,404	1,459,260	1,517,802
Taxation and payments in lieu (Note 15)	99,952,284	99,465,366	98,188,762
User fees and sales of services (Note 16)	36,301,724	38,348,292	34,809,133
Developer assets received (Note 10)	-	8,126,066	4,234,016
Other revenue	4,823,923	5,881,915	7,570,409
Development cost charges (Note 8)	11,096,874	5,390,435	7,762,983
Transfers from other governments-operating (Note 17)	3,879,549	4,331,607	4,357,443
Transfers from other governments-capital (Note 17)	7,610,880	3,679,418	3,604,561
Investment income	2,775,415	3,010,006	3,021,276
Building permits	1,232,498	1,619,320	1,581,979
Regional recreation sharing	1,091,640	1,091,640	1,039,101
Property rentals	946,705	1,021,916	1,456,243
Donations and contributions-capital	4,098,067	1,018,653	1,359,744
Municipal Finance Authority refunds and debt forgiven	-	4,449	22,283
	173,809,559	172,989,083	169,007,933
<b>EXPENSES</b>			
Police	28,313,439	29,399,255	26,451,642
Engineering and public works	26,747,552	26,388,970	24,540,975
Parks and recreation	25,332,523	25,581,174	24,672,695
Fire	16,968,427	16,915,612	17,034,998
Waterworks	15,518,475	14,312,684	10,934,950
Corporate services	12,926,948	12,030,219	11,881,012
Development services	12,143,524	11,776,206	12,274,380
City administration	8,368,239	7,866,458	8,308,642
Port of Nanaimo Centre	5,483,858	5,507,047	5,478,144
Sewer System	5,447,312	4,751,084	4,513,648
	157,250,297	154,528,709	146,091,086
<b>ANNUAL SURPLUS</b>	16,559,262	18,460,374	22,916,847
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	721,630,376	721,630,376	698,713,529
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	\$ 738,189,638	\$ 740,090,750	\$ 721,630,376

**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
for the year ended December 31, 2016 , with comparative figures for 2015

	2016 Budget (Note 14)	2016	2015
<b>ANNUAL SURPLUS</b>	\$ 16,559,262	\$ 18,460,374	\$ 22,916,847
Acquisition of tangible capital assets	(50,245,388)	<b>(27,932,015)</b>	(31,665,508)
Developer contributed capital assets	-	<b>(8,126,066)</b>	(4,234,016)
	(50,245,388)	<b>(36,058,081)</b>	(35,899,524)
Amortization of tangible capital assets	23,174,277	<b>22,926,296</b>	20,288,865
Loss on disposal of tangible capital assets	-	<b>1,533,210</b>	1,363,185
Proceeds on sale of tangible capital assets	-	<b>51,774</b>	21,809
	(27,071,111)	<b>(11,546,801)</b>	(14,225,665)
Acquisition of inventories of supplies	-	<b>(3,539,706)</b>	(3,235,705)
Acquisition of prepaid expenses	-	<b>(1,145,403)</b>	(2,018,028)
Consumption of inventories of supplies	-	<b>3,386,788</b>	3,212,591
Use of prepaid expenses	-	<b>1,940,719</b>	1,763,354
	-	<b>642,398</b>	(277,788)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(10,511,849)	<b>7,555,971</b>	8,413,394
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	49,401,891	<b>49,401,891</b>	40,988,497
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 38,890,042	\$ <b>56,957,862</b>	\$ 49,401,891

**CITY OF NANAIMO**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended December 31, 2016, with comparative figures for 2015

	2016	2015
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus	\$ 18,460,374	\$ 22,916,847
Non-cash items		
Amortization of tangible capital assets	22,926,296	20,288,865
Developer assets received	(8,126,066)	(4,234,016)
Loss on disposal of tangible capital assets	1,533,210	1,363,185
Development cost charges recognized as revenue	(5,390,435)	(7,762,983)
Actuarial adjustment on long term debt	(748,340)	(719,319)
Change in non-cash operating assets and liabilities		
Accounts Receivable	2,809,965	1,773,705
Accounts payable	4,782,042	(4,260,039)
Deferred revenue	454,781	1,400,265
Inventories of supplies	(152,918)	(23,114)
Prepaid expenses	795,316	(254,674)
Net change in cash from operating transactions	37,344,225	30,488,722
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(27,932,015)	(31,665,508)
Proceeds from the sale of tangible capital assets	51,774	21,809
Net change in cash from capital transactions	(27,880,241)	(31,643,699)
<b>INVESTING TRANSACTIONS</b>		
Change in investments	(11,940,588)	3,864,091
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(3,099,953)	(2,367,091)
Deferred development cost charges	8,960,449	5,023,526
Net change in cash from financing transactions	5,860,496	2,656,435
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,383,892</b>	<b>5,365,549</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>66,205,116</b>	<b>60,839,567</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 69,589,008</b>	<b>\$ 66,205,116</b>



# CITY OF NANAIMO SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2016

	City Admin	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks and Recreation	Engineering and Public Works	Sewer System	Waterworks	Consolidated
<b>Revenues</b>											
Taxes	\$ 5,295,440	\$10,881,034	\$ 8,017,066	\$15,683,358	\$25,137,578	\$ 2,551,060	\$15,165,931	\$15,274,639	\$ -	\$ -	<b>\$ 98,006,106</b>
Payments in lieu of taxes	82,131	108,001	124,343	243,246	389,879	39,566	235,220	236,874	-	-	<b>1,459,260</b>
User fees	1,479,305	143,773	456,739	106,850	104,369	2,043,538	6,664,001	4,499,119	6,291,738	16,558,860	<b>38,348,292</b>
Developer assets	-	-	-	-	-	-	2,708,146	4,206,303	779,385	432,232	<b>8,126,066</b>
Other revenue	545,852	743,379	1,674,497	1,483,337	413,105	19,460	412,217	503,473	97	86,498	<b>5,881,915</b>
DCC revenue	-	-	-	-	-	-	4,878	178,666	4,327,736	879,155	<b>5,390,435</b>
Gov't operating transfers	55,907	105,107	406,074	180,576	1,959,568	1,036,015	401,782	186,578	-	-	<b>4,331,607</b>
Gov't capital transfers	-	3,587,994	-	-	-	-	64,025	27,399	-	-	<b>3,679,418</b>
Investment income	103,656	1,287,828	156,931	306,994	492,056	49,935	296,866	309,027	-	6,713	<b>3,010,006</b>
Building permits	-	-	1,619,320	-	-	-	-	-	-	-	<b>1,619,320</b>
Regional recreation	-	-	-	-	-	-	1,091,640	-	-	-	<b>1,091,640</b>
Property rentals	30,000	-	344,231	21,450	295,627	-	280,726	28,882	-	21,000	<b>1,021,916</b>
Donations - capital	-	-	337,600	-	-	-	211,598	417,260	1,000	51,195	<b>1,018,653</b>
MFA refunds	-	-	-	-	-	-	-	4,449	-	-	<b>4,449</b>
	7,592,291	16,857,116	13,136,801	18,025,811	28,792,182	5,739,574	27,537,030	25,872,669	11,399,956	18,035,653	<b>172,989,083</b>
<b>Expenses</b>											
Wages and salaries	4,196,929	5,507,772	6,346,373	14,138,523	5,327,685	671	13,429,260	9,346,188	1,018,293	3,014,076	<b>62,325,770</b>
Contracted services	2,216,834	2,979,408	2,224,944	1,273,856	23,476,187	2,896,935	5,921,727	6,853,364	838,345	1,232,046	<b>49,913,646</b>
Amortization	454,236	701,368	816,487	605,087	323,435	1,623,554	3,118,984	9,122,369	657,189	5,503,587	<b>22,926,296</b>
Other	481,002	2,656,642	2,091,583	81,607	170,978	48,089	997,249	(2,624,447)	1,921,874	2,935,573	<b>8,760,150</b>
Materials and supplies	477,402	185,029	296,819	647,590	100,970	55,440	1,932,432	2,558,022	265,340	809,498	<b>7,328,542</b>
Interest payments on debt	40,055	-	-	133,653	-	882,358	(74,456)	-	-	759,485	<b>1,741,095</b>
Loss on disposal	-	-	-	35,296	-	-	255,978	1,133,474	50,043	58,419	<b>1,533,210</b>
	7,866,458	12,030,219	11,776,206	16,915,612	29,399,255	5,507,047	25,581,174	26,388,970	4,751,084	14,312,684	<b>154,528,709</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(274,167)</b>	<b>4,826,897</b>	<b>1,360,595</b>	<b>1,110,199</b>	<b>(607,073)</b>	<b>232,527</b>	<b>1,955,856</b>	<b>(516,301)</b>	<b>6,648,872</b>	<b>3,722,969</b>	<b>18,460,374</b>
Capital projects	\$ 211,701	\$ 291,057	\$ 373,842	\$ 227,274	\$ 3,114	\$ 22,167	\$ 6,418,290	\$10,510,522	\$ 7,086,442	\$10,913,672	<b>\$ 36,058,081</b>

# CITY OF NANAIMO

## SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2015

	City Admin	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks and Recreation	Engineering and Public Works	Sewer System	Waterworks	Consolidated
<b>Revenues</b>											
Taxes	\$ 6,290,745	\$11,493,123	\$ 7,846,465	\$14,370,506	\$24,483,482	\$ 2,634,146	\$15,003,689	\$14,548,804	\$ -	\$ -	<b>96,670,960</b>
Payments in lieu of taxes	99,071	129,592	128,254	234,893	400,194	43,056	237,497	245,245	-	-	<b>1,517,802</b>
User fees	1,436,306	136,874	180,352	93,775	101,903	1,835,151	6,410,086	4,477,059	5,973,772	14,163,855	<b>34,809,133</b>
DCC revenue	-	-	-	-	-	-	127,640	967,151	42,833	6,625,359	<b>7,762,983</b>
Other revenue	547,361	370,769	1,885,392	1,739,050	442,583	22,732	476,155	2,004,444	7,464	74,460	<b>7,570,410</b>
Gov't operating transfers	62,124	111,357	532,817	147,292	2,086,596	889,575	224,190	303,492	-	-	<b>4,357,443</b>
Developer assets	8,036	-	-	-	-	-	1,096,577	2,416,349	421,593	291,461	<b>4,234,016</b>
Gov't capital transfers	-	-	-	-	-	-	-	133,461	-	3,471,100	<b>3,604,561</b>
Investment income	128,032	1,210,161	165,745	303,557	517,178	55,643	316,932	316,888	-	7,140	<b>3,021,276</b>
Building permits	-	-	1,581,979	-	-	-	-	-	-	-	<b>1,581,979</b>
Property rentals	30,000	-	333,826	23,100	736,358	-	285,484	28,574	-	18,900	<b>1,456,242</b>
Donations - capital	-	502,987	-	-	-	-	29,653	703,700	-	123,404	<b>1,359,744</b>
Regional recreation sharing	-	-	-	-	-	-	1,039,101	-	-	-	<b>1,039,101</b>
MFA refunds	-	-	-	-	-	-	2,973	-	-	19,310	<b>22,283</b>
	8,601,675	13,954,863	12,654,830	16,912,173	28,768,294	5,480,303	25,249,977	26,145,167	6,445,662	24,794,989	<b>169,007,933</b>
<b>Expenses</b>											
Wages and salaries	5,030,875	5,472,672	6,291,653	14,397,535	5,016,502	387	12,599,549	9,079,438	1,051,365	2,329,772	<b>61,269,748</b>
Contracted services	1,857,423	3,013,808	2,551,499	1,148,853	20,836,682	2,770,633	6,019,430	6,425,651	638,843	941,443	<b>46,204,265</b>
Amortization	445,413	738,572	827,255	581,183	326,119	1,623,554	3,126,474	9,045,748	584,167	2,990,380	<b>20,288,865</b>
Other	398,268	2,442,409	2,050,441	88,553	162,959	46,992	950,048	(2,895,020)	1,857,149	3,041,765	<b>8,143,564</b>
Materials and supplies	496,548	210,897	289,367	659,770	82,747	51,636	1,715,982	2,446,971	277,727	705,575	<b>6,937,220</b>
Interest payments on debt	54,657	-	-	140,307	-	984,942	(53,302)	(6,236)	-	763,871	<b>1,884,239</b>
Loss on disposal	25,458	2,654	264,165	18,797	26,633	-	314,514	444,423	104,397	162,144	<b>1,363,185</b>
	8,308,642	11,881,012	12,274,380	17,034,998	26,451,642	5,478,144	24,672,695	24,540,975	4,513,648	10,934,950	<b>146,091,086</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	293,033	2,073,851	380,450	(122,825)	2,316,652	2,159	577,282	1,604,192	1,932,014	13,860,039	<b>22,916,847</b>
Capital projects	\$ 193,895	\$ 1,341,221	\$ -	\$ 581,958	\$ -	\$ -	\$ 2,768,463	\$ 8,124,085	\$ 4,704,967	\$18,184,935	<b>\$ 35,899,524</b>

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2016

	ASSETS				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2015	Additions	Disposals	Transfers	Balance December 31, 2016	Balance December 31, 2015	Additions	Disposals		Balance December 31, 2016
Land	\$ 85,701,341	\$ 3,071,774	\$ 1,123,636	\$ -	\$ 87,649,479	\$ -	\$ -	\$ -	\$ -	\$ 87,649,479
Land improvements	28,963,652	3,625,590	446,158	3,022,990	35,166,074	13,604,535	1,206,898	443,000	14,368,433	20,797,641
Leasehold improvements	2,174,294	30,738	111,891	40,599	2,133,740	1,865,382	64,722	111,891	1,818,213	315,527
Marine structures	867,490	-	-	-	867,490	702,915	28,087	-	731,002	136,488
Buildings	192,493,386	937,702	517,724	107,028	193,020,392	65,780,144	5,211,712	229,186	70,762,670	122,257,722
Vehicles and equipment	30,813,100	2,249,255	1,483,428	69,035	31,647,962	18,622,072	1,833,819	1,450,284	19,005,607	12,642,355
IT Infrastructure	9,092,424	27,188	106,182	41,881	9,055,311	7,867,886	507,099	106,182	8,268,803	786,508
Drainage	101,499,787	2,549,881	36,057	48,316	104,061,927	27,773,662	1,596,438	18,716	29,351,384	74,710,543
Transportation	297,826,583	4,133,400	555,562	492,900	301,897,321	159,371,904	6,643,004	551,958	165,462,950	136,434,371
Sewer	36,200,686	5,487,692	289,700	448,614	41,847,292	11,613,626	651,856	239,657	12,025,825	29,821,467
Water	242,097,287	9,072,681	385,364	468,503	251,253,107	60,244,093	5,182,661	319,844	65,106,910	186,146,197
Work In Progress	9,298,106	4,872,180	-	(4,739,866)	9,430,420	-	-	-	-	9,430,420
	\$ 1,037,028,136	\$ 36,058,081	\$ 5,055,702	\$ -	\$ 1,068,030,515	\$ 367,446,219	\$ 22,926,296	\$ 3,470,718	\$ 386,901,797	\$ 681,128,718

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2015

	ASSETS				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2014	Additions	Disposals	Transfers	Balance December 31, 2015	Balance December 31, 2014	Additions	Disposals		Balance December 31, 2015
Land	\$ 82,935,268	\$ 3,088,859	\$ 322,786	\$ -	\$ 85,701,341	\$ -	\$ -	\$ -	\$ -	\$ 85,701,341
Land improvements	26,681,742	1,827,677	193,713	647,946	28,963,652	12,704,534	1,083,102	183,101	13,604,535	15,359,117
Leasehold improvements	2,174,294	-	-	-	2,174,294	1,787,007	78,375	-	1,865,382	308,912
Marine structures	867,490	-	-	-	867,490	671,855	31,060	-	702,915	164,575
Buildings	188,457,593	3,659,739	753,651	1,129,705	192,493,386	61,119,960	5,101,660	441,476	65,780,144	126,713,242
Vehicles and equipment	30,066,205	1,359,404	913,280	300,771	30,813,100	17,700,630	1,790,416	868,974	18,622,072	12,191,028
IT Infrastructure	8,844,062	290,930	58,409	15,841	9,092,424	7,380,834	542,806	55,754	7,867,886	1,224,538
Drainage	98,501,700	3,095,421	400,000	302,666	101,499,787	26,308,088	1,593,308	127,734	27,773,662	73,726,125
Transportation	293,282,933	4,094,258	967,474	1,416,866	297,826,583	153,485,920	6,570,046	684,062	159,371,904	138,454,679
Sewer	32,170,274	3,100,547	356,600	1,286,465	36,200,686	11,287,311	578,836	252,521	11,613,626	24,587,060
Water	171,339,130	14,366,991	389,511	56,780,677	242,097,287	57,556,312	2,919,256	231,475	60,244,093	181,853,194
Work In Progress	70,038,012	1,141,031	-	(61,880,937)	9,298,106	-	-	-	-	9,298,106
	\$1,005,358,703	\$ 36,024,857	\$ 4,355,424	\$ -	\$1,037,028,136	\$ 350,002,451	\$ 20,288,865	\$ 2,845,097	\$ 367,446,219	\$ 669,581,917



# **CITY OF NANAIMO**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2016

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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 consolidated 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.

#### **Consolidated Entities**

The reporting entity is comprised of all organizations controlled by the City. These organizations include the Nanaimo Economic Development Corporation.

#### **(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 CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**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 CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Debt**

Debt is presented net of related sinking fund balances.

**(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:

<b>Asset</b>	
Land Improvements	10-60
Leasehold Improvements	15-30
Marine Structures	15-35
Buildings	10-40
Vehicles and Equipment	5-25
IT Infrastructure	2-10
Drainage	2-75
Transportation - Linear Infrastructure, Lighting and Signals	14-80
Sewer - Linear Infrastructure and Equipment	25-60
Water - Linear Infrastructure and Equipment	25-80

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 CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**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 CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**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 CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of compensated absences and termination benefits, collectability of accounts receivable, useful lives of tangible assets for calculation of amortization and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

**NOTE 2 - ACCOUNTS RECEIVABLE**

	<u>2016</u>	<u>2015</u>
Utilities	\$ 6,788,646	\$ 6,992,756
Property Taxes	3,720,173	4,437,849
Trade and Other	1,492,159	1,159,844
Due from Provincial Government	1,166,388	2,779,686
Municipal Finance Authority Debt Reserve	885,056	860,991
Due from Federal Government	784,213	734,602
Interest on Investments	723,596	872,800
Due from Regional Government	152,009	227,290
	<u>\$ 15,712,240</u>	<u>\$ 18,065,818</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

**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>2016</u>	<u>2015</u>
Installments:								
2016	\$ 3,715	\$ 48,350	\$ 7,147	\$ 10,382	\$ 19,658	\$ 67,006	\$ 156,258	\$ 418,548
2017	3,715	48,350	7,147	10,382	19,658	67,007	156,259	350,356
	<u>\$ 7,430</u>	<u>\$ 96,700</u>	<u>\$ 14,294</u>	<u>\$ 20,764</u>	<u>\$ 39,316</u>	<u>\$ 134,013</u>	<u>\$ 312,517</u>	<u>\$ 768,904</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>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Temporary Investments	\$ 93,731,114	\$ 93,912,139	\$ 100,726,222	\$ 101,214,712
Debentures	18,935,696	18,889,165	-	-
	<u>\$ 112,666,810</u>	<u>\$ 112,801,304</u>	<u>\$ 100,726,222</u>	<u>\$ 101,214,712</u>

**NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2016</u>	<u>2015</u>
Trade and Other	\$ 13,295,218	\$ 11,943,227
RCMP Contract	8,404,290	6,049,632
Deposits	5,072,714	4,136,976
Accrued wages and benefits	3,746,383	3,631,343
Contaminated sites	110,000	110,000
Other governments	569,642	709,584
	<u>\$ 31,198,247</u>	<u>\$ 26,580,762</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

**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, 2013 and the results are extrapolated to December 31, 2016. The next valuation will be performed as of December 31, 2016 and the results will be extrapolated through to December 31, 2019. Significant assumptions used in the valuation include a discount rate of 4.75%, inflation of 2% and compensation increases, excluding merit and promotion, of 3%. There are unamortized actuarial gains of \$146,513 (2015– \$153,663).

	<u>2016</u>	<u>2015</u>
Actuarial Benefit Obligation, beginning of year	\$ 6,671,260	\$ 6,476,781
Unamortized Actuarial Gain, beginning of year	153,663	160,813
	<hr/>	<hr/>
	6,824,923	6,637,594
Current Service Cost	488,406	457,118
Interest Costs	313,517	305,022
Benefits Paid	(630,216)	(567,661)
Amortization of Actuarial Gain	(7,150)	(7,150)
	<hr/>	<hr/>
	6,989,480	6,824,923
	<hr/>	<hr/>
Actuarial Benefit Obligation, end of year	6,842,967	6,671,260
Unamortized Actuarial Gain, end of year	146,513	153,663
	<hr/>	<hr/>
Accrued Benefit Liability, end of year	\$ 6,989,480	\$ 6,824,923

Actuarial gains and losses are amortized over 12 – 14 years, being the expected average remaining service period of the related employee groups, commencing the year after the gain or loss arises. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$794,773 (2015 - \$754,990).



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

**NOTE 7 - DEFERRED REVENUE AND OTHER LIABILITIES**

	<u>2016</u>	<u>2015</u>
Tax Prepayments	\$ 11,577,802	\$ 11,559,862
Other Prepayments	5,402,982	4,966,141
	<u>\$ 16,980,784</u>	<u>\$ 16,526,003</u>

**NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES**

	<u>2016</u>	<u>2015</u>
Deferred Development Cost Charges - beginning of year	\$ 38,658,888	\$ 41,398,345
Additions	8,224,116	4,298,709
Interest Earned	736,333	724,817
Revenue Recognized	(5,390,435)	(7,762,983)
	<u>\$ 42,228,902</u>	<u>\$ 38,658,888</u>

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

The City issues debt instruments through the MFA pursuant to security issuing bylaws under authority of the *Community Charter* to finance certain capital expenditures.

\$43,925,300 (2015 – \$46,847,697) of debt is with the MFA. Payments of \$20,924,700 on the gross amount borrowed of \$64,850,000 are held in a sinking fund by the MFA. The remaining \$925,896 in 2015 was borrowed from the Royal Bank. This balance was repaid in 2016. The rates of interest on the principal amount of the MFA debentures vary between 1.6% and 4.82% per annum.

	<u>2016</u>	<u>2015</u>
Total Outstanding Debt - beginning of year	\$ 47,773,593	\$ 50,860,003
Reduction of Long-term Debt	(3,848,293)	(3,086,410)
	<u>\$ 43,925,300</u>	<u>\$ 47,773,593</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 2016 at December 31, 2015 was \$37,733,162. The actual liability servicing cost was \$5,339,746, leaving \$32,393,416 of liability servicing capacity available.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

**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>
2017	\$ 2,205,420	\$ 836,569	\$ 3,041,989
2018	2,296,455	870,032	3,166,487
2019	2,391,258	904,833	3,296,091
2020	2,489,986	941,026	3,431,012
2021	1,920,717	978,667	2,899,384
Thereafter	12,145,949	15,944,388	28,090,337
	<u>\$ 23,449,785</u>	<u>\$ 20,475,515</u>	<u>\$ 43,925,300</u>

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2016</u>	<u>2015</u>
<u>General Fund - Tax Supported</u>						
5425	72	Leisure and Aquatic Centre	2.10	2020	\$ 1,261,630	\$ 1,543,830
5457	73	Leisure and Aquatic Centre	1.60	2020	1,149,486	1,406,600
Royal Bank	-	Harbourfront Parkade	5.48	2016	-	925,896
5750	99	Port of Nanaimo Centre	1.75	2026	8,952,209	9,669,168
5750	101	Port of Nanaimo Centre	4.52	2027	9,669,168	10,358,552
7050	102	Fire Station #4	4.82	2027	2,417,292	2,589,638
					<u>23,449,785</u>	<u>26,493,684</u>
<u>Waterworks Fund - User Fee Supported</u>						
7127	126	Water Treatment Plant	3.85	2033	11,905,777	12,388,861
7127	127	Water Treatment Plant	3.30	2034	8,569,738	8,891,048
					<u>20,475,515</u>	<u>21,279,909</u>
					<u>\$ 43,925,300</u>	<u>\$ 47,773,593</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 10 - TANGIBLE CAPITAL ASSETS**

<u>Net Book Value</u>	<u>2016</u>	<u>2015</u>
Land	\$ 87,649,479	\$ 85,701,341
Land Improvements	20,797,641	15,359,117
Leasehold Improvements	315,527	308,912
Marine Structures	136,488	164,575
Buildings	122,257,722	126,713,242
Vehicles and Equipment	12,642,355	12,191,028
IT Infrastructure	786,508	1,224,538
Drainage	74,710,543	73,726,125
Transportation	136,434,371	138,454,679
Sewer	29,821,467	24,587,060
Water	186,146,197	181,853,194
	<hr/>	<hr/>
	671,698,298	660,283,811
Work In Progress	9,430,420	9,298,106
	<hr/>	<hr/>
	<u>\$ 681,128,718</u>	<u>\$ 669,581,917</u>

See schedule of tangible capital assets (page 9) for more information. There were no write downs of tangible capital assets for 2015 and 2016. Developer contributed assets recognized in 2016 were \$8,126,066 (2015 - \$4,234,016) 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 CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 11 - ACCUMULATED SURPLUS**

	<u>2016</u>	<u>2015</u>
Reserve Accounts (Note 22)	\$ 59,153,370	\$ 65,292,759
Surplus - General	5,139,416	3,752,211
Surplus - Sewer System	6,765,372	6,695,163
Surplus - Waterworks	5,430,316	5,356,715
Investment in Tangible Capital Assets (Note18)	637,203,418	621,808,324
Community Works Reserve Fund (Gas Tax Agreement)	6,136,926	2,490,950
Equipment Depreciation Reserve	6,148,706	5,590,647
Facility Development (Recreation) Reserve	2,133,321	1,680,653
Property Sales Reserve	1,183,092	1,331,516
Knowles Estate Reserve	435,516	430,717
Parkland Dedication Reserve	375,527	211,565
Old City Neighborhood Parking Reserve	87,227	85,647
General Asset Management Reserve	7,551,309	4,863,087
Sewer Asset Management Reserve	834,516	512,605
Water Asset Management Reserve	1,135,280	1,225,984
Regional Emissions Reduction Reserve	377,438	301,833
	<u>\$ 740,090,750</u>	<u>\$ 721,630,376</u>

**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.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(b) BC Assessment Authority Appeals**

As at December 31, 2016, 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 \$1,871,727 (2015 – \$1,871,727) are contingent in nature and given the low likelihood of payment are not reflected in the accounts.

The City is a participant in the Municipal Insurance Association of British Columbia (the Association). Should the Association pay out claims in excess of premiums received, it is possible that the City, along with other participants, would be required to contribute towards the deficit.

**(d) Subsidence of Mines**

Continued existence of abandoned underground mines has resulted in risk to private land and public roads due to potential collapse or instability. The full impact of the abandoned mines and any potential liabilities are unknown at this time and a partnership with the Province of BC to complete studies to address any potential risks has been requested. No determination of the City's liability, if any, has been made and no estimate of potential loss can be made or recorded at this time. A liability will be recorded if remediation costs are determined to be likely and the amounts are reasonably determinable.

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**(e) Commitments**

The City has \$7.8 million 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 million line of credit for the Port Theatre Society. Management considers the likelihood of payment on the guarantee to be low.

**NOTE 13 - CEMETERY CARE FUND**

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The trust fund assets and liabilities are not included in the consolidated financial statements. At December 31, 2016, the balance of funds held in trust was \$556,668 (2015 - \$545,088).

**NOTE 14 - ANNUAL BUDGET**

These financial statements include the Annual Budget as approved by Council on May 2, 2016. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the financial statements and the annual financial plan bylaw:

	<u>2016</u>
Annual Budgeted Surplus - Statement of Operations	\$ 9,930,513
Cemetery Care Fund - not in reporting entity	7,500
	<hr/>
Annual Surplus from the 2016 Financial Plan	9,938,013
Amortization, not funded	23,174,277
Capital Expenditures	(50,245,388)
Principal Repayment of Debt	(3,060,719)
Transfers from Accumulated Surplus	20,193,817
	<hr/>
Net Annual Budget - as approved	<u>\$ -</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

**NOTE 15 - TAXATION AND PAYMENTS IN LIEU**

	<u>Municipal</u>	<u>Other</u>	<u>2016</u> <u>Total</u>	<u>2015</u> <u>Total</u>
Property Taxes	\$ 92,240,459	\$ 59,751,226	\$ 151,991,685	\$ 149,951,400
Local Improvements Frontage Fees	2,119	-	2,119	18,985
Business Improvement Area Levies	231,923	-	231,923	229,631
Vancouver Island Regional Library	4,108,327	-	4,108,327	3,907,839
Taxes in Lieu of Licenses	1,423,278	-	1,423,278	1,390,851
Payments in Lieu of Taxes	1,459,260	487,326	1,946,586	2,027,952
	<u>\$ 99,465,366</u>	<u>\$ 60,238,552</u>	<u>\$ 159,703,918</u>	<u>\$ 157,526,658</u>
			<u>2016</u>	<u>2015</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 38,128,393	\$ 38,338,515
Regional District of Nanaimo			17,334,012	16,256,554
Nanaimo Regional Hospital District			3,742,866	3,675,389
Other Agencies			1,033,281	1,067,438
			<u>60,238,552</u>	<u>59,337,896</u>
Taxation and Payments in Lieu			<u>\$ 99,465,366</u>	<u>\$ 98,188,762</u>

**NOTE 16 - USER FEES AND SALES OF SERVICES**

	<u>2016</u>	<u>2015</u>
Waterworks	\$ 16,558,860	\$ 14,163,855
Recreation Programs	6,664,001	6,410,086
Sewer System	6,291,738	5,973,772
Garbage Collection	3,776,182	3,766,514
Vancouver Island Conference Centre	2,043,538	1,835,151
Public Works	722,937	710,545
Parking	1,454,039	1,420,363
Other	625,778	333,169
Community Safety	211,219	195,678
	<u>\$ 38,348,292</u>	<u>\$ 34,809,133</u>



**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

**NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS**

	<u>2016</u>	<u>2015</u>
<u>Federal</u>		
Gas Tax	\$ 3,587,994	\$ 3,471,100
Other	76,185	53,400
	<u>3,664,179</u>	<u>3,524,500</u>
<u>Provincial</u>		
Casino Gaming	2,593,933	2,485,884
Revenue Sharing	1,211,761	1,373,272
Other	329,784	376,106
	<u>4,135,478</u>	<u>4,235,262</u>
<u>Regional District of Nanaimo</u>		
Other	211,368	202,242
Total Transfers from Other Governments	<u>\$ 8,011,025</u>	<u>\$ 7,962,004</u>
Transfers from Other Governments - Capital	\$ 3,679,418	\$ 3,604,561
Transfers from Other Governments - Operating	4,331,607	4,357,443
Total Transfers from Other Governments	<u>\$ 8,011,025</u>	<u>\$ 7,962,004</u>

**NOTE 18 - INVESTMENT IN TANGIBLE CAPITAL ASSETS**

	<u>2016</u>	<u>2015</u>
Investment in Tangible Capital Assets - beginning of year	\$ 621,808,324	\$ 604,496,249
Add:		
Capital Additions	36,058,081	35,899,524
Reductions in Long-term Debt	3,848,293	3,086,410
Less:		
Amortization	(22,926,296)	(20,288,865)
Net Book Value of Asset Disposals	(1,584,984)	(1,384,994)
Investment in Tangible Capital Assets - end of year	<u>\$ 637,203,418</u>	<u>\$ 621,808,324</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 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 deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. During 2016, City of Nanaimo contributions to the plan were:

	<u>2016</u>	<u>2015</u>
Employer Portion	\$ 4,902,227	\$ 5,048,233
Employee Portion	4,128,271	4,272,288
	<u>\$ 9,030,498</u>	<u>\$ 9,320,521</u>

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

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

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 20 - FINANCIAL INSTRUMENTS**

**(a) Financial Risk and Fair Market Values**

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

**(b) Credit Risk**

The City is not exposed to significant risk from its accounts receivables. The City's tax base has a significant number of participants which reduces the concentration of credit risk. Credit risk is further minimized as the City has the ability to expropriate land in the event of non-payment of property tax receivables.

**NOTE 21 - COMPARATIVE FIGURES**

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

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

**NOTE 22 - RESERVES**

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2016</u>	<u>2015</u>
<u>General Revenue Fund Reserve Accounts</u>				
Fire & Emergency Services	\$ 150,000	\$ 1,897,367	\$ 2,047,367	\$ 1,707,678
Parks & Recreation	167,094	40,856	207,950	277,264
Strategic Partnerships	-	250,000	250,000	250,000
General Capital	841,352	4,286,003	5,127,355	6,839,897
Prior Year Carry Forwards	4,367,140	-	4,367,140	5,551,321
Housing Legacy Reserve	159,790	2,255,862	2,415,652	2,761,573
Uncollected Taxes	-	2,112,533	2,112,533	2,472,037
Uninsured Claims	-	2,682,939	2,682,939	2,580,995
Allowance for Bad Debts	10,000	40,000	50,000	50,000
RCMP Contract	212,071	2,866,761	3,078,832	3,290,903
Information Technology Infrastructure	1,136,608	479,062	1,615,670	1,835,560
Sustainability Initiatives	440,687	286,044	726,731	790,470
Parking Reserve	358,245	261,520	619,765	988,211
Conference Centre	111,885	648,241	760,126	700,682
Snow Removal	-	400,000	400,000	400,000
Property Acquisition	1,025,040	938,037	1,963,077	1,334,833
Colliery Dam Reserve	172,684	69,770	242,454	972,479
Photocopier Reserve	53,000	256,408	309,408	295,639
Casino Funds	-	723,611	723,611	256,613
	<u>9,205,596</u>	<u>20,495,014</u>	<u>29,700,610</u>	<u>33,356,155</u>
<u>Sewer Revenue Reserve Accounts</u>				
General Capital	5,343,695	5,489,323	10,833,018	10,938,977
Growth Related Projects	-	916	916	916
	<u>5,343,695</u>	<u>5,490,239</u>	<u>10,833,934</u>	<u>10,939,893</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
General Capital	13,423,929	3,195,236	16,619,165	19,487,050
Growth Related Projects	-	1,900,000	1,900,000	1,410,000
Local Improvement Projects	-	99,661	99,661	99,661
	<u>13,423,929</u>	<u>5,194,897</u>	<u>18,618,826</u>	<u>20,996,711</u>
Total Reserve Accounts	<u>\$ 27,973,220</u>	<u>\$ 31,180,150</u>	<u>\$ 59,153,370</u>	<u>\$ 65,292,759</u>

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 23 - SEGMENT REPORTING**

The City's operations and activities are organized and reported by Fund. City services are provided by departments and their activities are reported in these funds. See Schedule of Operations by Segment (page 7).

**GENERAL REVENUE FUND**

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

**City Administration**

The Chief Administrative Officer's office assists Council to establish its strategic direction for the City and takes the lead role in managing the implementation of policy direction established by Council. The Office also provides managerial leadership and direction to all City departments and operations.

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

**Corporate Services**

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

**Development Services**

Development Services is responsible for a variety of tasks relating to planning and development. This includes processing development applications and developing related policies and regulations. The Development Services Department is also the liaison to the Nanaimo Economic Development Corporation.

**Fire**

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

**CITY OF NANAIMO**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2016

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**NOTE 23 - SEGMENT REPORTING (CONTINUED)**

**Police**

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

**Port of Nanaimo Centre**

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

**Parks and Recreation**

The Parks and Recreation department manages, facilitates and maintains a system of services, facilities, parks and open spaces and works to enhance the quality of life for the citizens of Nanaimo.

**Engineering and Public Works**

Engineering and Public Works is responsible for the planning, design, construction, operation and maintenance of the City's infrastructure including the City's water, sanitary sewer, drainage and transportation infrastructure. Department operations also include maintenance of the City's fleet, cemeteries, solid waste collection and recycling.

**SEWER SYSTEM**

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

**WATERWORKS**

The City Waterworks Utility is a self-funded entity that delivers water to residential, commercial and industrial premises in Nanaimo. The Utility operates and maintains a supply system consisting of dams, transmission mains, reservoirs and treatment facilities as well as a distribution system.





Jack Point Park

CITY OF NANAIMO  
THE HARBOUR CITY



the Harbour