

City of Nanaimo



Maffeo Sutton Park

ANNUAL FINANCIAL STATEMENTS

2017

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT
for the year ended December 31, 2017

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CITY OF NANAIMO MANAGEMENT REPORT

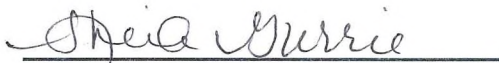
For the Year Ended December 31, 2017

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.

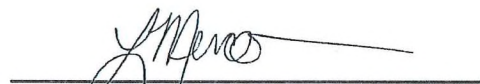
To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for 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, 2017.



Sheila Gurrie
Corporate Officer



Laura Mercer, CPA, CGA
Deputy Financial Officer



KPMG LLP
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Vancouver BC V7Y 1K3
Canada
Telephone 604-691-3000
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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, 2017 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, 2017, 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


Vancouver, Canada
May 14, 2018

CITY OF NANAIMO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2017, with comparative figures for 2016


	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 51,082,470	\$ 69,589,008
Accounts receivable (Note 2)	20,190,612	15,712,240
Development cost charges receivable (Note 3)	563,650	312,517
Temporary investments (Note 4)	140,151,672	112,666,810
	211,988,404	198,280,575
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	29,881,200	31,198,247
Compensated absences and termination benefits (Note 6)	7,364,676	6,989,480
Deferred revenue (Note 7)	17,210,247	16,980,784
Deferred development cost charges (Note 8)	42,617,685	42,228,902
Debt (Note 9)	42,335,511	43,925,300
	139,409,319	141,322,713
NET FINANCIAL ASSETS	72,579,085	56,957,862
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	686,215,676	681,128,718
Prepaid expenses	1,213,866	1,185,506
Inventories of supplies	1,062,170	818,664
	688,491,712	683,132,888
ACCUMULATED SURPLUS (Note 11)	\$ 761,070,797	\$ 740,090,750

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, 2017, with comparative figures for 2016

	2017 Budget (Note 14)	2017	2016
REVENUES			
Taxes	\$ 101,610,817	\$ 101,772,627	\$ 98,006,106
Payments in lieu of taxes	1,795,482	1,858,365	1,459,260
Taxation and payments in lieu (Note 15)	103,406,299	103,630,992	99,465,366
User fees and sales of services (Note 16)	38,242,851	39,794,704	38,348,292
Other revenue	4,914,262	6,511,918	5,881,915
Development cost charges (Note 8)	10,772,486	6,802,341	5,390,435
Transfers from other governments-operating (Note 17)	4,173,312	4,629,890	4,331,607
Transfers from other governments-capital (Note 17)	7,283,481	3,745,004	3,679,418
Developer assets received (Note 10)	-	3,724,488	8,126,066
Investment income	2,784,053	3,403,150	3,010,006
Building permits	1,250,000	1,885,202	1,619,320
Regional recreation sharing	1,113,566	1,113,566	1,091,640
Donations and contributions-capital	4,136,953	972,902	1,018,653
Property rentals	961,438	961,546	1,021,916
Municipal Finance Authority refunds and debt forgiven	-	-	4,449
	179,038,701	177,175,703	172,989,083
EXPENSES			
Police	28,576,553	28,580,462	29,399,255
Parks and recreation	27,991,375	27,838,680	25,581,174
Engineering and public works	27,427,521	27,046,043	25,933,296
Fire	17,685,195	17,458,206	16,915,612
Waterworks	16,285,726	14,600,044	14,312,684
Corporate services	14,387,864	12,328,650	12,485,893
Development services	12,305,401	11,023,615	11,776,206
City administration	9,043,194	8,683,228	7,866,458
Sewer System	5,560,959	4,755,490	4,751,084
Port of Nanaimo Centre	4,900,072	3,881,238	5,507,047
	164,163,860	156,195,656	154,528,709
ANNUAL SURPLUS	14,874,841	20,980,047	18,460,374
ACCUMULATED SURPLUS - BEGINNING OF YEAR	740,090,750	740,090,750	721,630,376
ACCUMULATED SURPLUS - END OF YEAR	\$ 754,965,591	\$ 761,070,797	\$ 740,090,750

CITY OF NANAIMO
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2017 , with comparative figures for 2016

	2017 Budget (Note 14)	2017	2016
ANNUAL SURPLUS	\$ 14,874,841	\$ 20,980,047	\$ 18,460,374
Acquisition of tangible capital assets	(58,597,556)	(25,748,499)	(27,932,015)
In kind donations of capital assets	-	(227,079)	-
Developer contributed capital assets	-	(3,724,488)	(8,126,066)
	(58,597,556)	(29,700,066)	(36,058,081)
Amortization of tangible capital assets	23,527,325	23,319,708	22,926,296
Loss on disposal of tangible capital assets	-	(852,358)	1,533,210
Proceeds on sale of tangible capital assets	-	2,145,758	51,774
	(35,070,231)	(5,086,958)	(11,546,801)
Acquisition of inventories of supplies	-	(4,551,869)	(3,539,706)
Acquisition of prepaid expenses	-	(1,190,316)	(1,145,403)
Consumption of inventories of supplies	-	4,308,363	3,386,788
Use of prepaid expenses	-	1,161,956	1,940,719
	-	(271,866)	642,398
CHANGE IN NET FINANCIAL ASSETS	(20,195,390)	15,621,223	7,555,971
NET FINANCIAL ASSETS - BEGINNING OF YEAR	56,957,862	56,957,862	49,401,891
NET FINANCIAL ASSETS - END OF YEAR	\$ 36,762,472	\$ 72,579,085	\$ 56,957,862

CITY OF NANAIMO
CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2017, with comparative figures for 2016

	2017	2016
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 20,980,047	\$ 18,460,374
Non-cash items		
Amortization of tangible capital assets	23,319,708	22,926,296
Developer assets received	(3,724,488)	(8,126,066)
In kind donations of capital assets	(227,079)	-
(Gain) loss on disposal of tangible capital assets	(852,358)	1,533,210
Development cost charges recognized as revenue	(6,802,341)	(5,390,435)
Actuarial adjustment on long term debt	(867,932)	(748,340)
Change in non-cash operating assets and liabilities		
Accounts Receivable	(4,729,505)	2,809,965
Accounts payable	(941,851)	4,782,042
Deferred revenue	229,463	454,781
Inventories of supplies	(243,506)	(152,918)
Prepaid expenses	(28,360)	795,316
Net change in cash from operating transactions	26,111,798	37,344,225
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(25,748,499)	(27,932,015)
Proceeds from the sale of tangible capital assets	2,145,758	51,774
Net change in cash from capital transactions	(23,602,741)	(27,880,241)
INVESTING TRANSACTIONS		
Change in investments	(27,484,862)	(11,940,588)
FINANCING TRANSACTIONS		
Debt repayment	(2,221,857)	(3,099,953)
Deferred development cost charges	7,191,124	8,960,449
Proceeds from long term borrowing	1,500,000	-
Net change in cash from financing transactions	6,469,267	5,860,496
CHANGE IN CASH AND CASH EQUIVALENTS	(18,506,538)	3,383,892
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	69,589,008	66,205,116
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 51,082,470	\$ 69,589,008

CITY OF NANAIMO SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2017

	City Admin	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks and Recreation	Engineering and Public Works	Sewer System	Waterworks	Consolidated
Revenues											
Taxes	\$ 6,336,701	\$13,203,377	\$ 7,246,517	\$16,278,694	\$26,190,233	\$ 1,833,485	\$16,228,719	\$14,454,901	\$ -	\$ -	\$ 101,772,627
Payments in lieu of taxes	121,418	161,284	138,851	311,917	501,833	35,132	310,959	276,971	-	-	1,858,365
User fees	1,614,870	124,213	160,192	112,178	114,399	799,523	6,639,352	5,046,516	7,085,084	18,098,377	39,794,704
Developer assets	-	-	-	-	-	-	1,280,700	1,952,764	253,608	237,416	3,724,488
Other revenue	608,351	879,619	1,659,407	1,692,045	443,561	13,026	440,524	666,981	3,497	104,907	6,511,918
DCC revenue	-	-	-	-	-	-	1,249,298	2,061,472	1,158,852	2,332,719	6,802,341
Gov't operating transfers	105,224	172,133	357,212	270,311	1,628,162	1,149,168	600,053	257,627	90,000	-	4,629,890
Gov't capital transfers	-	3,637,130	-	-	-	-	-	107,874	-	-	3,745,004
Investment income	129,533	1,561,286	148,130	332,763	535,370	37,479	331,740	317,219	-	9,630	3,403,150
Building permits	-	-	1,885,202	-	-	-	-	-	-	-	1,885,202
Regional recreation sharing	-	-	-	-	-	-	1,113,566	-	-	-	1,113,566
Property rentals	30,000	-	328,481	17,850	281,213	-	251,444	31,558	-	21,000	961,546
Donations - capital	-	-	-	-	-	-	669,445	295,000	-	8,457	972,902
	8,946,097	19,739,042	11,923,992	19,015,758	29,694,771	3,867,813	29,115,800	25,468,883	8,591,041	20,812,506	177,175,703
Expenses											
Wages and salaries	4,837,998	6,315,874	5,851,974	14,630,512	4,976,016	1,652	13,591,921	9,308,918	1,036,921	3,240,844	63,792,630
Contracted services	2,477,697	3,325,669	2,325,460	1,285,686	22,936,251	1,725,315	8,135,172	7,980,076	688,066	1,104,419	51,983,811
Amortization	385,189	1,052,646	570,322	601,407	328,584	1,623,555	3,244,668	9,150,128	755,019	5,608,190	23,319,708
Other	532,499	2,709,831	2,121,032	78,764	170,413	24,120	1,025,958	(2,687,265)	1,983,516	3,044,024	9,002,892
Materials and supplies	451,545	214,583	203,562	726,724	101,760	76,139	1,944,578	2,969,849	228,973	843,825	7,761,538
Interest payments on debt	-	-	-	122,005	-	430,457	(98,763)	6,720	-	727,016	1,187,435
(Gain) loss on disposal of assets	(1,700)	(1,289,953)	(48,735)	13,108	67,438	-	(4,854)	317,617	62,995	31,726	(852,358)
	8,683,228	12,328,650	11,023,615	17,458,206	28,580,462	3,881,238	27,838,680	27,046,043	4,755,490	14,600,044	156,195,656
ANNUAL SURPLUS (DEFICIT)	262,869	7,410,392	900,377	1,557,552	1,114,309	(13,425)	1,277,120	(1,577,160)	3,835,551	6,212,462	20,980,047
Capital projects	\$ 14,475	\$ 406,818	\$ -	\$ 150,606	\$ 366,279	\$ 51,844	\$10,276,316	\$ 9,871,534	\$ 4,520,230	\$ 4,041,964	\$ 29,700,066

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
Revenues											
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	\$ -	\$ -	98,006,106
Payments in lieu of taxes	82,131	108,001	124,343	243,246	389,879	39,566	235,220	236,874	-	-	1,459,260
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	38,348,292
Developer assets	-	-	-	-	-	-	2,708,146	4,206,303	779,385	432,232	8,126,066
Other revenue	545,852	743,379	1,674,497	1,483,337	413,105	19,460	412,217	503,473	97	86,498	5,881,915
DCC revenue	-	-	-	-	-	-	4,878	178,666	4,327,736	879,155	5,390,435
Gov't operating transfers	55,907	105,107	406,074	180,576	1,959,568	1,036,015	401,782	186,578	-	-	4,331,607
Gov't capital transfers	-	3,587,994	-	-	-	-	64,025	27,399	-	-	3,679,418
Investment income	103,656	1,287,828	156,931	306,994	492,056	49,935	296,866	309,027	-	6,713	3,010,006
Building permits	-	-	1,619,320	-	-	-	-	-	-	-	1,619,320
Regional recreation sharing	-	-	-	-	-	-	1,091,640	-	-	-	1,091,640
Property rentals	30,000	-	344,231	21,450	295,627	-	280,726	28,882	-	21,000	1,021,916
Donations - capital	-	-	337,600	-	-	-	211,598	417,260	1,000	51,195	1,018,653
MFA refunds	-	-	-	-	-	-	-	4,449	-	-	4,449
	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	172,989,083
Expenses											
Wages and salaries	4,196,929	5,881,887	6,346,373	14,138,523	5,327,685	671	13,429,260	8,972,073	1,018,293	3,014,076	62,325,770
Contracted services	2,216,834	3,043,556	2,224,944	1,273,856	23,476,187	2,896,935	5,921,727	6,789,216	838,345	1,232,046	49,913,646
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	22,926,296
Other	481,002	2,664,033	2,091,583	81,607	170,978	48,089	997,249	(2,631,838)	1,921,874	2,935,573	8,760,150
Materials and supplies	477,402	195,049	296,819	647,590	100,970	55,440	1,932,432	2,548,002	265,340	809,498	7,328,542
Interest payments on debt	40,055	-	-	133,653	-	882,358	(74,456)	-	-	759,485	1,741,095
Loss on disposal of assets	-	-	-	35,296	-	-	255,978	1,133,474	50,043	58,419	1,533,210
	7,866,458	12,485,893	11,776,206	16,915,612	29,399,255	5,507,047	25,581,174	25,933,296	4,751,084	14,312,684	154,528,709
ANNUAL SURPLUS (DEFICIT)	(274,167)	4,371,223	1,360,595	1,110,199	(607,073)	232,527	1,955,856	(60,627)	6,648,872	3,722,969	18,460,374
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	36,058,081

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2017

	ASSETS				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2016	Additions	Disposals	Transfers	Balance December 31, 2017	Balance December 31, 2016	Additions	Disposals		Balance December 31, 2017
Land	\$ 87,649,479	\$ 5,258,995	\$ 584,355	\$ -	\$ 92,324,119	\$ -	\$ -	\$ -	\$ -	\$ 92,324,119
Land improvements	35,166,074	1,518,227	171,091	208,726	36,721,936	14,368,433	1,290,592	171,091	15,487,934	21,234,002
Leasehold improvements	2,133,740	-	27,492	-	2,106,248	1,818,213	41,497	16,244	1,843,466	262,782
Marine structures	867,490	240,734	279,000	-	829,224	731,002	26,450	279,000	478,452	350,772
Buildings	193,020,392	621,254	216,500	3,113	193,428,259	70,762,670	5,228,190	149,062	75,841,798	117,586,461
Vehicles and equipment	31,647,962	2,664,168	1,615,714	158,177	32,854,593	19,005,607	1,972,711	1,267,249	19,711,069	13,143,524
IT Infrastructure	9,055,311	277,120	45,428	213,941	9,500,944	8,268,803	438,767	44,945	8,662,625	838,319
Drainage	104,061,927	1,221,556	400,450	397,982	105,281,015	29,351,384	1,615,924	393,267	30,574,041	74,706,974
Transportation	301,897,321	2,892,099	942,101	282,456	304,129,775	165,462,950	6,655,070	764,630	171,353,390	132,776,385
Sewer	41,847,292	2,097,348	201,300	1,547,731	45,291,071	12,025,825	749,686	138,305	12,637,206	32,653,865
Water	251,253,107	2,886,453	296,741	3,640,168	257,482,987	65,106,910	5,300,821	262,979	70,144,752	187,338,235
Work In Progress	9,430,420	10,022,112	-	(6,452,294)	13,000,238	-	-	-	-	13,000,238
	\$ 1,068,030,515	\$ 29,700,066	\$ 4,780,172	\$ -	\$ 1,092,950,409	\$ 386,901,797	\$ 23,319,708	\$ 3,486,772	\$ 406,734,733	\$ 686,215,676

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

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, 2017

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, 2017

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	2-80
Leasehold Improvements	15-30
Marine Structures	15-35
Buildings	10-40
Vehicles and Equipment	2-25
IT Infrastructure	2-10
Drainage	2-75
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 CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

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, 2017

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, 2017

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>2017</u>	<u>2016</u>
Utilities	\$ 11,246,646	\$ 6,788,646
Property Taxes	3,302,159	3,720,173
Trade and Other	1,734,615	1,492,159
Due from Provincial Government	1,261,738	1,166,388
Municipal Finance Authority Debt Reserve	902,317	885,056
Due from Federal Government	534,496	784,213
Interest on Investments	991,960	723,596
Due from Regional Government	216,681	152,009
	<u>\$ 20,190,612</u>	<u>\$ 15,712,240</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

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>2017</u>	<u>2016</u>
Installments:								
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,258
2017	8,516	112,183	16,369	23,777	45,605	153,504	359,954	156,259
2018	4,801	63,832	9,222	13,394	25,947	86,500	203,696	-
	<u>\$ 13,317</u>	<u>\$ 176,015</u>	<u>\$ 25,591</u>	<u>\$ 37,171</u>	<u>\$ 71,552</u>	<u>\$ 240,004</u>	<u>\$ 563,650</u>	<u>\$ 312,517</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>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Temporary Investments	\$ 121,196,872	\$ 121,196,872	\$ 93,731,114	\$ 93,912,139
Debentures	18,954,800	18,669,441	18,935,696	18,889,165
	<u>\$ 140,151,672</u>	<u>\$ 139,866,313</u>	<u>\$ 112,666,810</u>	<u>\$ 112,801,304</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Trade and Other	\$ 9,814,046	\$ 13,295,218
RCMP Contract	7,666,262	8,404,290
Deposits	6,703,412	5,072,714
Accrued wages and benefits	4,388,820	3,746,383
Contaminated sites	225,750	110,000
Other governments	1,082,910	569,642
	<u>\$ 29,881,200</u>	<u>\$ 31,198,247</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

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, 2016 and the results are extrapolated to December 31, 2017. The current valuation was completed in 2017. Significant assumptions used in the valuation include a discount rate of 4% (2016 - 4.75%), inflation of 1.75% (2016 - 2%) and compensation increases, excluding merit and promotion, of 2.75% (2016 - 3%). There is an unamortized actuarial loss of \$677,856 (2016 – gain of \$146,513).

	<u>2017</u>	<u>2016</u>
Actuarial Benefit Obligation, beginning of year	\$ 6,842,967	\$ 6,671,260
Unamortized Actuarial Gain, beginning of year	146,513	153,663
	<hr/>	<hr/>
	6,989,480	6,824,923
Current Service Cost	737,565	488,406
Interest Costs	309,023	313,517
Benefits Paid	(732,344)	(630,216)
Amortization of Actuarial (Gain) / Loss	60,952	(7,150)
	<hr/>	<hr/>
	7,364,676	6,989,480
	<hr/>	<hr/>
Actuarial Benefit Obligation, end of year	8,042,532	6,842,967
Unamortized Actuarial Gain / (Loss), end of year	(677,856)	146,513
	<hr/>	<hr/>
Accrued Benefit Liability, end of year	\$ 7,364,676	\$ 6,989,480

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 \$1,107,540 (2016 - \$794,773).

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

NOTE 7 - DEFERRED REVENUE AND OTHER LIABILITIES

	<u>2017</u>	<u>2016</u>
Tax Prepayments	\$ 11,825,590	\$ 11,577,802
Other Prepayments	5,384,657	5,402,982
	<u>\$ 17,210,247</u>	<u>\$ 16,980,784</u>

NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2017</u>	<u>2016</u>
Deferred Development Cost Charges - beginning of year	\$ 42,228,902	\$ 38,658,888
Additions	6,396,603	8,224,116
Interest Earned	794,521	736,333
Revenue Recognized	(6,802,341)	(5,390,435)
	<u>\$ 42,617,685</u>	<u>\$ 42,228,902</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.

\$42,335,511 (2016 – \$43,925,300) of debt is with the MFA. Payments of \$23,966,689 on the gross amount borrowed of \$66,350,000 are held in a sinking fund by the MFA. The rates of interest on the principal amount of the MFA debentures vary between 1.6% and 3.85% per annum.

	<u>2017</u>	<u>2016</u>
Total Outstanding Debt - beginning of year	\$ 43,925,300	\$ 47,773,593
Reduction of Long-term Debt	(3,089,789)	(3,848,293)
Proceeds from long-term borrowing	1,500,000	-
	<u>\$ 42,335,511</u>	<u>\$ 43,925,300</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 2017 at December 31, 2016 was \$38,379,597. The actual liability servicing cost was \$6,075,618, leaving \$32,303,979 of liability servicing capacity available.

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

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>
2018	\$ 2,586,747	\$ 870,032	\$ 3,456,779
2019	2,686,848	904,833	3,591,681
2020	2,790,928	941,026	3,731,954
2021	2,227,194	978,667	3,205,861
2022	2,256,386	1,017,814	3,274,200
Thereafter	10,148,462	14,926,574	25,075,036
	<u>\$ 22,696,565</u>	<u>\$ 19,638,946</u>	<u>\$ 42,335,511</u>

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2017</u>	<u>2016</u>
<u>General Fund - Tax Supported</u>						
5425	72	Leisure and Aquatic Centre	2.10	2020	\$ 966,732	\$ 1,261,630
5457	73	Leisure and Aquatic Centre	1.60	2020	880,801	1,149,486
5750	99	Port of Nanaimo Centre	1.75	2026	8,206,571	8,952,209
5750	101	Port of Nanaimo Centre	2.25	2027	8,952,209	9,669,168
7050	102	Fire Station #4	2.25	2027	2,238,052	2,417,292
N/A	N/A	Garbage Trucks Equipment	1.81	2022	1,452,200	-
					<u>22,696,565</u>	<u>23,449,785</u>
<u>Waterworks Fund - User Fee Supported</u>						
7127	126	Water Treatment Plant	3.85	2033	11,403,371	11,905,777
7127	127	Water Treatment Plant	3.30	2034	8,235,575	8,569,738
					<u>19,638,946</u>	<u>20,475,515</u>
					<u>\$ 42,335,511</u>	<u>\$ 43,925,300</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

NOTE 10 - TANGIBLE CAPITAL ASSETS

<u>Net Book Value</u>	<u>2017</u>	<u>2016</u>
Land	\$ 92,324,119	\$ 87,649,479
Land Improvements	21,234,002	20,797,641
Leasehold Improvements	262,782	315,527
Marine Structures	350,772	136,488
Buildings	117,586,461	122,257,722
Vehicles and Equipment	13,143,524	12,642,355
IT Infrastructure	838,319	786,508
Drainage	74,706,974	74,710,543
Transportation	132,776,385	136,434,371
Sewer	32,653,865	29,821,467
Water	187,338,235	186,146,197
	<hr/>	<hr/>
	673,215,438	671,698,298
Work In Progress	13,000,238	9,430,420
	<hr/>	<hr/>
	<u>\$ 686,215,676</u>	<u>\$ 681,128,718</u>

See schedule of tangible capital assets (page 9) for more information. There were no write downs of tangible capital assets for 2016 and 2017. Developer contributed assets recognized in 2017 were \$3,724,488 (2016 - \$8,126,066) 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, 2017

NOTE 11 - ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Reserve Accounts (Note 22)	\$ 65,325,545	\$ 59,153,370
Surplus - General	5,499,908	5,139,416
Surplus - Sewer System	6,834,001	6,765,372
Surplus - Waterworks	5,545,156	5,430,316
Investment in Tangible Capital Assets (Note18)	643,880,165	637,203,418
Community Works Reserve Fund (Gas Tax Agreement)	5,450,615	6,136,926
Equipment Depreciation Reserve	7,516,016	6,148,706
Facility Development (Recreation) Reserve	3,125,384	2,133,321
Property Sales Reserve	2,325,949	1,183,092
Knowles Estate Reserve	420,076	435,516
Parkland Dedication Reserve	638,458	375,527
Old City Neighborhood Parking Reserve	88,896	87,227
General Asset Management Reserve	10,148,379	7,551,309
Sewer Asset Management Reserve	1,146,300	834,516
Water Asset Management Reserve	2,664,841	1,135,280
Regional Emissions Reduction Reserve	461,108	377,438
	<u>\$ 761,070,797</u>	<u>\$ 740,090,750</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, 2017

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) BC Assessment Authority Appeals

As at December 31, 2017, 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 (2016 – \$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. 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, 2017

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Commitments

The City has \$14,500,000 (2016 - \$7,800,000) in open purchase orders at year end which have not been recorded in the financial statements. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the period that the goods and services, to which they relate, are received.

(f) Guarantees

The City has guaranteed the amount of a \$2,000,000 line of credit for the Port Theatre Society. Management considers the likelihood of payment on the guarantee to be low.

NOTE 13 - CEMETERY CARE FUND

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The trust fund assets and liabilities are not included in the consolidated financial statements. At December 31, 2017, the balance of funds held in trust was \$567,918 (2016 - \$556,668).

NOTE 14 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 2, 2017. 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>2017</u>
Annual Budgeted Surplus - Statement of Operations	\$ 14,867,341
Cemetery Care Fund - not in reporting entity	7,500
	<hr/>
Annual Surplus from the 2017 Financial Plan	14,874,841
Amortization, not funded	23,527,325
Capital Expenditures	(58,597,556)
Principal Repayment of Debt	(3,041,989)
Transfers from Accumulated Surplus	23,237,379
	<hr/>
Net Annual Budget - as approved	\$ -

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

NOTE 15 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
Property Taxes	\$ 95,952,570	\$ 60,836,867	\$ 156,789,437	\$ 151,991,685
Local Improvements Frontage Fees	-	-	-	2,119
Business Improvement Area Levies	40,774	-	40,774	231,923
Vancouver Island Regional Library	4,332,949	-	4,332,949	4,108,327
Taxes in Lieu of Licenses	1,446,334	-	1,446,334	1,423,278
Payments in Lieu of Taxes	1,858,365	537,974	2,396,339	1,946,586
	<u>\$ 103,630,992</u>	<u>\$ 61,374,841</u>	<u>\$ 165,005,833</u>	<u>\$ 159,703,918</u>
			<u>2017</u>	<u>2016</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 38,054,892	\$ 38,128,393
Regional District of Nanaimo			18,450,297	17,334,012
Nanaimo Regional Hospital District			3,892,423	3,742,866
Other Agencies			977,229	1,033,281
			<u>61,374,841</u>	<u>60,238,552</u>
Taxation and Payments in Lieu			<u>\$ 103,630,992</u>	<u>\$ 99,465,366</u>

NOTE 16 - USER FEES AND SALES OF SERVICES

	<u>2017</u>	<u>2016</u>
Waterworks	\$ 18,098,377	\$ 16,558,860
Recreation Programs	6,639,352	6,664,001
Sewer System	7,085,084	6,291,738
Garbage Collection	4,395,988	3,776,182
Vancouver Island Conference Centre	799,523	2,043,538
Public Works	650,528	722,937
Parking	1,590,319	1,454,039
Other	308,956	625,778
Community Safety	226,577	211,219
	<u>\$ 39,794,704</u>	<u>\$ 38,348,292</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2017</u>	<u>2016</u>
<u>Federal</u>		
Gas Tax	\$ 3,637,130	\$ 3,587,994
Other	77,527	76,185
	<u>3,714,657</u>	<u>3,664,179</u>
<u>Provincial</u>		
Casino Gaming	2,863,235	2,593,933
Revenue Sharing	1,180,215	1,211,761
Other	366,479	329,784
	<u>4,409,929</u>	<u>4,135,478</u>
<u>Regional District of Nanaimo</u>		
Other	250,308	211,368
Total Transfers from Other Governments	<u>\$ 8,374,894</u>	<u>\$ 8,011,025</u>
Transfers from Other Governments - Capital	\$ 3,745,004	\$ 3,679,418
Transfers from Other Governments - Operating	4,629,890	4,331,607
Total Transfers from Other Governments	<u>\$ 8,374,894</u>	<u>\$ 8,011,025</u>

NOTE 18 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Investment in Tangible Capital Assets - beginning of year	\$ 637,203,418	\$ 621,808,324
Add:		
Capital Additions	29,700,066	36,058,081
Reductions in Long-term Debt	3,089,789	3,848,293
Less:		
Proceeds from long-term borrowing	(1,500,000)	-
Amortization	(23,319,708)	(22,926,296)
Net Book Value of Asset Disposals	(1,293,400)	(1,584,984)
Investment in Tangible Capital Assets - end of year	<u>\$ 643,880,165</u>	<u>\$ 637,203,418</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

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 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from Local Government.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding surplus and will be adjusted for the amortization of any unfunded liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. During 2017, City of Nanaimo contributions to the plan were:

	<u>2017</u>	<u>2016</u>
Employer Portion	\$ 5,073,448	\$ 4,902,227
Employee Portion	4,196,419	4,128,271
	<u>\$ 9,269,867</u>	<u>\$ 9,030,498</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, 2017

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, 2017

NOTE 22 - RESERVES

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2017</u>	<u>2016</u>
<u>General Revenue Fund Reserve Accounts</u>				
Fire & Emergency Services	\$ 2,000	\$ 2,445,488	\$ 2,447,488	\$ 2,047,367
Parks & Recreation	-	104,281	104,281	207,950
Strategic Partnerships	30,728	-	30,728	250,000
General Capital	706,769	4,082,634	4,789,403	5,127,355
Prior Year Carry Forwards	3,880,471	-	3,880,471	4,367,140
Housing Legacy Reserve	93,564	2,234,756	2,328,320	2,415,652
Uncollected Taxes	-	2,570,566	2,570,566	2,112,533
Uninsured Claims	-	2,535,386	2,535,386	2,682,939
Allowance for Bad Debts	10,000	40,000	50,000	50,000
RCMP Contract	212,071	2,901,771	3,113,842	3,078,832
Information Technology Infrastructure	1,371,482	117,116	1,488,598	1,615,670
Sustainability Initiatives	391,422	175,654	567,076	726,731
Parking Reserve	292,346	825,237	1,117,583	619,765
Conference Centre	240,170	514,746	754,916	760,126
Snow Removal	-	-	-	400,000
Property Acquisition	-	1,563,383	1,563,383	1,963,077
Strategic Infrastructure	680,000	-	680,000	-
General Financial Sustainability	450,000	500,000	950,000	-
Colliery Dam Reserve	80,000	119,123	199,123	242,454
Photocopier Reserve	-	368,580	368,580	309,408
Casino Funds	-	1,186,846	1,186,846	723,611
	<u>8,441,023</u>	<u>22,285,567</u>	<u>30,726,590</u>	<u>29,700,610</u>
<u>Sewer Revenue Reserve Accounts</u>				
General Capital	3,248,952	7,363,931	10,612,883	10,833,018
Growth Related Projects	-	916	916	916
	<u>3,248,952</u>	<u>7,364,847</u>	<u>10,613,799</u>	<u>10,833,934</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
General Capital	18,942,102	3,043,393	21,985,495	16,619,165
Growth Related Projects	-	1,900,000	1,900,000	1,900,000
Local Improvement Projects	-	99,661	99,661	99,661
	<u>18,942,102</u>	<u>5,043,054</u>	<u>23,985,156</u>	<u>18,618,826</u>
Total Reserve Accounts	<u>\$30,632,077</u>	<u>\$ 34,693,468</u>	<u>\$65,325,545</u>	<u>\$59,153,370</u>

CITY OF NANAIMO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

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, 2017

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.



Parkway Trail

CITY OF NANAIMO

the Harbor THE HARBOUR CITY

