

# 2025 ANNUAL FINANCIAL STATEMENTS

City of Nanaimo

**CITY OF NANAIMO, BRITISH COLUMBIA, CANADA  
FINANCIAL REPORT**

**for the year ended December 31, 2025**

---

| <b><u>INDEX</u></b>                               | <b><u>PAGE</u></b> |
|---|--------------------|
| Management Report.....                            | 1                  |
| Independent Auditor's Report.....                 | 2 - 3              |
| <b>Financial Statements</b>                       |                    |
| Statement of Financial Position.....              | 4                  |
| Statement of Operations.....                      | 5                  |
| Statement of Changes in Net Financial Assets..... | 6                  |
| Statement of Cash Flows.....                      | 7                  |
| Schedule of Operations by Segment.....            | 8 - 9              |
| Schedule of Tangible Capital Assets.....          | 10 - 11            |
| Notes to the Financial Statements.....            | 12 - 40            |

# CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2025

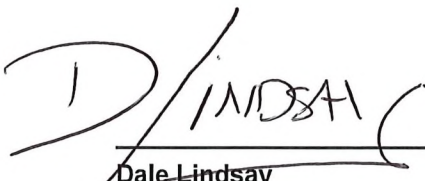
---

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

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

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

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all material respects, the financial position of the City of Nanaimo as at December 31, 2025.

  
\_\_\_\_\_  
Dale Lindsay  
Chief Administrative Officer  
April 20, 2026

  
\_\_\_\_\_  
Laura Mercer, CPA, CGA  
General Manager, Corporate Services



**KPMG LLP**

St. Andrew's Square II  
800-730 View Street  
Victoria BC V8W 3Y7  
Canada  
Telephone 250 480 3500  
Fax 250 480 3539

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Council of the City of Nanaimo

***Opinion***

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

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statements of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, including the schedules of operations by segment and tangible capital assets

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

***Basis for Opinion***

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

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

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

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

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

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

We also:

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

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

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada  
April 30, 2026

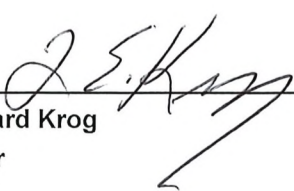
**CITY OF NANAIMO  
STATEMENT OF FINANCIAL POSITION**

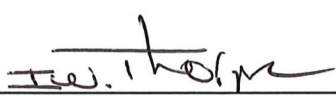
as at December 31, 2025, with comparative figures for 2024

|  | 2025                    | 2024                    |
|--|-------------------------|-------------------------|
| <b>FINANCIAL ASSETS</b>                                |                         |                         |
| Cash and cash equivalents                              | \$ 119,780,276          | \$ 109,871,027          |
| Accounts receivable (Note 2)                           | 31,466,321              | 32,007,158              |
| Development cost charges receivable (Note 3)           | 536,093                 | 1,178,040               |
| Term deposits  | 200,000,000             | 200,000,000             |
|  | <b>351,782,690</b>      | <b>343,056,225</b>      |
| <b>LIABILITIES</b>                                     |                         |                         |
| Accounts payable and accrued liabilities (Note 4)      | 49,966,880              | 56,390,528              |
| Compensated absences and termination benefits (Note 5) | 9,790,529               | 9,558,514               |
| Deferred revenue (Note 6)                              | 33,559,582              | 30,910,777              |
| Deferred development cost charges (Note 7)             | 62,910,494              | 62,165,815              |
| Debt (Note 8)  | 29,380,800              | 33,860,958              |
| Asset retirement obligations (Note 9)                  | 1,994,820               | 1,935,439               |
|  | <b>187,603,105</b>      | <b>194,822,031</b>      |
| <b>NET FINANCIAL ASSETS</b>                            | <b>164,179,585</b>      | <b>148,234,194</b>      |
| <b>NON-FINANCIAL ASSETS</b>                            |                         |                         |
| Tangible capital assets (Note 10)                      | 922,944,206             | 901,259,929             |
| Prepaid expenses                                       | 2,748,207               | 2,279,011               |
| Inventories of supplies                                | 3,240,964               | 3,372,860               |
|  | <b>928,933,377</b>      | <b>906,911,800</b>      |
| <b>ACCUMULATED SURPLUS (Note 11)</b>                   | <b>\$ 1,093,112,962</b> | <b>\$ 1,055,145,994</b> |

Commitments and contingencies (Note 12)  
 Contractual rights (Note 23)  
 See accompanying notes to the financial statements

Approved on behalf of the Council

  
 Leonard Krog  
 Mayor

  
 Ian Thorpe  
 Councillor

# CITY OF NANAIMO STATEMENT OF OPERATIONS

for the year ended December 31, 2025, with comparative figures for 2024

|  | 2025<br>Budget<br>(Note 14) | 2025                    | 2024             |
|--|-----------------------------|-------------------------|------------------|
| <b>REVENUES</b>                                      |                             |                         |                  |
| Taxes  | \$ 169,694,547              | \$ <b>169,490,067</b>   | \$ 155,331,300   |
| Payments in lieu of taxes                            | 2,921,300                   | <b>3,154,122</b>        | 2,806,432        |
| Taxation and payments in lieu (Note 15)              | 172,615,847                 | <b>172,644,189</b>      | 158,137,732      |
| User fees and sales of services (Note 16)            | 60,834,626                  | <b>63,514,755</b>       | 59,505,154       |
| Investment income                                    | 7,978,483                   | <b>11,418,813</b>       | 13,382,072       |
| Other revenue  | 7,029,778                   | <b>9,502,635</b>        | 10,924,089       |
| Transfers from other governments-operating (Note 17) | 7,733,622                   | <b>6,532,800</b>        | 6,448,733        |
| Transfers from other governments-capital (Note 17)   | 7,525,282                   | <b>5,156,309</b>        | 5,265,376        |
| Development cost charges (Note 7)                    | 8,478,073                   | <b>5,082,818</b>        | 7,571,572        |
| Building permits                                     | 2,200,000                   | <b>2,558,955</b>        | 2,186,881        |
| Developer contributed assets (Note 10)               | -                           | <b>1,536,885</b>        | 5,589,662        |
| Regional recreation sharing                          | 1,383,310                   | <b>1,383,310</b>        | 1,336,345        |
| Property rentals                                     | 985,104                     | <b>1,014,424</b>        | 921,127          |
| Donations and contributions-capital                  | 1,936,490                   | <b>556,416</b>          | 498,232          |
|  | 278,700,615                 | <b>280,902,309</b>      | 271,766,975      |
| <b>EXPENSES</b>                                      |                             |                         |                  |
| Parks, recreation & culture                          | 48,287,961                  | <b>46,646,248</b>       | 41,256,249       |
| Police   | 49,503,846                  | <b>43,929,606</b>       | 42,062,365       |
| Engineering & public works                           | 42,481,450                  | <b>38,339,105</b>       | 39,770,219       |
| Fire   | 32,768,267                  | <b>32,216,894</b>       | 28,000,905       |
| Corporate services                                   | 28,694,315                  | <b>27,621,826</b>       | 23,383,470       |
| Water  | 23,220,826                  | <b>22,230,840</b>       | 20,553,003       |
| Public safety  | 10,481,535                  | <b>9,277,541</b>        | 8,228,994        |
| Planning & development                               | 11,974,547                  | <b>8,447,635</b>        | 8,191,920        |
| City administration                                  | 8,424,402                   | <b>7,368,593</b>        | 7,092,467        |
| Sewer  | 7,573,922                   | <b>6,857,053</b>        | 6,360,851        |
|  | 263,411,071                 | <b>242,935,341</b>      | 224,900,443      |
| <b>ANNUAL SURPLUS</b>                                | 15,289,544                  | <b>37,966,968</b>       | 46,866,532       |
| <b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>       | 1,055,145,994               | <b>1,055,145,994</b>    | 1,008,279,462    |
| <b>ACCUMULATED SURPLUS - END OF YEAR</b>             | \$ 1,070,435,538            | <b>\$ 1,093,112,962</b> | \$ 1,055,145,994 |

See accompanying notes to the financial statements

**CITY OF NANAIMO**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
for the year ended December 31, 2025, with comparative figures for 2024

|   | 2025<br>Budget<br>(Note 14) | 2025                | 2024           |
|---|-----------------------------|---------------------|----------------|
| <b>ANNUAL SURPLUS</b>                           | \$ 15,289,544               | \$ 37,966,968       | \$ 46,866,532  |
| Acquisition of tangible capital assets          | (106,005,593)               | <b>(55,214,586)</b> | (70,018,417)   |
| Asset retirement obligations                    | -                           | <b>(21,113)</b>     | (60,327)       |
| In kind donations of capital assets             | -                           | <b>(6,022)</b>      | (12,989)       |
| Developer contributed capital assets            | -                           | <b>(1,536,885)</b>  | (5,589,662)    |
|   | (106,005,593)               | <b>(56,778,606)</b> | (75,681,395)   |
| Amortization of tangible capital assets         | 34,573,119                  | <b>34,771,023</b>   | 31,532,838     |
| (Gain) loss on disposal of assets               | -                           | <b>98,136</b>       | (1,194,887)    |
| Proceeds on sale of tangible capital assets     | -                           | <b>225,170</b>      | 1,573,430      |
|   | (71,432,474)                | <b>(21,684,277)</b> | (43,770,014)   |
| Acquisition of inventories of supplies          | -                           | <b>(7,416,498)</b>  | (7,481,618)    |
| Acquisition of prepaid expenses                 | -                           | <b>(2,880,391)</b>  | (2,363,373)    |
| Consumption of inventories of supplies          | -                           | <b>7,548,394</b>    | 7,326,873      |
| Use of prepaid expenses                         | -                           | <b>2,411,195</b>    | 2,306,586      |
|   | -                           | <b>(337,300)</b>    | (211,532)      |
| <b>CHANGE IN NET FINANCIAL ASSETS</b>           | (56,142,930)                | <b>15,945,391</b>   | 2,884,986      |
| <b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b> | 148,234,194                 | <b>148,234,194</b>  | 145,349,208    |
| <b>NET FINANCIAL ASSETS - END OF YEAR</b>       | \$ 92,091,264               | \$ 164,179,585      | \$ 148,234,194 |

See accompanying notes to the financial statements

# CITY OF NANAIMO

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2025, with comparative figures for 2024

|  | 2025                  | 2024                  |
|--|-----------------------|-----------------------|
| <b>CASH PROVIDED BY (USED FOR)</b>                   |                       |                       |
| <b>OPERATING TRANSACTIONS</b>                        |                       |                       |
| Annual Surplus                                       | \$ 37,966,968         | \$ 46,866,532         |
| Non-cash items                                       |                       |                       |
| Amortization of tangible capital assets              | 34,771,023            | 31,532,838            |
| Developer assets received                            | (1,536,885)           | (5,589,662)           |
| In kind donations of capital assets                  | (6,022)               | (12,989)              |
| Asset retirement obligations                         | 59,381                | 116,700               |
| Loss (gain) on disposal of tangible capital assets   | 98,136                | (1,194,887)           |
| Development cost charges recognized as revenue       | (5,082,818)           | (7,571,572)           |
| Actuarial adjustment on long term debt               | (1,382,507)           | (1,266,998)           |
| Change in non-cash operating assets and liabilities  |                       |                       |
| Accounts receivable                                  | 1,182,784             | (1,363,574)           |
| Accounts payable                                     | (6,423,648)           | (3,506,088)           |
| Compensated absences termination benefits            | 232,015               | 305,755               |
| Deferred revenue                                     | 2,648,805             | 2,535,179             |
| Inventories of supplies                              | 131,896               | (154,745)             |
| Prepaid expenses                                     | (469,196)             | (56,787)              |
| Net change in cash from operating transactions       | 62,189,932            | 60,639,702            |
| <b>CAPITAL TRANSACTIONS</b>                          |                       |                       |
| Cash used to acquire tangible capital assets         | (55,235,699)          | (70,078,744)          |
| Proceeds from the sale of tangible capital assets    | 225,170               | 1,573,430             |
| Net change in cash from capital transactions         | (55,010,529)          | (68,505,314)          |
| <b>INVESTING TRANSACTIONS</b>                        |                       |                       |
| Change in term deposits                              | -                     | (15,000,000)          |
| <b>FINANCING TRANSACTIONS</b>                        |                       |                       |
| Debt repayment                                       | (3,097,651)           | (3,042,380)           |
| Deferred development cost charges                    | 5,827,497             | 6,729,108             |
| Net change in cash from financing transactions       | 2,729,846             | 3,686,728             |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>           | <b>9,909,249</b>      | <b>(19,178,884)</b>   |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b> | <b>109,871,027</b>    | <b>129,049,911</b>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>       | <b>\$ 119,780,276</b> | <b>\$ 109,871,027</b> |

# CITY OF NANAIMO

## SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2025

|                                   | City<br>Administration | Corporate<br>Services | Planning &<br>Development | Public<br>Safety | Fire         | Police       | Parks,<br>Recreation<br>& Culture | Engineering<br>& Public<br>Works | Sewer        | Water        | 2025           |
|-----------------------------------|------------------------|-----------------------|---------------------------|------------------|--------------|--------------|-----------------------------------|----------------------------------|--------------|--------------|----------------|
| <b>Revenues</b>                   |                        |                       |                           |                  |              |              |                                   |                                  |              |              |                |
| Taxes                             | \$ 9,444,629           | \$20,777,346          | \$ 6,263,969              | \$ 5,849,342     | \$33,225,679 | \$56,006,164 | \$28,991,536                      | \$ 8,931,402                     | \$ -         | \$ -         | \$ 169,490,067 |
| Payments in lieu of taxes         | 175,760                | 386,655               | 116,569                   | 108,853          | 618,313      | 1,042,246    | 539,517                           | 166,209                          | -            | -            | 3,154,122      |
| User fees and sales of services   | 941                    | 3,597,586             | 54,038                    | 1,780,458        | 1,259,856    | 297,442      | 8,472,521                         | 9,787,352                        | 10,824,493   | 27,440,068   | 63,514,755     |
| Investment income                 | 352,317                | 5,831,206             | 233,668                   | 218,201          | 1,239,433    | 2,089,224    | 1,081,485                         | 364,357                          | -            | 8,922        | 11,418,813     |
| Other revenue                     | 168,969                | 2,329,611             | 1,810,375                 | 933,190          | 1,023,115    | 762,647      | 1,579,308                         | 758,057                          | 13,367       | 123,996      | 9,502,635      |
| Government operating transfers    | 218,915                | 279,201               | 829,711                   | 665,969          | 715,780      | 2,091,375    | 1,390,110                         | 219,944                          | 100,945      | 20,850       | 6,532,800      |
| Government capital transfers      | -                      | 4,610,560             | -                         | 258,539          | -            | -            | 126,590                           | 160,620                          | -            | -            | 5,156,309      |
| Development cost charges          | -                      | -                     | -                         | -                | -            | -            | 428,833                           | 3,435,873                        | 155,227      | 1,062,885    | 5,082,818      |
| Building permits                  | -                      | -                     | 2,558,955                 | -                | -            | -            | -                                 | -                                | -            | -            | 2,558,955      |
| Developer contributed assets      | -                      | -                     | -                         | -                | -            | -            | -                                 | 1,012,044                        | 374,753      | 150,088      | 1,536,885      |
| Regional recreation sharing       | -                      | -                     | -                         | -                | -            | -            | 1,383,310                         | -                                | -            | -            | 1,383,310      |
| Property rentals                  | -                      | 448,687               | -                         | 27,557           | -            | 302,225      | 177,754                           | 35,001                           | -            | 23,200       | 1,014,424      |
| Donations - capital               | -                      | -                     | -                         | -                | 8,507        | -            | 346,072                           | 196,058                          | 5,779        | -            | 556,416        |
|                                   | 10,361,531             | 38,260,852            | 11,867,285                | 9,842,109        | 38,090,683   | 62,591,323   | 44,517,036                        | 25,066,917                       | 11,474,564   | 28,830,009   | 280,902,309    |
| <b>Expenses</b>                   |                        |                       |                           |                  |              |              |                                   |                                  |              |              |                |
| Wages and benefits                | 5,212,294              | 11,169,289            | 6,406,984                 | 3,880,079        | 24,589,629   | 7,728,460    | 20,946,735                        | 14,028,906                       | 1,424,600    | 3,981,616    | 99,368,592     |
| Contracted services               | 992,487                | 10,239,558            | 1,260,956                 | 3,474,134        | 2,726,160    | 33,122,333   | 12,796,515                        | 11,135,693                       | 1,193,647    | 2,911,426    | 79,852,909     |
| Amortization                      | 1,968                  | 4,931,850             | 2,108                     | 441,457          | 1,400,966    | 331,515      | 5,412,485                         | 13,066,241                       | 1,534,034    | 7,648,399    | 34,771,023     |
| Other                             | 1,025,814              | 1,266,648             | 730,257                   | 1,384,379        | 2,187,731    | 2,676,375    | 5,150,726                         | (3,883,060)                      | 2,339,404    | 5,562,743    | 18,441,017     |
| Materials and supplies            | 136,030                | 153,258               | 47,330                    | 97,492           | 902,808      | 70,923       | 2,301,119                         | 3,906,867                        | 247,602      | 1,440,873    | 9,304,302      |
| Interest payments on debt         | -                      | (137,686)             | -                         | -                | 412,196      | -            | -                                 | 30,849                           | 118,194      | 675,809      | 1,099,362      |
| (Gain) loss on disposal of assets | -                      | (1,091)               | -                         | -                | (2,596)      | -            | 38,668                            | 53,609                           | (428)        | 9,974        | 98,136         |
|                                   | 7,368,593              | 27,621,826            | 8,447,635                 | 9,277,541        | 32,216,894   | 43,929,606   | 46,646,248                        | 38,339,105                       | 6,857,053    | 22,230,840   | 242,935,341    |
| <b>ANNUAL SURPLUS (DEFICIT)</b>   | 2,992,938              | 10,639,026            | 3,419,650                 | 564,568          | 5,873,789    | 18,661,717   | (2,129,212)                       | (13,272,188)                     | 4,617,511    | 6,599,169    | 37,966,968     |
| Capital projects                  | \$ -                   | \$10,925,238          | \$ -                      | \$ 355,007       | \$ 5,758,594 | \$ 777,573   | \$ 5,913,931                      | \$ 17,500,453                    | \$ 5,018,198 | \$10,529,612 | \$ 56,778,606  |

# CITY OF NANAIMO SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2024

|                                   | City<br>Administration | Corporate<br>Services | Planning &<br>Development | Public<br>Safety | Fire         | Police       | Parks,<br>Recreation<br>& Culture | Engineering<br>& Public<br>Works | Sewer        | Water        | 2024           |
|-----------------------------------|------------------------|-----------------------|---------------------------|------------------|--------------|--------------|-----------------------------------|----------------------------------|--------------|--------------|----------------|
| <b>Revenues</b>                   |                        |                       |                           |                  |              |              |                                   |                                  |              |              |                |
| Taxes                             | \$ 7,329,036           | \$20,369,261          | \$ 4,882,694              | \$ 4,718,654     | \$25,527,225 | \$42,674,260 | \$30,342,537                      | \$19,487,633                     | \$ -         | \$ -         | \$ 155,331,300 |
| Payments in lieu of taxes         | 132,417                | 368,018               | 88,218                    | 85,254           | 461,210      | 771,013      | 548,211                           | 352,091                          | -            | -            | 2,806,432      |
| User fees and sales of services   | 463                    | 3,210,275             | 52,772                    | 1,815,207        | 1,250,336    | 220,973      | 8,028,626                         | 9,063,489                        | 10,093,149   | 25,769,864   | 59,505,154     |
| Investment income                 | 355,002                | 6,799,834             | 236,507                   | 228,562          | 1,236,482    | 2,067,047    | 1,469,726                         | 978,885                          | -            | 10,027       | 13,382,072     |
| Other revenue                     | 224,737                | 1,893,799             | 1,654,159                 | 932,157          | 1,085,854    | 821,726      | 1,147,549                         | 3,025,946                        | 8,645        | 129,517      | 10,924,089     |
| Government operating transfers    | 168,061                | 1,258,400             | 339,012                   | 843,805          | 592,228      | 1,802,050    | 891,450                           | 508,727                          | 45,000       | -            | 6,448,733      |
| Government capital transfers      | -                      | 4,610,560             | 17,925                    | -                | 20,384       | -            | 20,362                            | 596,145                          | -            | -            | 5,265,376      |
| Development cost charges          | -                      | -                     | -                         | -                | -            | -            | 215,880                           | 4,987,031                        | 672,121      | 1,696,540    | 7,571,572      |
| Building permits                  | -                      | -                     | 2,186,881                 | -                | -            | -            | -                                 | -                                | -            | -            | 2,186,881      |
| Developer contributed assets      | -                      | -                     | -                         | -                | -            | -            | 910,001                           | 3,590,915                        | 478,897      | 609,849      | 5,589,662      |
| Regional recreation sharing       | -                      | -                     | -                         | -                | -            | -            | 1,336,345                         | -                                | -            | -            | 1,336,345      |
| Property rentals                  | -                      | 401,080               | -                         | 30,000           | -            | 229,914      | 189,746                           | 47,187                           | -            | 23,200       | 921,127        |
| Donations - capital               | -                      | -                     | -                         | -                | -            | -            | 280,933                           | 150,899                          | 66,400       | -            | 498,232        |
|                                   | 8,209,716              | 38,911,227            | 9,458,168                 | 8,653,639        | 30,173,719   | 48,586,983   | 45,381,366                        | 42,788,948                       | 11,364,212   | 28,238,997   | 271,766,975    |
| <b>Expenses</b>                   |                        |                       |                           |                  |              |              |                                   |                                  |              |              |                |
| Wages and benefits                | 4,921,545              | 10,239,055            | 6,302,760                 | 3,580,395        | 20,722,671   | 6,822,115    | 19,596,234                        | 13,114,350                       | 1,340,796    | 4,166,301    | 90,806,222     |
| Contracted services               | 1,094,192              | 9,435,473             | 742,779                   | 2,358,217        | 2,539,644    | 32,770,781   | 9,169,104                         | 13,416,842                       | 1,115,492    | 1,967,395    | 74,609,919     |
| Amortization                      | 753                    | 3,769,734             | 2,348                     | 510,285          | 1,440,728    | 304,016      | 5,034,350                         | 12,294,127                       | 1,431,426    | 6,745,071    | 31,532,838     |
| Other                             | 915,127                | 992,780               | 1,111,745                 | 1,691,128        | 1,934,101    | 2,093,999    | 5,147,624                         | (3,135,994)                      | 2,092,247    | 5,300,681    | 18,143,438     |
| Materials and supplies            | 160,850                | 143,024               | 37,458                    | 88,969           | 921,724      | 71,454       | 2,338,616                         | 4,068,638                        | 268,224      | 1,700,237    | 9,799,194      |
| Interest payments on debt         | -                      | (69,839)              | -                         | -                | 426,680      | -            | -                                 | 65,660                           | 112,666      | 668,552      | 1,203,719      |
| (Gain) loss on disposal of assets | -                      | (1,126,757)           | (5,170)                   | -                | 15,357       | -            | (29,679)                          | (53,404)                         | -            | 4,766        | (1,194,887)    |
|                                   | 7,092,467              | 23,383,470            | 8,191,920                 | 8,228,994        | 28,000,905   | 42,062,365   | 41,256,249                        | 39,770,219                       | 6,360,851    | 20,553,003   | 224,900,443    |
| <b>ANNUAL SURPLUS</b>             | 1,117,249              | 15,527,757            | 1,266,248                 | 424,645          | 2,172,814    | 6,524,618    | 4,125,117                         | 3,018,729                        | 5,003,361    | 7,685,994    | 46,866,532     |
| Capital projects                  | \$ 11,311              | \$ 8,763,465          | \$ -                      | \$ 618,061       | \$ 1,524,398 | \$ 844,732   | \$11,746,089                      | \$23,792,492                     | \$ 5,095,380 | \$23,285,467 | \$ 75,681,395  |

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2025

|                        | COST                      |               |              |              | ACCUMULATED AMORTIZATION  |                           |               |              |                           | NET BOOK VALUE |
|------------------------|---------------------------|---------------|--------------|--------------|---------------------------|---------------------------|---------------|--------------|---------------------------|----------------|
|                        | Balance December 31, 2024 | Additions     | Disposals    | Transfers    | Balance December 31, 2025 | Balance December 31, 2024 | Additions     | Disposals    | Balance December 31, 2025 |                |
| Land                   | \$ 123,809,981            | \$ 6,981,819  | \$ 12,360    | \$ 91,848    | \$ 130,871,288            | \$ -                      | \$ -          | \$ -         | \$ -                      | \$ 130,871,288 |
| Land improvements      | 69,847,280                | 5,869,040     | 64,412       | 1,909,099    | 77,561,007                | 25,957,947                | 2,679,176     | 41,679       | 28,595,444                | 48,965,563     |
| Leasehold improvements | 3,045,861                 | -             | -            | -            | 3,045,861                 | 2,145,862                 | 77,671        | -            | 2,223,533                 | 822,328        |
| Marine structures      | 1,824,275                 | -             | -            | -            | 1,824,275                 | 582,042                   | 65,673        | -            | 647,715                   | 1,176,560      |
| Buildings              | 238,148,693               | 2,488,065     | 866,500      | 647,276      | 240,417,534               | 115,986,167               | 8,284,749     | 817,925      | 123,452,991               | 116,964,543    |
| Vehicles and equipment | 69,543,945                | 9,465,491     | 871,684      | 715,556      | 78,853,308                | 41,035,721                | 4,811,939     | 661,606      | 45,186,054                | 33,667,254     |
| IT infrastructure      | 11,530,427                | 570,360       | -            | 215,129      | 12,315,916                | 8,682,554                 | 792,900       | -            | 9,475,454                 | 2,840,462      |
| Drainage               | 129,862,551               | 646,888       | 14,400       | 322,620      | 130,817,659               | 41,030,688                | 1,975,779     | 14,400       | 42,992,067                | 87,825,592     |
| Transportation         | 371,867,881               | 11,105,936    | 912,513      | 8,647,150    | 390,708,454               | 216,908,934               | 8,460,219     | 893,696      | 224,475,457               | 166,232,997    |
| Sewer                  | 80,804,299                | 3,086,776     | 4,100        | 1,172,357    | 85,059,332                | 18,932,648                | 1,443,263     | 3,331        | 20,372,580                | 64,686,752     |
| Water                  | 345,255,765               | 8,423,310     | 29,908       | 1,784,764    | 355,433,931               | 98,226,456                | 6,179,654     | 19,934       | 104,386,176               | 251,047,755    |
| Work in progress       | 25,207,990                | 8,140,921     | -            | (15,505,799) | 17,843,112                | -                         | -             | -            | -                         | 17,843,112     |
|                        | \$ 1,470,748,948          | \$ 56,778,606 | \$ 2,775,877 | \$ -         | \$ 1,524,751,677          | \$ 569,489,019            | \$ 34,771,023 | \$ 2,452,571 | \$ 601,807,471            | \$ 922,944,206 |

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2024

|                        | COST                      |               |              |              | ACCUMULATED AMORTIZATION  |                           |               |              |                           | NET BOOK VALUE |
|------------------------|---------------------------|---------------|--------------|--------------|---------------------------|---------------------------|---------------|--------------|---------------------------|----------------|
|                        | Balance December 31, 2023 | Additions     | Disposals    | Transfers    | Balance December 31, 2024 | Balance December 31, 2023 | Additions     | Disposals    | Balance December 31, 2024 |                |
| Land                   | \$ 116,470,886            | \$ 7,363,835  | \$ 31        | \$ (24,709)  | \$ 123,809,981            | \$ -                      | \$ -          | \$ -         | \$ -                      | \$ 123,809,981 |
| Land improvements      | 54,418,125                | 8,777,848     | 63,669       | 6,714,976    | 69,847,280                | 23,789,497                | 2,218,531     | 50,081       | 25,957,947                | 43,889,333     |
| Leasehold improvements | 3,120,301                 | -             | 74,440       | -            | 3,045,861                 | 2,126,865                 | 80,702        | 61,705       | 2,145,862                 | 899,999        |
| Marine structures      | 1,824,275                 | -             | -            | -            | 1,824,275                 | 516,009                   | 66,033        | -            | 582,042                   | 1,242,233      |
| Buildings              | 234,432,031               | 3,476,089     | 684,400      | 924,973      | 238,148,693               | 109,055,140               | 7,620,253     | 689,226      | 115,986,167               | 122,162,526    |
| Vehicles and equipment | 65,560,207                | 4,210,367     | 1,219,957    | 993,328      | 69,543,945                | 37,678,236                | 4,558,443     | 1,200,958    | 41,035,721                | 28,508,224     |
| IT Infrastructure      | 10,770,835                | 587,014       | 1,067,985    | 1,240,563    | 11,530,427                | 8,934,857                 | 488,245       | 740,548      | 8,682,554                 | 2,847,873      |
| Drainage               | 124,090,762               | 2,800,057     | 32,000       | 3,003,732    | 129,862,551               | 39,158,094                | 1,898,783     | 26,189       | 41,030,688                | 88,831,863     |
| Transportation         | 357,674,267               | 13,301,744    | 327,993      | 1,219,863    | 371,867,881               | 209,283,599               | 7,953,327     | 327,992      | 216,908,934               | 154,958,947    |
| Sewer                  | 75,849,367                | 4,050,890     | 3,601        | 907,643      | 80,804,299                | 17,590,042                | 1,346,207     | 3,601        | 18,932,648                | 61,871,651     |
| Water                  | 286,738,829               | 21,339,808    | 83,420       | 37,260,548   | 345,255,765               | 93,002,795                | 5,302,314     | 78,653       | 98,226,456                | 247,029,309    |
| Work in progress       | 67,675,164                | 9,773,743     | -            | (52,240,917) | 25,207,990                | -                         | -             | -            | -                         | 25,207,990     |
|                        | \$ 1,398,625,049          | \$ 75,681,395 | \$ 3,557,496 | \$ -         | \$ 1,470,748,948          | \$ 541,135,134            | \$ 31,532,838 | \$ 3,178,953 | \$ 569,489,019            | \$ 901,259,929 |

# **CITY OF NANAIMO**

## **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2025

---

The City of Nanaimo (the City) was incorporated December 24, 1874 under a statute of the Province of British Columbia now known as the *Community Charter*. The principal activities of the City are preservation, protection and enhancement of the quality of life in Nanaimo through the facilitation of municipal services in an equitable, efficient and effective manner.

### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The City prepares its financial statements in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following include significant policies that have been adopted by the City:

#### **(a) Basis of Presentation**

The City's resources and operations are segregated into general, water and sewer, capital and reserve funds for accounting and financial reporting purposes. The financial statements reflect the assets, liabilities, revenues and expenses of these funds. All transactions and balances between funds have been eliminated.

#### **Reporting Entity**

As at December 31, 2025, the City does not control any significant external entities.

#### **(b) Basis of Accounting**

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the delivery of goods or services and/or upon the creation of a legal obligation to pay. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

#### **(c) Cash and Cash Equivalents**

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

**(d) Development Cost Charges**

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

**(e) Temporary Investments**

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

**(f) Compensated Absences and Termination Benefits**

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

**(g) Deferred Revenue**

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

**(h) Non-Financial Assets**

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

**(h) Non-Financial Assets (continued)**

**(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  | 10-80 |
| Leasehold improvements                                       | 15-30 |
| Marine structures  | 15-35 |
| Buildings  | 10-40 |
| Vehicles and equipment                                       | 2-25  |
| IT infrastructure  | 5-10  |
| Drainage   | 40-75 |
| Transportation - linear infrastructure, lighting and signals | 10-80 |
| Sewer - linear infrastructure and equipment                  | 8-60  |
| Water - linear infrastructure and equipment                  | 8-80  |

Tangible capital assets are written down to their residual value when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

**(ii) Contribution of Tangible Capital Assets**

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

**(h) Non-Financial Assets (continued)**

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

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

**(iv) Interest Capitalization**

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

**(v) Leased Tangible Capital Assets**

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

**(vi) Inventories of Supplies**

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

**(i) Asset Retirement Obligations**

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

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

**(i) Asset Retirement Obligations (continued)**

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

Assumptions will be reviewed annually and adjusted to present value, if required.

Any ARO additions result in an accompanying increase to the respective tangible capital assets. Any increases are amortized in accordance with the amortization accounting policies outlined in Note 1(h)(i).

**(j) Financial Instruments**

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

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

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations. There are no unrealized changes in fair value as at December 31, 2025 or December 31, 2024. As a result, the City does not have a Statement of Remeasurement Gains and Losses.

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

**(j) Financial Instruments (continued)**

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

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

**(k) Contaminated Sites**

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

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

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

**(l) Revenue Recognition**

**(i) Taxation Revenue**

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

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

**(l) Revenue Recognition (continued)**

**(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.

**(iv) Revenue from Unilateral or Exchange Transactions**

Revenue from unilateral transactions is recognized when the City has the ability to claim or retain an inflow of economic resources and a past transaction or event giving rise to the asset has occurred.

Revenue from exchange transactions is recognized as the City satisfies its performance obligations.

**(m) Use of Estimates**

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

**NOTE 2 - ACCOUNTS RECEIVABLE**

|  | <u>2025</u>          | <u>2024</u>          |
|--|----------------------|----------------------|
| Utilities                                | \$ 13,168,534        | \$ 15,591,709        |
| Property taxes                           | 6,707,013            | 5,340,040            |
| Interest on investments                  | 3,869,462            | 3,988,068            |
| Trade and other                          | 3,010,328            | 2,149,327            |
| Provincial government                    | 1,731,485            | 1,606,808            |
| Federal government                       | 1,553,459            | 1,958,343            |
| Municipal Finance Authority debt reserve | 1,082,256            | 1,050,790            |
| Regional government                      | 343,784              | 322,073              |
|  | <u>\$ 31,466,321</u> | <u>\$ 32,007,158</u> |

**NOTE 3 - DEVELOPMENT COST CHARGES RECEIVABLE**

|              | Water<br>Distribution | Roads             | Drainage      | Sewer            | Parks            | Water<br>Supply   | <u>2025</u>       | <u>2024</u>         |
|--------------|-----------------------|-------------------|---------------|------------------|------------------|-------------------|-------------------|---------------------|
| Installments |                       |                   |               |                  |                  |                   |                   |                     |
| 2025         | \$ -                  | \$ -              | \$ -          | \$ -             | \$ -             | \$ -              | \$ -              | \$ 641,947          |
| 2026         | 11,183                | 212,129           | 821           | 65,109           | 42,154           | 204,697           | 536,093           | 536,093             |
|              | <u>\$ 11,183</u>      | <u>\$ 212,129</u> | <u>\$ 821</u> | <u>\$ 65,109</u> | <u>\$ 42,154</u> | <u>\$ 204,697</u> | <u>\$ 536,093</u> | <u>\$ 1,178,040</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.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

**NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                            | <u>2025</u>          | <u>2024</u>          |
|----------------------------|----------------------|----------------------|
| Trade and other            | \$ 17,034,530        | \$ 21,052,804        |
| Deposits                   | 12,877,876           | 12,100,806           |
| RCMP contract              | 10,506,166           | 14,514,577           |
| Accrued wages and benefits | 6,042,048            | 5,376,167            |
| Other                      | 2,034,260            | 1,874,174            |
| Contaminated sites         | 1,472,000            | 1,472,000            |
|                            | <u>\$ 49,966,880</u> | <u>\$ 56,390,528</u> |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2025

**NOTE 5 - COMPENSATED ABSENCES AND TERMINATION BENEFITS**

The City provides certain post-employment benefits, non-vested sick leave, compensated absences and termination benefits to its employees. An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2022 and the results are extrapolated to December 31, 2025. The current valuation was completed in 2023. Significant assumptions used in the valuation include a discount rate of 5% (2024 - 5%), inflation of 2% (2024 - 2%) and compensation increases, excluding merit and promotion, of 3% (2024 - 3%). There is an unamortized actuarial gain of \$531,061 (2024 – gain of \$583,663).

|  | <u>2025</u>         | <u>2024</u>         |
|--|---------------------|---------------------|
| Actuarial benefit obligation - beginning of year | \$ 8,974,851        | \$ 8,614,045        |
| Unamortized actuarial gain - beginning of year   | 583,663             | 638,714             |
|  | <u>9,558,514</u>    | <u>9,252,759</u>    |
| Current service cost                             | 778,881             | 727,247             |
| Interest costs                                   | 444,740             | 428,997             |
| Benefits paid                                    | (939,004)           | (795,438)           |
| Amortization of actuarial gain                   | (52,602)            | (55,051)            |
|  | <u>9,790,529</u>    | <u>9,558,514</u>    |
| Actuarial benefit obligation - end of year       | 9,259,468           | 8,974,851           |
| Unamortized actuarial gain - end of year         | 531,061             | 583,663             |
| Accrued benefit liability - end of year          | <u>\$ 9,790,529</u> | <u>\$ 9,558,514</u> |

Actuarial gains and losses are amortized over 13 (2024 - 13) years for retirement benefits and 12 (2024 - 12) years for sick leave benefits, these being the expected average remaining service period of the related employee groups, commencing the year after the gain or loss arises. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$1,171,019 (2024 - \$1,101,193).

**NOTE 6 - DEFERRED REVENUE**

|                   | <u>2025</u>          | <u>2024</u>          |
|-------------------|----------------------|----------------------|
| Tax prepayments   | \$ 22,938,515        | \$ 20,915,445        |
| Other prepayments | 10,621,067           | 9,995,332            |
|                   | <u>\$ 33,559,582</u> | <u>\$ 30,910,777</u> |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2025

**NOTE 7 - DEFERRED DEVELOPMENT COST CHARGES**

|   | <u>2025</u>          | <u>2024</u>          |
|---|----------------------|----------------------|
| Deferred development cost charges - beginning of year | \$ 62,165,815        | \$ 63,008,279        |
| Additions   | 3,063,899            | 3,575,521            |
| Interest earned                                       | 2,763,598            | 3,153,587            |
| Revenue recognized                                    | (5,082,818)          | (7,571,572)          |
|   | <u>\$ 62,910,494</u> | <u>\$ 62,165,815</u> |

**NOTE 8 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY SINKING FUND DEPOSITS**

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

\$29,380,800 (2024 – \$33,860,958) of debt is with the MFA. Payments and actuarial allocations of \$44,837,137 on the gross amount borrowed of \$74,217,937 are held in a sinking fund by the MFA. The rates of interest on the principal amount of the MFA debentures vary between 1.53% and 4.52% per annum.

|  | <u>2025</u>          | <u>2024</u>          |
|--|----------------------|----------------------|
| Total outstanding debt - beginning of year | \$ 33,860,958        | \$ 38,170,336        |
| Reduction of long-term debt                | (4,480,158)          | (4,309,378)          |
|  | <u>\$ 29,380,800</u> | <u>\$ 33,860,958</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 for 2025 at December 31, 2024 was \$61,705,299. The actual debt servicing cost was \$5,513,097, the estimated cost from off-balance sheet liabilities was \$2,000,000 and the estimated cost on unissued debt is \$29,551. The liability servicing capacity available is \$54,162,651.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2025

**NOTE 8 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY SINKING FUND DEPOSITS (CONTINUED)**

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

| Year       | General              | Water                | Total                |
|------------|----------------------|----------------------|----------------------|
| 2026       | \$ 3,334,610         | \$ 1,209,221         | \$ 4,543,831         |
| 2027       | 2,339,279            | 1,251,544            | 3,590,823            |
| 2028       | 937,406              | 1,295,348            | 2,232,754            |
| 2029       | 787,299              | 1,340,685            | 2,127,984            |
| 2030       | 807,502              | 1,387,609            | 2,195,111            |
| Thereafter | 9,591,335            | 5,098,962            | 14,690,297           |
|            | <u>\$ 17,797,431</u> | <u>\$ 11,583,369</u> | <u>\$ 29,380,800</u> |

Balance outstanding:

| Bylaw #                | MFA Issue # |                            | Interest Rate % | Year Matures | 2025                 | 2024                 |
|------------------------|-------------|----------------------------|-----------------|--------------|----------------------|----------------------|
| <u>General Fund</u>    |             |                            |                 |              |                      |                      |
| 5750                   | 99          | Port of Nanaimo Centre     | 1.53            | 2026         | \$ 1,061,275         | \$ 2,081,732         |
| 5750                   | 101         | Port of Nanaimo Centre     | 3.39            | 2027         | 2,052,972            | 3,034,833            |
| 7050                   | 102         | Fire Station #4            | 3.90            | 2027         | 516,845              | 762,234              |
| 7257                   | 146         | Fire Station #1            | 3.20            | 2038         | 2,312,748            | 2,456,519            |
| 7257                   | 152         | Fire Station #1            | 3.03            | 2040         | 1,563,060            | 1,653,506            |
| 7257                   | 156         | Fire Station #1            | 2.58            | 2041         | 9,306,668            | 9,785,578            |
| 7257                   | 158         | Fire Station #1            | 4.09            | 2042         | 249,485              | 260,100              |
|                        |             | Garbage trucks - equipment |                 | 2025         | -                    | 74,417               |
|                        |             | Garbage trucks - equipment | 2.91            | 2028         | 734,378              | 1,000,340            |
|                        |             |                            |                 |              | <u>17,797,431</u>    | <u>21,109,259</u>    |
| <u>Waterworks Fund</u> |             |                            |                 |              |                      |                      |
| 7127                   | 126         | Water treatment plant      | 4.52            | 2033         | 6,560,715            | 7,261,011            |
| 7127                   | 127         | Water treatment plant      | 4.52            | 2034         | 5,022,654            | 5,490,688            |
|                        |             |                            |                 |              | <u>11,583,369</u>    | <u>12,751,699</u>    |
|                        |             |                            |                 |              | <u>\$ 29,380,800</u> | <u>\$ 33,860,958</u> |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2025

**NOTE 9 - ASSET RETIREMENT OBLIGATIONS**

|   | Buildings           | Fuel Tanks        | <u>2025</u>        | <u>2024</u>        |
|---|---------------------|-------------------|--------------------|--------------------|
| Asset retirement obligations - beginning of year  | \$ 1,484,299        | \$ 451,140        | \$1,935,439        | \$1,818,739        |
| Additions   | 43,166              | -                 | 43,166             | 60,327             |
| Accretion expense                                 | 29,246              | 9,022             | 38,268             | 56,373             |
| Dispositions                                      | (22,053)            | -                 | (22,053)           | -                  |
| <b>Asset retirement obligations - end of year</b> | <b>\$ 1,534,658</b> | <b>\$ 460,162</b> | <b>\$1,994,820</b> | <b>\$1,935,439</b> |

**NOTE 10 - TANGIBLE CAPITAL ASSETS**

| <u>Net book value</u>  | <u>2025</u>           | <u>2024</u>           |
|------------------------|-----------------------|-----------------------|
| Land                   | \$ 130,871,288        | \$ 123,809,981        |
| Land improvements      | 48,965,563            | 43,889,333            |
| Leasehold improvements | 822,328               | 899,999               |
| Marine structures      | 1,176,560             | 1,242,233             |
| Buildings              | 116,964,543           | 122,162,526           |
| Vehicles and equipment | 33,667,254            | 28,508,224            |
| IT infrastructure      | 2,840,462             | 2,847,873             |
| Drainage               | 87,825,592            | 88,831,863            |
| Transportation         | 166,232,997           | 154,958,947           |
| Sewer                  | 64,686,752            | 61,871,651            |
| Water                  | 251,047,755           | 247,029,309           |
|                        | 905,101,094           | 876,051,939           |
| Work in progress       | 17,843,112            | 25,207,990            |
|                        | <b>\$ 922,944,206</b> | <b>\$ 901,259,929</b> |

See schedule of tangible capital assets (page 10) for more information. Developer contributed assets recognized in 2025 were \$1,536,885 (2024 - \$5,589,662) recorded at fair value at the time of receipt. These include transportation, drainage, sewer and water infrastructure and the land under these assets.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

**NOTE 11 - ACCUMULATED SURPLUS**

|   | <u>Bylaw No.</u> | <u>2025</u>             | <u>2024</u>             |
|---|------------------|-------------------------|-------------------------|
| Investment in tangible capital assets (Note 18) |                  | \$ 887,408,227          | \$ 862,107,518          |
| Operating reserves (Note 21)                    |                  | 95,684,966              | 86,830,154              |
| General Fund Asset Management                   | 7186             | 29,470,877              | 23,368,226              |
| Community Works                                 | 7026             | 16,220,073              | 11,870,489              |
| Equipment Depreciation                          | 1107             | 11,533,584              | 13,298,521              |
| Sewer Fund Asset Management                     | 7187             | 10,470,099              | 8,987,607               |
| Water Fund Asset Management                     | 7188             | 8,222,269               | 8,119,115               |
| Facility Development                            | 7217             | 6,321,575               | 5,157,877               |
| Strategic Infrastructure                        | 7304             | 5,189,126               | 5,864,250               |
| Growing Communities                             | 7361             | 4,619,738               | 10,169,702              |
| Cart Replacement                                | 7296             | 4,434,398               | 2,736,497               |
| Property Acquisition                            | 7303             | 2,632,900               | 2,043,834               |
| Housing Legacy                                  | 7299             | 2,300,228               | 2,030,307               |
| Information Technology Replacement              | 7300             | 2,251,996               | 2,615,659               |
| Parking   | 7302             | 2,138,134               | 1,548,780               |
| Climate Action                                  | 7330             | 1,582,108               | 1,783,964               |
| Parkland Dedication                             | 5716             | 532,707                 | 382,340                 |
| Knowles Estate                                  | 7056             | 493,368                 | 470,802                 |
| Property Sales                                  | 5717             | 476,849                 | 3,854,096               |
| Copier Replacement                              | 7297             | 388,279                 | 424,767                 |
| NDSS Community Field                            | 7301             | 306,635                 | 256,482                 |
| Online Accommodation Platform                   | 7374             | 118,040                 | 914,067                 |
| Old City Neighbourhood Parking                  | 4737             | 114,087                 | 108,869                 |
| Harewood Centennial Turf Field                  | 7369             | 104,665                 | 50,633                  |
| Off-Street Parking                              | 7328             | 84,943                  | 81,058                  |
| 911   | 7295             | 13,091                  | 70,380                  |
|   |                  | <u>\$ 1,093,112,962</u> | <u>\$ 1,055,145,994</u> |

# CITY OF NANAIMO

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2025

---

### NOTE 12 - COMMITMENTS AND CONTINGENCIES

#### (a) Liability Claims

In the ordinary course of business, various claims and lawsuits are brought against the City. The City records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. Liability insurance is carried by the City, subject to a deductible of \$25,000 per claim.

#### (b) BC Assessment Authority Appeals

As at December 31, 2025, there were various appeals pending with respect to assessed values of properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes a provision against property taxes receivable for the impact of appeals where the losses are likely and the amounts are reasonably determinable.

#### (c) Joint and Several Liabilities

The City has a contingent liability with respect to debentures of the Regional District of Nanaimo and the Regional Hospital District of Nanaimo, to the extent provided for in their respective Acts of Incorporation. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

The City issues its debt instruments primarily through the MFA. Demand notes are executed in connection with each debenture whereby the City may be required to pay certain amounts to the Regional District of Nanaimo. These demand notes of \$1,926,056 (2024 – \$1,926,056) are contingent in nature and given the low likelihood of payment are not reflected in the accounts.

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

**(d) Subsidence of Mines**

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

**(e) Commitments**

The City has \$30,900,000 (2024 - \$31,800,000) 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.

**NOTE 13 - CEMETERY CARE FUND**

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The trust fund assets and liabilities are not included in the financial statements. At December 31, 2025, the balance of funds held in trust was \$672,213 (2024 - \$661,688).

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

**NOTE 14 - ANNUAL BUDGET**

These financial statements include the Annual Budget as approved by Council on May 12, 2025. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2025 financial statements and the annual financial plan bylaw:

|   |                    |
|---|--------------------|
| Annual budgeted surplus - Statement of Operations | \$ 15,289,544      |
| Cemetery Care Fund - not in reporting entity      | 12,000             |
| Net development cost charges                      | <u>(2,863,307)</u> |
| Annual surplus from the 2025 Financial Plan       | 12,438,237         |
| Amortization, not funded                          | 34,573,119         |
| Capital expenditures                              | (106,005,593)      |
| Principal repayment of debt                       | (4,474,070)        |
| Transfers from accumulated surplus                | <u>63,468,307</u>  |
| Net annual budget - as approved                   | \$ -               |

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

|   | <u>Municipal</u>      | <u>Other</u>          | <u>2025</u>           | <u>2024</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Property taxes                            | \$ 167,981,393        | \$ 112,898,713        | \$ 280,880,106        | \$ 258,644,429        |
| Business improvement area levies          | -                     | 209,935               | 209,935               | 207,076               |
| Taxes in lieu of licenses                 | 1,508,674             | -                     | 1,508,674             | 1,463,966             |
| Payments in lieu of taxes                 | <u>3,154,122</u>      | <u>937,386</u>        | <u>4,091,508</u>      | <u>3,672,629</u>      |
|   | <u>\$ 172,644,189</u> | <u>\$ 114,046,034</u> | <u>\$ 286,690,223</u> | <u>\$ 263,988,100</u> |
| Less collections for other governments:   |                       |                       |                       |                       |
| Province of British Columbia (School Tax) |                       |                       | \$ 54,175,411         | \$ 51,768,133         |
| Regional District of Nanaimo              |                       |                       | 37,090,466            | 35,108,632            |
| Nanaimo Regional Hospital District        |                       |                       | 21,047,754            | 17,315,673            |
| Other agencies                            |                       |                       | <u>1,732,403</u>      | <u>1,657,930</u>      |
|   |                       |                       | <u>114,046,034</u>    | <u>105,850,368</u>    |
| Taxation and payments in lieu             |                       |                       | <u>\$ 172,644,189</u> | <u>\$ 158,137,732</u> |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

|                                    | <u>2025</u>          | <u>2024</u>          |
|------------------------------------|----------------------|----------------------|
| Water                              | \$ 27,440,068        | \$ 25,769,864        |
| Sewer                              | 10,824,493           | 10,093,149           |
| Sanitation                         | 9,059,090            | 8,495,834            |
| Recreation programs                | 8,472,521            | 8,028,626            |
| Vancouver Island Conference Centre | 3,471,759            | 3,095,813            |
| Parking                            | 1,748,420            | 1,794,262            |
| Fire                               | 1,259,856            | 1,250,336            |
| Public works                       | 728,262              | 567,655              |
| Police                             | 297,442              | 220,973              |
| Other                              | 212,844              | 188,642              |
|                                    | <u>\$ 63,514,755</u> | <u>\$ 59,505,154</u> |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

**NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS**

|  | <u>2025</u>          | <u>2024</u>          |
|--|----------------------|----------------------|
| <u>Federal</u>                               |                      |                      |
| Capital                                      | \$ 261,039           | \$ 40,000            |
| Gas Tax                                      | 4,610,560            | 4,610,560            |
| Other  | 643,657              | 914,509              |
|  | <u>5,515,256</u>     | <u>5,565,069</u>     |
| <u>Provincial</u>                            |                      |                      |
| Capital                                      | 284,710              | 614,816              |
| Casino Gaming                                | 2,277,570            | 2,332,621            |
| Traffic Revenue Sharing                      | 1,116,000            | 1,137,000            |
| Climate Action Plan                          | -                    | 952,513              |
| Other  | 2,307,091            | 904,577              |
|  | <u>5,985,371</u>     | <u>5,941,527</u>     |
| <u>Other Governments</u>                     |                      |                      |
| Other  | 188,482              | 207,513              |
|  | <u>188,482</u>       | <u>207,513</u>       |
| Total transfers from other governments       | <u>\$ 11,689,109</u> | <u>\$ 11,714,109</u> |
| Transfers from other governments - operating | \$ 6,532,800         | \$ 6,448,733         |
| Transfers from other governments - capital   | 5,156,309            | 5,265,376            |
| Total transfers from other governments       | <u>\$ 11,689,109</u> | <u>\$ 11,714,109</u> |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

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

|   | <u>2025</u>           | <u>2024</u>           |
|---|-----------------------|-----------------------|
| Investment in tangible capital assets - beginning of year | \$ 862,107,518        | \$ 813,686,224        |
| Add:  |                       |                       |
| Capital additions   | 56,778,606            | 75,681,395            |
| Reductions in long-term debt                              | 4,480,158             | 4,309,378             |
| Funding repaid to deferred capital fund                   | 372,816               | 341,902               |
| Less:   |                       |                       |
| Amortization  | (34,771,023)          | (31,532,838)          |
| Funding from Deferred Capital Fund                        | (1,236,542)           | -                     |
| Net book value of asset disposals                         | (323,306)             | (378,543)             |
| Investment in tangible capital assets - end of year       | <u>\$ 887,408,227</u> | <u>\$ 862,107,518</u> |

**NOTE 19 - MUNICIPAL PENSION PLAN**

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The City accounts for the Plan as a defined contribution plan. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2024, the Plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 contributors from Local Government.

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

# CITY OF NANAIMO

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2025

---

### NOTE 19 - MUNICIPAL PENSION PLAN (CONTINUED)

The most recent valuation for the Municipal Pension Plan as at December 31, 2024 indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis. During 2025, City of Nanaimo contributions to the Plan were:

|                  | <u>2025</u>          | <u>2024</u>          |
|------------------|----------------------|----------------------|
| Employer portion | \$ 7,384,337         | \$ 6,726,653         |
| Employee portion | 6,408,857            | 5,852,243            |
|                  | <u>\$ 13,793,194</u> | <u>\$ 12,578,896</u> |

The next valuation will be as at December 31, 2027.

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

### NOTE 20 - FINANCIAL INSTRUMENTS

#### (a) Credit Risk

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

The City assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2025 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

# CITY OF NANAIMO

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2025

---

### NOTE 20 - FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Credit Risk (continued)

As at December 31, 2025, \$338,500 (2024 - \$205,400) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure in 2025.

#### (b) Liquidity Risk

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

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

The contractual maturities of long-term debt are disclosed in Note 8.

There have been no significant changes to the liquidity risk exposure in 2025.

#### (c) Market Risk

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

#### (i) Foreign Exchange Risk

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

There have been no significant changes to the foreign exchange risk exposure in 2025.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

**NOTE 20 - FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Market Risk (continued)**

**(ii) Interest Rate Risk**

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

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

The City's debt is disclosed in Note 8.

There has been no change to the interest rate risk exposure in 2025.

**(iii) Tariff Risk**

The imposition of U.S. tariffs on cross-border trade will result in increased costs for goods and services procured from U.S. suppliers, impacting operations and infrastructure projects. While the long-term impact remains uncertain, the City is actively working to monitor and mitigate the risks and impacts of the tariffs.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

**NOTE 21 - OPERATING RESERVES**

|   | <u>Work in Progress</u> | <u>Available for Future Commitments</u> | <u>2025</u>          | <u>2024</u>          |
|---|-------------------------|---|----------------------|----------------------|
| <u>General Revenue Fund Reserve Accounts</u>    |                         |   |                      |                      |
| Brechin Boat Ramp                               | \$ -                    | \$ 70,690                               | \$ 70,690            | \$ 53,992            |
| Pipers Park                                     | -                       | 147,419                                 | 147,419              | 147,419              |
| Strategic Partnerships                          | -                       | 43                                      | 43                   | 163,514              |
| General Capital                                 | 2,563,860               | 5,499,136                               | 8,062,996            | 8,071,923            |
| Prior Year Carry Forwards                       | 10,488,639              | -                                       | 10,488,639           | 11,318,540           |
| RCMP Contract Financial Stability               | 1,241,341               | 9,719,769                               | 10,961,110           | 7,116,369            |
| Fitzwilliam Street Parking                      | -                       | 142,868                                 | 142,868              | 142,868              |
| Vancouver Island Conference Centre              | 136,600                 | 483,143                                 | 619,743              | 647,550              |
| Snow and Ice Control Financial Stability        | -                       | 1,587,000                               | 1,587,000            | 1,330,000            |
| General Financial Stability                     | -                       | 18,865,207                              | 18,865,207           | 18,816,607           |
| Special Initiatives                             | 2,353,236               | 9,637,930                               | 11,991,166           | 9,875,385            |
| Casino  | -                       | -                                       | -                    | 3,544                |
| Sanitation Levelling                            | -                       | 160,663                                 | 160,663              | 540,405              |
|   | <u>16,783,676</u>       | <u>46,313,868</u>                       | <u>63,097,544</u>    | <u>58,228,116</u>    |
| <u>Sewer Revenue Reserve Accounts</u>           |                         |   |                      |                      |
| Sewer General                                   | 1,585,219               | 14,384,378                              | 15,969,597           | 14,973,761           |
| Sewer Financial Stability                       | -                       | 600,000                                 | 600,000              | 600,000              |
|   | <u>1,585,219</u>        | <u>14,984,378</u>                       | <u>16,569,597</u>    | <u>15,573,761</u>    |
| <u>Waterworks Revenue Fund Reserve Accounts</u> |                         |   |                      |                      |
| Water General                                   | 5,694,858               | 8,572,967                               | 14,267,825           | 11,278,277           |
| Water Financial Stability                       | -                       | 1,750,000                               | 1,750,000            | 1,750,000            |
|   | <u>5,694,858</u>        | <u>10,322,967</u>                       | <u>16,017,825</u>    | <u>13,028,277</u>    |
| Total Operating Reserve Accounts                | <u>\$ 24,063,753</u>    | <u>\$ 71,621,213</u>                    | <u>\$ 95,684,966</u> | <u>\$ 86,830,154</u> |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

**NOTE 22 - SEGMENT REPORTING**

The City's operations and activities are organized and reported by Fund. City services are provided by departments and their activities are reported in these funds. See Schedule of Operations by Segment (page 8).

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

**GENERAL REVENUE FUND**

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

**City Administration**

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

The City Administration department is also responsible for Human Resources, Legislative Services, and Communications.

**Corporate Services**

This department provides services to both the internal organization and the community. Internally, Corporate Services is responsible for Information Technology, Financial Services and Supply Chain Management, managing the City's real estate assets, delivering economic development services, and providing oversight of the City's external agencies (Nanaimo Prosperity Corporation and Tourism Nanaimo Society). Additionally, the contractor for the Vancouver Island Conference Centre is overseen by this department.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

---

**NOTE 22 - SEGMENT REPORTING (CONTINUED)**

**Planning & Development**

This department is responsible for processing development applications and developing related policies and regulations, sustainability and environmental matters.

**Public Safety**

The Public Safety department is responsible for social development, community safety, bylaw enforcement, animal control, parking enforcement, and the administration of City-owned parking facilities.

**Fire**

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

**Police**

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

**Parks, Recreation & Culture**

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

**Engineering & Public Works**

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

# CITY OF NANAIMO

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2025

---

### NOTE 22 - SEGMENT REPORTING (CONTINUED)

#### SEWER FUND

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

#### WATER FUND

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

### NOTE 23 - CONTRACTUAL RIGHTS

The City of Nanaimo has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts for the years ending December 31 are as follows:

|      |                     |
|------|---------------------|
| 2026 | \$ 1,011,402        |
| 2027 | 1,034,765           |
| 2028 | 1,039,886           |
| 2029 | 1,072,385           |
| 2030 | 1,072,385           |
|      | <u>\$ 5,230,823</u> |

In addition to these contractual rights, the City has agreements with several parties that provide for the recovery of costs and payments of annual fees and commissions based on annual results.

### NOTE 24 - COMPARATIVE FIGURES

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

**GROWING COMMUNITIES FUND: RESERVE FUNDS (UNAUDITED)**

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

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

|                                      | 2025          | 2024          |
|--------------------------------------|---------------|---------------|
| Reserve fund - beginning of the year | \$ 10,169,702 | \$ 14,933,659 |
| Eligible costs                       |               |               |
| Property acquisition                 | (2,487,781)   | (12,219)      |
| Maffeo Sutton Park enhancements      | (81,861)      | (47,174)      |
| Marie Davidson Bike Park upgrades    | -             | (330,000)     |
| Harewood Centennial Turf Field       | -             | (1,268,204)   |
| Westwood Lake improvements           | (638,129)     | (494,062)     |
| Commercial Street improvements       | (2,656,207)   | (1,185,754)   |
| Midtown water supply upgrades        | -             | (2,100,000)   |
| Total costs                          | (5,863,978)   | (5,437,413)   |
| Interest earned                      | 314,014       | 673,456       |
| Reserve fund - end of the year       | \$ 4,619,738  | \$ 10,169,702 |

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2025

**LOCAL GOVERNMENT HOUSING INITIATIVES FUNDING PROGRAM (UNAUDITED)**

In 2024 the Province of British Columbia distributed \$51 million from the Local Government Housing Initiatives funding program. The Housing Initiatives funding program is intended to support local government implementation of the legislative changes to support housing initiatives, including small-scale multi-unit housing and proactive planning, development finance, and transit-oriented development to municipalities and regional districts.

The City of Nanaimo received \$619,936 in January 2024.

|   | 2025       | 2024       |
|---|------------|------------|
| Beginning of year                                 | \$ 490,062 | \$ -       |
| Funds received                                    | -          | 619,936    |
| Development cost charge bylaw project             | -          | (19,000)   |
| Amenity cost charge bylaw project                 | (14,915)   | (30,445)   |
| Housing needs report update                       | (20,215)   | (38,125)   |
| Zoning bylaw update                               | (146,617)  | (5,501)    |
| Servicing capacity modeling and analysis          | -          | (36,803)   |
| Woodgrove Transit Oriented Area                   | (80,454)   | -          |
| Vancouver Island University Transit Oriented Area | (68,029)   | -          |
| End of year                                       | \$ 159,832 | \$ 490,062 |



CITY OF NANAIMO  
THE HARBOUR CITY