

DATE OF MEETING April 20, 2022

AUTHORED BY [DAN BAILEY, MANAGER OF ACCOUNTING SERVICES]

SUBJECT 2021 ANNUAL FINANCIAL STATEMENTS

OVERVIEW

Purpose of Report

To present the 2021 Annual Financial Statements for acceptance by the Finance and Audit Committee.

Recommendation

That the Finance and Audit Committee recommend that Council accept the 2021 Annual Financial Statements for the City of Nanaimo.

BACKGROUND

The Canadian Audit Standards require that “those with the recognized authority have asserted that they have taken responsibility for the financial statements” prior to the issuance of the audit report. The City’s auditors, KPMG, have completed the audit work and are prepared to issue an unqualified opinion that the financial statements fairly represent the financial position of the City as at 2021-DEC-31, once the Council has approved the statements.

As noted in the Management Report, Council has delegated to management the responsibility for the accuracy, integrity and objectivity of the financial information presented in the financial statements.

The consolidated financial statements as required by the *Community Charter* have been prepared and meet the reporting standards for local governments. Section 167(4) of the *Community Charter* states, by May 15 in each year, a municipality must submit to the Inspector of Municipalities its audited financial statements for the preceding year.

DISCUSSION

Highlights of the Financial Statements:

- \$500,000 of the \$4,168,800 general operating surplus from 2021 was allocated to the General Financial Stability reserve. \$2,068,800 was allocated to the General Capital reserve and the remaining \$1,600,000 was transferred to the Property Acquisition reserve. The \$472,100 sewer operating surplus was transferred to sewer reserve, and the \$930,900 water operating surplus was transferred to the water reserve.

- Funds held in reserves total \$225.7 million at 2021-DEC-31 (2020 – \$217.7 million), allocated as follows:

Work in progress	\$ 47.0 million
Reserve accounts (surplus appropriations)	42.7
Development Cost Charges (developer contributions)	60.6
Statutory Reserves	<u>75.4</u>
	<u>\$225.7</u> million

- A listing of operating reserve accounts is shown on page 31 of the 2021 Financial Statements (Attachment A). The majority of the funds have been set aside for specific projects or purposes. Work in progress funds have been targeted to be used to fund existing operating or capital projects in the 2022 – 2026 budget.
- Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2021 totaled \$5.3 million (2020 – \$7.9 million). The City continues to construct growth-related projects, which are funded from DCC's (\$2.3 million in 2021).
- Statutory Reserves are established by bylaw and can only be used for the purposes specified in the bylaw. A listing of each statutory reserve fund and their balance at 2021-DEC-31 are as follows:

Community Works Reserve Fund (Gas Tax Agreement)	\$ 15,016,599
Equipment Depreciation Reserve	\$ 10,830,275
Facility Development (Recreation) Reserve	\$ 3,091,890
Property Sales Reserve	\$ 1,303,226
Knowles Estate Reserve	\$ 416,659
Parkland Dedication Reserve	\$ 790,121
Old City Neighborhood Parking Reserve	\$ 96,350
General Asset Management Reserve	\$ 13,725,330
Sewer Asset Management Reserve	\$ 4,099,117
Water Asset Management Reserve	\$ 10,636,466
Copier Replacement Reserve	\$ 389,760
Information Technology Reserve	\$ 2,084,446
NDSS Community Field Reserve	\$ 128,041
Parking Reserve	\$ 1,003,998
911 Reserve	\$ 436,481
Property Acquisition Reserve	\$ 2,741,145
Housing Legacy Reserve	\$ 3,200,571
Strategic Infrastructure Reserve	\$ 4,429,681
Off-Street Parking Reserve	\$ 71,737
Climate Action Reserve	\$ 880,246

- Outstanding debt and debt servicing costs:

	<u>2021</u>	<u>2020</u>
Outstanding debt	\$ 45.9 million	\$ 39.3 million
Per capita debt	\$ 451	\$ 388
Net increase (decrease) in debt during the year	\$ 6.6 million	\$ (2.3) million

Pages 20 and 21 of the 2021 Financial Statements provide note disclosure of the outstanding debt and details of the principal reductions for the next five years.

Tangible capital assets net book value totals \$782 million at 2021-DEC-31 (2020 - \$749 million). A detailed schedule is found on page 10 of the Statements. Capital asset acquisitions were \$59.4 million (2020 – \$46.3 million), including developer contributed assets of \$7.5 million (2020 - \$10.4 million).

OPTIONS

- That the Finance and Audit Committee recommend that Council accept the 2021 Annual Financial Statements for the City of Nanaimo.
 - **Budget Implication:** If Council does not approve the 2021 Financial Statements, it could significantly impact the City's ability to borrow from the Municipal Finance Authority, as the City would not be compliant with Provincial reporting requirements.
- The Finance and Audit Committee could request further information pertaining to the 2021 Financial Statements.

SUMMARY POINTS

- The City's auditors, KPMG, have completed the audit work and are prepared to issue an unqualified opinion that the financial statements fairly represent the financial position of the City as at 2021-DEC-31, once Council has accepted the statements.
- By May 15th in each year, a municipality must submit to the Inspector its audited financial statements for the preceding year.
- Funds held in reserves at 2021-DEC-31 were \$225.7 million.
- Outstanding debt at 2021-DEC-31 was \$45.9 million.
- Net book value of tangible capital assets at 2021-DEC-31 was \$782 million.

ATTACHMENTS:

Attachment A: 2021 Annual Financial Statements (Including KPMG Audit Findings Report for the year ending December 31, 2021)

Submitted by:

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Concurrence by:

Laura Mercer
Director, Finance