

# ATTACHMENT A

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

for the year ended December 31, 2021

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# **CITY OF NANAIMO MANAGEMENT REPORT**

**For the Year Ended December 31, 2021**

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

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

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

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

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**Jake Rudolph**  
**Chief Administrative Officer**

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**Laura Mercer, CPA, CGA**  
**Director, Financial Services**

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Nanaimo

### ***Opinion***

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

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, including the schedules of operations by segment and tangible capital assets

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

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

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

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

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

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

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

Chartered Professional Accountants

Victoria, Canada

Date

**CITY OF NANAIMO**  
**STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2021, with comparative figures for 2020

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

Commitments and contingencies (Note 12)

Contractual rights (Note 23)

Approved on behalf of the Council

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Leonard Krog  
Mayor

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Ian Thorpe  
Councillor

# CITY OF NANAIMO

## STATEMENT OF OPERATIONS

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

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

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

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

# CITY OF NANAIMO

## STATEMENT OF CASH FLOWS

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

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



**CITY OF NANAIMO**  
**SCHEDULE OF OPERATIONS BY SEGMENT**  
for the year ended December 31, 2021

	City Administration	Corporate Services	Development Services	Fire	Police	Port of Nanaimo Centre	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2021
<b>Revenues</b>											
Taxes	\$ 6,130,619	\$15,404,026	\$ 7,501,358	\$17,888,269	\$31,825,322	\$ 2,839,393	\$23,842,619	\$17,904,247	\$ -	\$ -	<b>\$ 123,335,853</b>
Payments in lieu of taxes	113,622	200,239	139,027	331,533	589,835	52,624	441,888	331,829	-	-	<b>2,200,597</b>
User fees	1,275	133,855	1,154,733	127,008	86,874	454,926	3,728,308	7,724,893	8,704,109	23,974,508	<b>46,090,489</b>
Government capital transfers	-	7,907,567	-	-	-	-	-	535,364	-	-	<b>8,442,931</b>
Other revenue	44,748	2,398,733	2,125,459	1,744,780	377,405	14,107	747,169	706,652	-	99,217	<b>8,258,270</b>
Developer contributed assets	-	-	-	-	-	-	1,314,717	5,053,189	424,950	693,092	<b>7,485,948</b>
Government operating transfers	67,048	308,143	458,628	233,395	1,683,061	30,992	362,401	202,291	15,000	(24,436)	<b>3,336,523</b>
Investment income	99,747	1,290,166	122,050	291,049	517,813	46,198	387,929	314,170	-	4,568	<b>3,073,690</b>
Building permits	-	-	2,694,848	-	-	-	-	-	-	-	<b>2,694,848</b>
Development cost charges	-	-	-	-	-	-	644,209	931,360	165,027	558,075	<b>2,298,671</b>
Regional recreation sharing	-	-	-	-	-	-	1,199,763	-	-	-	<b>1,199,763</b>
Donations - capital	-	-	-	-	137,451	-	809,477	57,500	719	-	<b>1,005,147</b>
Property rentals	-	-	373,344	-	278,323	-	229,580	46,833	-	23,200	<b>951,280</b>
	6,457,059	27,642,729	14,569,447	20,616,034	35,496,084	3,438,240	33,708,060	33,808,328	9,309,805	25,328,224	<b>210,374,010</b>
<b>Expenses</b>											
Wages and salaries	4,131,571	8,843,542	8,273,961	16,055,507	5,547,925	3,343	15,196,739	12,033,213	1,147,421	3,553,432	<b>74,786,654</b>
Contracted services	1,290,537	3,311,818	2,388,461	1,737,352	29,688,260	1,482,289	7,541,092	8,038,508	983,675	1,543,481	<b>58,005,473</b>
Amortization	-	892,725	610,849	548,318	309,202	1,635,055	4,102,116	11,203,489	1,150,065	6,235,445	<b>26,687,264</b>
Other	137,295	3,480,934	875,621	1,036,270	193,944	7,349	2,813,840	(2,825,901)	2,241,053	3,798,430	<b>11,758,835</b>
Materials and supplies	301,260	212,953	166,189	1,442,053	78,799	36,661	1,604,827	3,539,538	211,216	966,711	<b>8,560,207</b>
Interest payments on debt	-	-	-	196,659	-	(36,111)	-	24,883	103,990	644,042	<b>933,463</b>
Loss (gain) on disposal of assets	-	2,756	(226,432)	79,506	-	-	211,922	62,548	24,728	22,319	<b>177,347</b>
	5,860,663	16,744,728	12,088,649	21,095,665	35,818,130	3,128,586	31,470,536	32,076,278	5,862,148	16,763,860	<b>180,909,243</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	596,396	10,898,001	2,480,798	(479,631)	(322,046)	309,654	2,237,524	1,732,050	3,447,657	8,564,364	<b>29,464,767</b>
Capital projects	\$ -	\$ 1,565,479	\$ 5,896,482	\$ 9,428,503	\$ 137,451	\$ 611,596	\$11,043,129	\$18,279,326	\$ 6,264,495	\$ 6,185,775	<b>\$ 59,412,236</b>

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

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

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2021

	COST				ACCUMULATED AMORTIZATION					
	Balance December 31, 2020	Additions	Disposals	Transfers	Balance December 31, 2021	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021	NET BOOK VALUE
Land	\$ 103,954,898	\$ 6,006,029	\$ 3	\$ (134,504)	\$ 109,826,420	\$ -	\$ -	\$ -	\$ -	\$ 109,826,420
Land improvements	43,502,009	3,898,261	527,563	60,793	46,933,500	19,322,174	1,513,920	312,895	20,523,199	26,410,301
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,882,465	81,512	-	1,963,977	1,156,324
Marine structures	1,028,367	699,970	208,200	72,120	1,592,257	598,991	49,257	208,200	440,048	1,152,209
Buildings	202,632,479	5,710,698	115,000	253,221	208,481,398	91,941,255	5,707,312	115,000	97,533,567	110,947,831
Vehicles and equipment	41,466,490	1,910,358	1,356,416	92,241	42,112,673	22,820,555	2,663,484	1,209,141	24,274,898	17,837,775
IT Infrastructure	9,832,423	312,728	278,872	-	9,866,279	9,134,521	330,597	278,871	9,186,247	680,032
Drainage	113,166,019	3,327,436	355,000	198,192	116,336,647	34,509,525	1,743,661	346,666	35,906,520	80,430,127
Transportation	333,151,284	8,153,768	940,517	1,599,146	341,963,681	188,870,902	7,473,793	836,316	195,508,379	146,455,302
Sewer	63,382,901	5,435,896	123,647	287,653	68,982,803	15,209,038	1,141,151	98,919	16,251,270	52,731,533
Water	283,440,202	4,362,207	443,325	3,970,362	291,329,446	85,290,669	5,982,577	421,006	90,852,240	200,477,206
Work In Progress	20,254,384	19,594,885	-	(6,399,224)	33,450,045	-	-	-	-	33,450,045
	\$1,218,931,757	\$ 59,412,236	\$ 4,348,543	\$ -	\$1,273,995,450	\$ 469,580,095	\$ 26,687,264	\$ 3,827,014	\$ 492,440,345	\$ 781,555,105

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2020

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

# **CITY OF NANAIMO**

## **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2021

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

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

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

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

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

#### **Reporting Entity**

As at December 31, 2021, the City does not control any significant external entities.

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

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

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

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Municipal Finance Authority of British Columbia (MFA) Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

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

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

**(d) Accounts Receivable**

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

**(e) Development Cost Charges**

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

**(f) Temporary Investments**

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

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

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

**(h) Deferred Revenue**

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

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

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

**(i) Debt**

Debt is presented net of repayments and actuarial adjustments.

**(j) Non-Financial Assets**

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

**(i) Tangible Capital Assets**

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

Estimated useful lives in years are as follows:

<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	25-60
Water - Linear Infrastructure and Equipment	8-80

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

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

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

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

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

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

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

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

**(iv) Interest Capitalization**

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

**(v) Leased Tangible Capital Assets**

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

**(vi) Inventories of Supplies**

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



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

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

**(k) Contaminated Sites**

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

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

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

**(l) Revenue Recognition**

**(i) Taxation Revenue**

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

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

**(ii) Development Cost Charges**

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

**(iii) Government Transfers**

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

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

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

**(m) Use of Estimates**

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

**NOTE 2 - ACCOUNTS RECEIVABLE**

	<u>2021</u>	<u>2020</u>
Utilities	\$ 11,887,924	\$ 14,574,106
Property Taxes	3,401,049	4,274,391
Trade and Other	2,923,113	2,145,814
Due from Provincial Government	1,174,845	905,449
Municipal Finance Authority Debt Reserve	960,536	834,189
Due from Federal Government	901,484	1,162,693
Interest on Investments	579,250	615,461
Due from Regional Government	303,303	379,031
	<u>\$ 22,131,504</u>	<u>\$ 24,891,134</u>

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

**NOTE 3 - DEVELOPMENT COST CHARGES RECEIVABLE**

	<u>Water Distribution</u>	<u>Roads</u>	<u>Drainage</u>	<u>Sewer</u>	<u>Parks</u>	<u>Water Supply</u>	<u>2021</u>	<u>2020</u>
Installments:								
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 843,235
2022	18,741	355,845	2,706	109,204	71,068	343,360	900,924	332,345
2023	7,486	142,171	1,143	43,629	26,372	137,183	357,984	-
	<u>\$ 26,227</u>	<u>\$ 498,016</u>	<u>\$ 3,849</u>	<u>\$ 152,833</u>	<u>\$ 97,440</u>	<u>\$ 480,543</u>	<u>\$ 1,258,908</u>	<u>\$ 1,175,580</u>

Development cost charges are collected on the approval of a subdivision or the issuance of a building permit. These funds assist the City in the cost of development, including constructing capital improvements, operating projects and the related debt servicing costs. Installments receivable represent funds due from developers within two years and are secured by irrevocable standby letters of credit and/or cash on deposit. No interest is charged on these outstanding installments.

**NOTE 4 - TEMPORARY INVESTMENTS**

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Term deposits	\$ 115,527,789	\$ 115,425,693	\$ 93,601,731	\$ 93,744,907
Debentures	6,997,754	7,126,920	4,964,669	5,227,406
	<u>\$ 122,525,543</u>	<u>\$ 122,552,613</u>	<u>\$ 98,566,400</u>	<u>\$ 98,972,313</u>

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

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

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

**NOTE 6 - COMPENSATED ABSENCES AND TERMINATION BENEFITS**

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

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

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

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

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

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

**NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES**

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

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

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

\$45,947,100 (2020 – \$39,306,835) of debt is with the MFA. Payments and actuarial allocations of \$34,394,221 on the gross amount borrowed of \$80,341,321 are held in a sinking fund by the MFA. The rates of interest on the principal amount of the MFA debentures vary between 0.91% and 3.85% per annum.

	<u>2021</u>	<u>2020</u>
Total Outstanding Debt - beginning of year	\$ 39,306,835	\$ 41,616,953
Reduction of Long-term Debt	(4,519,735)	(4,716,703)
Proceeds from long-term borrowing	11,160,000	2,406,585
Total Outstanding Debt - end of year	<u>\$ 45,947,100</u>	<u>\$ 39,306,835</u>

The City of Nanaimo is subject to 'Liability Servicing Limits' as outlined in Section 174 of the *Community Charter*. The maximum value of liability servicing cost for a given year is 25% of a municipality's controllable and sustainable revenues for the previous year. The calculated liability servicing limit for the City of Nanaimo for 2021 at December 31, 2020 was \$44,370,220. The actual liability servicing cost was \$5,286,669 and the estimated cost on unissued debt is \$1,088,783, leaving \$37,994,768 of liability servicing capacity available.

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

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

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

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

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

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

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**NOTE 10 - TANGIBLE CAPITAL ASSETS**

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

See schedule of tangible capital assets (page 10) for more information. There were no write downs of tangible capital assets for 2020 and 2021. Developer contributed assets recognized in 2021 were \$7,485,948 (2020 - \$10,400,599) recorded at fair value at the time of receipt. These include transportation, drainage, sewer and water infrastructure and the land under these assets.

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

**NOTE 11 - ACCUMULATED SURPLUS**

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



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

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

**(a) Liability Claims**

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

**(b) BC Assessment Authority Appeals**

As at December 31, 2021, there were various appeals pending with respect to assessed values of properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes a provision against property taxes receivable for the impact of appeals where the losses are likely and the amounts are reasonably determinable.

**(c) Joint and Several Liabilities**

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

The City issues its debt instruments primarily through the MFA. Demand notes are executed in connection with each debenture whereby the City may be required to pay certain amounts to the Regional District of Nanaimo. These demand notes of \$1,918,171 (2020 – \$1,661,815) are contingent in nature and given the low likelihood of payment are not reflected in the accounts.

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

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

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

**(d) Subsidence of Mines**

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

**(e) Commitments**

The City has \$31,500,000 (2020 - \$29,600,000) in open purchase orders at year end which have not been recorded in the financial statements. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the period that the goods and services, to which they relate, are received.

**(f) Guarantees**

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

**NOTE 13 - CEMETERY CARE FUND**

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The trust fund assets and liabilities are not included in the financial statements. At December 31, 2021, the balance of funds held in trust was \$622,968 (2020 - \$603,907).

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

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**NOTE 14 - ANNUAL BUDGET**

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

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

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

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

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

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

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

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

**NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS**

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

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

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

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

**NOTE 19 - MUNICIPAL PENSION PLAN**

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from Local Government.

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

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

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

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

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

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

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

**NOTE 20 - FINANCIAL INSTRUMENTS**

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

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

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

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

**(b) Credit Risk**

The City is not exposed to significant risk from its accounts receivables. The City's tax base has a significant number of participants which reduces the concentration of credit risk. Credit risk is further minimized as the City has the ability to expropriate land in the event of non-payment of property tax receivables. There has been no significant change to risk exposure throughout 2021.

**NOTE 21 - RESERVES**

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



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

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**NOTE 22 - SEGMENT REPORTING**

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

**GENERAL REVENUE FUND**

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

**City Administration**

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

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

**Corporate Services**

Providing service to both the internal organization and the community, the Corporate Services Department is responsible for Emergency Management, Information Technology, Financial Services and Purchasing.

**Development Services**

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

**Fire**

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

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

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

**Police**

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

**Port of Nanaimo Centre**

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

**Parks, Recreation and Culture**

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

**Engineering and Public Works**

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

**SEWER SYSTEM FUND**

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

**WATERWORKS FUND**

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

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

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**NOTE 23 - CONTRACTUAL RIGHTS**

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

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

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

**NOTE 24 - COMPARATIVE FIGURES**

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



# City of Nanaimo

Audit Findings Report for the year ended  
December 31, 2021

*KPMG LLP*

Prepared for presentation on April 20, 2022

[kpmg.ca/audit](https://kpmg.ca/audit)

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## Our refreshed Values

### What we believe



Integrity

We do what is right.



Excellence

We never stop learning  
and improving.



Courage

We think and act boldly.



Together

We respect each other  
and draw strength from  
our differences.



For Better

We do what matters.

This report to the Finance and Audit Committee is intended solely for the information and use of management, the Finance and Audit Committee and the Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Finance and Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Audit highlights

## Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Finance and Audit Committee, in your review of the results of our audit of the financial statements of the City of Nanaimo (the “City”) as at and for the year ended December 31, 2021. This Audit Findings Report builds on the Audit Plan we presented to the Finance and Audit Committee on November 17, 2021.

### Status of the audit

We have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with the Finance and Audit Committee;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council’s acceptance of the financial statements; and,
- Completing subsequent event review procedures up to the date of Council’s acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report, a draft of which is attached to the enclosed draft financial statements, will be dated upon the completion of any remaining procedures.

### Areas of audit focus

Our audit is risk-focused. We have not identified any additional significant risks to those previously communicated in our Audit Planning Report. See pages 5 to 8 for the audit findings related to areas of audit focus.

### Significant changes from the audit plan

There were no significant changes to our audit plan which was originally communicated to you in the Audit Planning Report.

### Audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

We identified one misstatement related to developer contributed assets that should have been recognized as capital assets and revenue in prior years which remains uncorrected.

See page 9 and appendix 2 for further details.

### Control deficiencies and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

### Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

### Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2021 up to the date of this report.

### Current developments

Please refer to Appendix 3 for the current developments and insights.

# Audit risks

## Professional requirements

Presumption of the risk of fraud resulting from management override of controls.

## Why is this significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

## Our response

As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments.
- Performing a retrospective review of significant estimates.
- Evaluating the business rationale of significant unusual transactions.

We used KPMG's data and analytics tools to select unusual or unexpected journal entries impacting reserves, including unusual journal entry pairings.

## Significant findings

There were no issues noted in our testing.



# Areas of audit focus

## Area of audit focus

Tangible capital assets and developer contributed assets

## Our response and significant findings

Our procedures:

- We tested asset additions by agreeing amounts to invoices or other supporting documentation.
- We calculated expected amortization expense based on known amortization rates and compared the expected amortization expense to actual.
- We performed testing over the developer contributed tangible capital assets by obtaining reports of assets contributed during the year and agreeing these reports to supporting approval of subdivisions.
- We tested transfers from construction in progress to assets in use and confirmed the transfer occurred in the correct period and to the appropriate asset class.

Results:

- We identified \$1.96M of developer contributed assets that had certificates of acceptance dated in prior years however communication to the finance department regarding these assets did not occur until fiscal 2021. These assets should have been recognized as tangible capital assets and revenue in previous years. Management determined that the value of the assets was not material to adjust prior year financial statements and therefore the difference remains uncorrected as a one year timing delay in the recognition of revenue in 2021 instead of 2020. We recommended to management that communications between the Engineering and Finance departments be enhanced to ensure completeness of developer contributed assets recognized in the appropriate period.
- No other issues or adjustments were identified.



# Areas of audit focus (continued)

## Area of audit focus

Cash and Investments

## Our response and significant findings

Our procedures:

- We confirmed cash and investment balances held as at December 31, 2021 with the appropriate financial institutions and reviewed bank reconciliations for all key operating accounts to identify and verify any significant period end reconciling items.

No issues or adjustments were noted.

## Area of audit focus

Revenues and receivables

## Our response and significant findings

Our procedures:

- We compared revenue balances on a financial statement account level to budget.
- We performed analytical procedures over property tax revenue, investment income, and user fees and sales of services.
- We performed substantive testing over government transfers by agreeing revenues to supporting documentation and cash receipt.
- We performed analytical procedures over the year-end accounts receivable balance.
- We concur with management's assessment that there is a low valuation risk associated with the City's year-end accounts receivable balances.

No issues or adjustments were noted.

# Areas of audit focus (continued)

## Area of audit focus

Salaries and benefits

## Our response and significant findings

Our procedures:

- We updated our understanding of the payroll processes.
- We calculated expected payroll expense and payroll accruals based on known staff numbers and salary increases. In each case our calculated expectation was within an acceptable range from the actual payroll expense, or payroll accrual recorded in the financial statements.
- We tested the completeness and accuracy of the underlying payroll data used in the development of our expectation including agreeing amounts to employment contracts.
- We tested the reliability of the underlying data used by the actuary in estimating the liability of future employee benefits.
- We performed a review of assumptions and methods used by the actuary in estimating the liability of future employee benefits to determine if the assumptions and methods used are reasonable and consistent with Public Sector Accounting Standards.

No issues or adjustments were noted.

## Area of audit focus

Expenses, procurement and payables

## Our response and significant findings

Our procedures:

- We performed a search for unrecorded liabilities by testing payments made subsequent to year end and assessing the completeness of liabilities and expenses.
- We compared actual balances to expectations taking into account known significant transactions.

No issues or adjustments were noted.

# Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

## Uncorrected audit misstatements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial.

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditors' report.

## Corrected audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

# Control deficiencies and other control observations

## Consideration of internal control over financial reporting (“ICFR”)

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

In planning and performing our audit, we considered ICFR relevant to the Entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

## Significant deficiencies

We did not identify any significant deficiencies in internal control over financial reporting.

## Other observations

We identified an observation related to developer contributed assets and the communication lines between the Engineering and Finance departments that could be enhanced as noted previously in this report. We communicated this verbally to management.

There were no other control observations noted.

# Appendices

**Appendix 1: Required communications**

**Appendix 2: Management representation letter**

**Appendix 3: Current developments and insights**



# Appendix 1: Required communications

<b>Draft auditors' report</b>	<b>Management representation letter</b>
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	In accordance with professional standards, a copy of the management representation letter is included in Appendix 2.
<b>Independence</b>	<b>Management letter</b>
In accordance with professional standards, we have confirmed our independence.	We had no additional observations to report in the management letter other than those communicated verbally to management regarding developer contributed assets.

# Appendix 2: Management representation letter

Date of approval of financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of City of Nanaimo (“the City”) as at and for the period ended December 31, 2021.

## **General:**

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **Responsibilities:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 24, 2021, including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
    - the names of all related parties and information regarding all relationships and transactions with related parties;
    - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.
  - d) providing you with complete responses to all enquiries made by you during the engagement.
  - e) providing you with additional information that you may request from us for the purpose of the engagement.
  - f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

**Internal control over financial reporting:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

**Fraud & non-compliance with laws and regulations:**

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Subsequent events:**

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**Related parties:**

- 5) We have disclosed to you the identity of the City's related parties.



- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**Estimates:**

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

**Going concern:**

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

**Misstatements:**

- 11) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

**Other information:**

- 12) We confirm that the final version of Annual Report 2021 will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

**Assets & Liabilities - General**

- 13) The City has satisfactory title to all owned assets.
- 14) We have no knowledge of any liens or encumbrances on assets and/or assets that have been pledged or signed as security for liabilities, performances of contracts, etc., not disclosed in the financial statements.
- 15) We have no knowledge of any plans or interactions that may materially affect the carrying value or classification of assets and liabilities.
- 16) All developer contributed assets accepted by the City have been included in the financial statements.

**Contractual Agreements:**

- 17) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance including violations or default of the covenants in the City's debt agreements.

**Environmental Matters:**

- 18) The City has appropriately recognized, measured and disclosed environmental matters in the financial statements.

**Non-Financial Assets:**

- 19) We have reviewed non-financial assets, including tangible capital assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

**Employee future benefits:**

- 20) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 21) We have no knowledge of arrangement (contractual or otherwise) by which programs have been established to provide post-employment benefits, except as disclosed to you.
- 22) The significant accounting policies the City has adopted in applying PS 3255, Post-employment benefits, compensated absences and termination benefits (hereinafter referred to as "PS3255") are disclosed in the notes to the financial statements.
- 23) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:
- a) pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.
  - b) post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.
  - c) compensated absences for which it is expected employees will be paid. These benefits include accumulated sick days, and termination benefits.
- 24) The post-employment benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with PS 3255. In particular:
- a) each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events; and
  - b) the best estimate assumptions used are, as a whole, consistent within themselves, and with the valuation method adopted for purposes of this evaluation.
- 25) The assumptions included in the actuarial valuation are those that management instructed Nexus Actuarial Consultants Ltd. ("Nexus") to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-names financial statements, in accordance with PS 3255.
- 26) In arriving at these assumptions, management has obtained the advice of Nexus, but has retained the final responsibility for them.

- 27) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 28) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension and other post-employment benefit costs.

**Segment Disclosures:**

- 29) The City's operating segments have been appropriately identified and the related segment and enterprise-wide disclosures have been made in the financial statements in accordance with the relevant financial reporting framework. The operating segment information disclosed in the financial statements is consistent with the form and content of the information used by the City's chief operating decision maker for the purposes of assessing performance and making operating decisions about the City's individual operations. All significant differences in measures used to determine segment income have been appropriately identified and described in the disclosures of segment information in accordance with the relevant financial reporting framework.

**Experts/Specialists:**

- 30) The information provided by us to Nexus, and used in the work and findings of Nexus, is complete and accurate. We agree with Nexus's findings in evaluating the accuracy and completeness of employee future benefits and have adequately considered their qualifications in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to Nexus with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on Nexus's independence and objectivity.

**Non-SEC registrants or non-reporting issuers:**

- 31) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 32) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**Other:**

- 33) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.
- 34) All reserve transactions have been appropriately approved, in accordance with applicable legislation and are appropriately credited to or charged against fund balances. Reserve amounts represent only those amounts that are available for use at the City's discretion and do not include restrictions on use by third parties
- 35) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.

Yours very truly,

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Mr. Jake Rudolph, Chief Administrative Officer

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Ms. Laura Mercer, Director, Finance

cc: The Mayor and Council of the City of Nanaimo

## Attachment I – Definitions

### **Materiality**

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the Entity's own circumstances.

### **Fraud & error**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an Entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

## Attachment II – Summary of Audit Misstatements Schedule

### Uncorrected misstatement

Description of misstatements	Annual surplus	Financial position			
	(Decrease) Increase	Financial Assets (Decrease) Increase	Liabilities (Decrease) Increase	Non-financial Assets (Decrease) Increase	Accumulated surplus (Decrease) Increase
To correct overstatement of developer contributed assets revenue in the current year for amounts received in the prior year	(\$1,955,365)	-	-	-	\$1,955,365
<b>Total</b>	<b>(\$1,955,365)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1,955,365</b>

# Appendix 3: Current developments and insights

## Public Sector Accounting Standards

Standard	Summary and implications
<b>Asset Retirement Obligations</b>	<ul style="list-style-type: none"><li>– The new standard is effective for fiscal years beginning on or after April 1, 2022.</li><li>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li><li>– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.</li><li>– As a result of the new standard, the public sector entity will have to:<ul style="list-style-type: none"><li>• Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li><li>• Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li><li>• Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</li></ul></li></ul>
<b>Revenue</b>	<ul style="list-style-type: none"><li>– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.</li><li>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li><li>– The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li><li>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li></ul>

Standard	Summary and implications
<b>Financial Instruments and Foreign Currency Translation</b>	<ul style="list-style-type: none"> <li>– The accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.</li> <li>– Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.</li> <li>– Hedge accounting is not permitted.</li> <li>– A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.</li> <li>– In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 <i>Financial Instruments</i> which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 <i>Financial Instruments</i>. The exposure drafts were released in summer 2020 with a 90-day comment period.</li> </ul>
<b>Employee Future Benefit Obligations</b>	<ul style="list-style-type: none"> <li>– PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan.</li> <li>– PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard.</li> <li>– Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.</li> <li>– PSAB released an exposure draft on proposed section PS3251, <i>Employee Benefits</i> in July 2021. Comments to PSAB on the proposed section were due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.</li> </ul>



Standard	Summary and implications
<b>Public Private Partnerships (“P3”)</b>	<ul style="list-style-type: none"> <li>– PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively.</li> <li>– The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.</li> <li>– The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.</li> <li>– The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li> </ul>
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>– PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received.</li> <li>– PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li> <li>– In addition, PSAB is proposing: <ul style="list-style-type: none"> <li>• Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>• Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>• Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>• Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.</li> <li>• A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>• Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li> </ul> </li> </ul>

Standard	Summary and implications
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.</li> <li>– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.</li> <li>– The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.</li> </ul>
<b>Government Not-for-Profit Strategy</b>	<ul style="list-style-type: none"> <li>– PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs.</li> <li>– PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS.</li> <li>– PSAB is in the process of considering stakeholder comments.</li> </ul>
<b>2022 – 2027 Strategic Plan</b>	<ul style="list-style-type: none"> <li>– PSAB’s Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021.</li> <li>– The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities</li> <li>– The Strategic Plan emphasizes four key priorities:</li> <li>– Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB’s due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project.</li> <li>– Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting.</li> <li>– Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB.</li> <li>– Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.</li> </ul>

# Appendix 3: Current developments and insights (continued)

## Thought leadership – Local governments

Thought leadership	Overview	Links
<b>Cities portal</b>	KPMG in Canada provides insights and resources for municipalities on a variety of topics including achieving sustainable infrastructure, the new reality for government in Canada, drinking water supply and park access.	<a href="#">Link to Canadian portal</a>
<b>The Future of Local Government</b>	The Future of Local Government report provides a Canadian perspective for how local governments can meet the rapidly changing needs and expectations of their stakeholders – the citizens, partners and leaders across diverse cities and communities they serve.	<a href="#">Link to Canadian portal</a>
<b>The Future of Cities</b>	The Future of Cities report unpacks our KPMG Global research and insights on the future of local government, providing an international viewpoint. The report traces the unprecedented journey ahead. Cities worldwide are now poised at a significant inflection point, as their leaders realize that long-held ‘one-size-fits-all’ approaches to planning and policies will likely no longer work to shape cities for a future that is truly healthy, sustainable, efficient and prosperous for all.	<a href="#">Link to Global portal</a>
<b>The Future of Government</b>	The Future of Government report considers all levels of government and provides additional perspective from the content in the Future of Local Government report. It discusses the opportunity for governments to consider a different vision of Canadian social systems and how they can adapt their operations to reflect the needs of a modern Canada.	<a href="#">Link to Canadian portal</a>
<b>CX Coffee Chats: Modernizing Government</b>	As a result of the pandemic, government organizations have been faced with unprecedented demand for digital transformation in the delivery of services to Canadians. In the latest installment of the CX Coffee Chat series, industry specialists discuss the evolving needs of Canadians and the opportunities for government organizations to deliver online services citizens can count on.	<a href="#">Link to Canadian portal</a>
<b>20 Predictions for the Next 20 Years</b>	This series looks at how new technologies could evolve and how these advances will change every facet of our lives, including the industries and sectors that drive them. We asked KPMG in Canada subject matter specialists, across industries and sectors, to tell us how they think the world will change in the next two decades. Specifically for local governments, the political and regulatory predictions may be especially relevant.	<a href="#">Link to Canadian portal</a>
<b>Principles for Digital Transformation in Cities</b>	This report was authored by KPMG and published as part of the World Government Summit. The report highlights the realization of ‘smart digitalization’ and how it differs across cities.	<a href="#">Link to report</a>

## Thought leadership – Local governments (continued)

Thought leadership	Overview	Links
<b>Gov take 5</b>	Gov take 5 is an always-on platform for KPMG practitioners from around the world to share insights and ideas on a timely basis and trends facing the government and public sector. The ongoing video series will cover a variety of topics including digital transformation, ESG, economic growth and more.	<a href="#">Link to video series</a>

## Thought leadership – Environmental, social, and governance (ESG)

Thought leadership	Overview	Links
<b>Unleashing the Positive in Net Zero</b>	CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.	<a href="#">Link to Global portal</a>
<b>KPMG Climate Change Financial Reporting Resource Centre</b>	KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.	<a href="#">Link to Global portal</a>
<b>You Can't Go Green Without Blue – The Blue Economy is Critical to All Companies' ESG Ambitions</b>	In this report, KPMG considers how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.	<a href="#">Link to Canadian portal</a>
<b>ESG, Strategy and the Long View</b>	This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.	<a href="#">Link to Global portal</a>
<b>Inclusion and diversity practices</b>	In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.	<a href="#">Link to Canadian portal</a>

## Thought leadership – Digital and technology

Thought leadership	Overview	Link
<b>Going digital, faster in Canada</b>	Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.	<a href="#">Link to Canadian portal</a>

## Thought leadership – Board, Audit Committee and C-Suite

Resources	Summary	Links
<b>Accelerate</b>	Our Accelerate series offer insight into the key issues that will drive the Audit Committee agenda in 2022 in a number of key areas: cyber-related risk, digital transformation in the finance function, the 'Great Resignation' impacting finance, climate-related physical risks, enterprise risk management, and building a climate-conscious organization.	<a href="#">Link to Canadian Accelerate 2022 Insights series</a>
	This year we surveyed over 1,300 CEOs globally and the results are pointing to an optimistic outlook amongst Canadian CEOs. Some of the key themes coming out of the survey include expectations for aggressive growth through expansion, investment in both people and technology as well as a focus on delivering on environmental, social and governance (ESG) and sustainability commitments.	<a href="#">Link to Canadian portal</a>
	KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.	<a href="#">Link to Canadian portal</a>
	The new Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.	<a href="#">Link to 2021 guide</a>

## Thought leadership – Audit quality and insights

Thought leadership	Overview	Links
<b>Audit Quality and Transparency Report</b>	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	<a href="#">Link to Canadian portal</a>  <a href="#">Link to 2021 Global report</a>
<b>Audit and Assurance Insights</b>	KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.	<a href="#">Link to Canadian portal</a>



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KPMG member firms around the world have 227,000 professionals, in 146 countries.

