

# ATTACHMENT A

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

for the year ended December 31, 2022

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# **CITY OF NANAIMO MANAGEMENT REPORT**

**For the Year Ended December 31, 2022**

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

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all material respects, the financial position of the City of Nanaimo as at December 31, 2022.

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

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



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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the City of Nanaimo

### ***Opinion***

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

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statements of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, including the schedules of operations by segment and tangible capital assets

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

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

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

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

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

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

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

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



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

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

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

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

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

We also:

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

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

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

**CITY OF NANAIMO**  
**STATEMENT OF FINANCIAL POSITION**

as at December 31, 2022, with comparative figures for 2021

	2022	2021
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 118,484,793	\$ 158,711,662
Accounts receivable (Note 2)	25,872,621	22,131,504
Development cost charges receivable (Note 3)	1,171,250	1,258,908
Temporary investments (Note 4)	171,942,522	122,525,543
	<b>317,471,186</b>	<b>304,627,617</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	53,605,730	52,769,222
Compensated absences and termination benefits (Note 6)	9,134,493	8,766,164
Deferred revenue (Note 7)	26,146,540	24,209,228
Deferred development cost charges (Note 8)	65,416,377	60,614,941
Debt (Note 9)	41,301,913	45,947,100
	<b>195,605,053</b>	<b>192,306,655</b>
<b>NET FINANCIAL ASSETS</b>	<b>121,866,133</b>	<b>112,320,962</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	809,586,940	781,555,105
Prepaid expenses	1,902,378	1,783,478
Inventories of supplies	2,446,243	2,041,322
	<b>813,935,561</b>	<b>785,379,905</b>
<b>ACCUMULATED SURPLUS (Note 11)</b>	<b>\$ 935,801,694</b>	<b>\$ 897,700,867</b>

Commitments and contingencies (Note 12)

Contractual rights (Note 23)

Subsequent event (Note 24)

Approved on behalf of the Council

\_\_\_\_\_  
**Leonard Krog**  
**Mayor**

\_\_\_\_\_  
**Ian Thorpe**  
**Councillor**

# CITY OF NANAIMO STATEMENT OF OPERATIONS

for the year ended December 31, 2022, with comparative figures for 2021

	2022 Budget (Note 14)	2022	2021
<b>REVENUES</b>			
Taxes	\$ 132,691,009	\$ 131,968,343	\$ 123,335,853
Payments in lieu of taxes	2,236,800	2,566,901	2,200,597
Taxation and payments in lieu (Note 15)	134,927,809	134,535,244	125,536,450
User fees and sales of services (Note 16)	52,100,462	51,868,373	46,090,489
Other revenue	12,449,212	9,123,003	8,258,270
Investment income	2,325,491	5,684,548	3,073,690
Transfers from other governments-operating (Note 17)	6,160,889	5,460,889	3,336,523
Development cost charges (Note 8)	14,681,805	5,099,130	2,298,671
Transfers from other governments-capital (Note 17)	4,718,768	4,500,541	8,442,931
Building permits	2,000,000	2,597,818	2,694,848
Developer contributed assets (Note 10)	-	2,563,598	7,485,948
Donations and contributions-capital	2,216,660	2,549,971	1,005,147
Regional recreation sharing	1,281,927	1,281,927	1,199,763
Property rentals	920,457	897,571	951,280
	233,783,480	226,162,613	210,374,010
<b>EXPENSES</b>			
Engineering & public works	43,664,328	33,847,190	32,859,123
Police	39,580,413	35,698,638	37,209,660
Parks, recreation & culture	37,179,963	34,026,244	31,864,887
Fire	22,124,799	21,870,468	22,158,439
Water	18,247,570	16,867,494	16,763,860
Development services	16,248,791	13,697,949	11,689,807
Corporate services	12,629,126	12,604,062	11,744,890
Corporate & business development	8,136,627	7,042,470	4,627,710
Sewer	7,030,506	6,222,215	5,862,148
City administration	6,788,636	6,185,056	6,128,719
	211,630,759	188,061,786	180,909,243
<b>ANNUAL SURPLUS</b>	22,152,721	38,100,827	29,464,767
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	897,700,867	897,700,867	868,236,100
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	\$ 919,853,588	\$ 935,801,694	\$ 897,700,867

**CITY OF NANAIMO**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
for the year ended December 31, 2022, with comparative figures for 2021

	2022 Budget (Note 14)	2022	2021
<b>ANNUAL SURPLUS</b>	\$ 22,152,721	\$ 38,100,827	\$ 29,464,767
Acquisition of tangible capital assets	(113,537,850)	<b>(53,397,452)</b>	(51,411,094)
In kind donations of capital assets	-	<b>(1,380,290)</b>	(515,194)
Developer contributed capital assets	-	<b>(2,563,598)</b>	(7,485,948)
	(113,537,850)	<b>(57,341,340)</b>	(59,412,236)
Amortization of tangible capital assets	29,655,473	<b>28,035,992</b>	26,687,264
Loss (gain) on disposal of assets	-	<b>(1,387,738)</b>	177,348
Proceeds on sale of tangible capital assets	-	<b>2,661,251</b>	344,181
	(83,882,377)	<b>(28,031,835)</b>	(32,203,443)
Acquisition of inventories of supplies	-	<b>(5,782,821)</b>	(5,446,444)
Acquisition of prepaid expenses	-	<b>(1,557,902)</b>	(1,325,715)
Consumption of inventories of supplies	-	<b>5,377,900</b>	4,870,671
Use of prepaid expenses	-	<b>1,439,002</b>	1,236,583
	-	<b>(523,821)</b>	(664,905)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(61,729,656)	<b>9,545,171</b>	(3,403,581)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	112,320,962	<b>112,320,962</b>	115,724,543
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 50,591,306	\$ <b>121,866,133</b>	\$ 112,320,962

# CITY OF NANAIMO

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2022, with comparative figures for 2021

	2022	2021
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus	\$ 38,100,827	\$ 29,464,767
Non-cash items		
Amortization of tangible capital assets	28,035,992	26,687,264
Developer assets received	(2,563,598)	(7,485,948)
In kind donations of capital assets	(1,380,290)	(515,194)
Loss (gain) on disposal of tangible capital assets	(1,387,738)	177,348
Development cost charges recognized as revenue	(5,099,130)	(2,298,671)
Actuarial adjustment on long term debt	(1,139,028)	(1,017,744)
Change in non-cash operating assets and liabilities		
Accounts receivable	(3,653,459)	2,676,302
Accounts payable	836,508	4,535,941
Compensated absences termination benefits	368,329	383,160
Deferred revenue	1,937,312	2,968,410
Inventories of supplies	(404,921)	(575,773)
Prepaid expenses	(118,900)	(89,132)
Net change in cash from operating transactions	<b>53,531,904</b>	54,910,730
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(53,397,452)	(51,411,094)
Proceeds from the sale of tangible capital assets	2,661,251	344,181
Net change in cash from capital transactions	<b>(50,736,201)</b>	(51,066,913)
<b>INVESTING TRANSACTIONS</b>		
Change in investments	(49,416,979)	(23,959,143)
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(3,786,428)	(3,501,991)
Deferred development cost charges	9,900,566	6,161,909
Proceeds from long term borrowing	280,269	11,160,000
Net change in cash from financing transactions	<b>6,394,407</b>	13,819,918
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(40,226,869)</b>	(6,295,408)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>158,711,662</b>	165,007,070
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 118,484,793</b>	<b>\$ 158,711,662</b>

# CITY OF NANAIMO

## SCHEDULE OF OPERATIONS BY SEGMENT

for the year ended December 31, 2022

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2022
<b>Revenues</b>											
Taxes	\$ 6,548,122	\$10,801,602	\$ 5,396,314	\$ 7,248,920	\$20,017,047	\$37,743,610	\$24,766,504	\$19,446,224	\$ -	\$ -	\$ 131,968,343
Payments in lieu of taxes	127,367	210,100	104,964	140,998	389,349	734,147	481,730	378,246	-	-	2,566,901
User fees	2,037	122,090	1,890,118	1,423,415	155,542	83,253	5,662,865	8,808,955	9,116,959	24,603,139	51,868,373
Other revenue	197,484	1,790,317	368,709	2,530,723	1,897,685	662,282	793,865	704,700	41,157	136,081	9,123,003
Investment income	187,606	2,186,516	160,099	207,684	573,495	1,081,368	709,569	572,110	-	6,101	5,684,548
Government operating transfers	127,706	535,425	119,416	1,215,151	418,904	1,985,243	590,497	423,547	45,000	-	5,460,889
Development cost charges	-	-	-	-	-	-	167,703	1,177,523	56,272	3,697,632	5,099,130
Government capital transfers	-	4,041,138	-	-	-	-	446,403	13,000	-	-	4,500,541
Building permits	-	-	-	2,597,818	-	-	-	-	-	-	2,597,818
Developer contributed assets	-	-	-	-	-	-	882,000	1,361,881	123,919	195,798	2,563,598
Donations - capital	-	-	-	-	18,758	224,772	1,565,647	672,065	68,729	-	2,549,971
Regional recreation sharing	-	-	-	-	-	-	1,281,927	-	-	-	1,281,927
Property rentals	-	-	358,827	30,513	-	291,069	142,566	51,396	-	23,200	897,571
	7,190,322	19,687,188	8,398,447	15,395,222	23,470,780	42,805,744	37,491,276	33,609,647	9,452,036	28,661,951	226,162,613
<b>Expenses</b>											
Wages and salaries	4,155,337	8,305,216	739,237	8,456,893	16,357,456	5,757,174	16,093,445	12,347,052	1,123,814	3,476,956	76,812,580
Contracted services	1,214,900	4,371,284	4,211,359	2,943,903	2,040,793	27,788,875	7,601,503	9,396,095	1,160,418	1,568,115	62,297,245
Amortization	-	937,130	1,879,383	463,281	965,146	305,817	4,417,534	11,455,630	1,269,715	6,342,356	28,035,992
Other	417,900	(1,212,654)	285,879	1,562,194	1,001,765	1,776,707	3,969,723	(2,090,758)	2,279,214	3,808,420	11,798,390
Materials and supplies	396,919	197,138	67,086	271,678	1,093,325	70,065	1,955,873	4,143,929	194,177	1,096,091	9,486,281
Interest payments on debt	-	-	(81,573)	-	396,851	-	-	26,046	124,286	553,426	1,019,036
Loss (gain) on disposal of assets	-	5,948	(58,901)	-	15,132	-	(11,834)	(1,430,804)	70,591	22,130	(1,387,738)
	6,185,056	12,604,062	7,042,470	13,697,949	21,870,468	35,698,638	34,026,244	33,847,190	6,222,215	16,867,494	188,061,786
<b>ANNUAL SURPLUS (DEFICIT)</b>	1,005,266	7,083,126	1,355,977	1,697,273	1,600,312	7,107,106	3,465,032	(237,543)	3,229,821	11,794,457	38,100,827
Capital projects	\$ -	\$ 817,709	\$ 2,283,240	\$ 81,060	\$ 8,194,049	\$ 343,309	\$ 7,900,115	\$13,796,751	\$ 5,129,447	\$18,795,660	\$ 57,341,340

**CITY OF NANAIMO**  
**SCHEDULE OF OPERATIONS BY SEGMENT**

for the year ended December 31, 2021

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2021
<b>Revenues</b>											
Taxes	\$ 6,394,209	\$10,479,060	\$ 5,120,137	\$ 6,400,688	\$18,941,756	\$33,193,670	\$24,132,281	\$18,674,052	\$ -	\$ -	\$ 123,335,853
Payments in lieu of taxes	113,622	195,186	90,983	113,737	336,586	589,835	428,819	331,829	-	-	2,200,597
User fees	1,275	133,855	454,926	1,154,733	127,008	86,874	3,728,308	7,724,893	8,704,109	23,974,508	46,090,489
Government capital transfers	-	7,907,567	-	-	-	-	-	535,364	-	-	8,442,931
Other revenue	77,597	1,817,599	301,819	2,123,911	1,843,444	547,931	644,167	802,585	-	99,217	8,258,270
Developer contributed assets	-	-	-	-	-	-	1,314,717	5,053,189	424,950	693,092	7,485,948
Government operating transfers	67,048	282,916	53,583	443,734	258,622	1,683,061	354,704	202,291	15,000	(24,436)	3,336,523
Investment income	99,747	1,285,730	79,870	99,849	295,486	517,813	376,457	314,170	-	4,568	3,073,690
Building permits	-	-	-	2,694,848	-	-	-	-	-	-	2,694,848
Development cost charges	-	-	-	-	-	-	644,209	931,360	165,027	558,075	2,298,671
Regional recreation sharing	-	-	-	-	-	-	1,199,763	-	-	-	1,199,763
Donations - capital	-	-	-	-	-	137,451	809,477	57,500	719	-	1,005,147
Property rentals	-	-	343,344	30,000	-	278,323	229,580	46,833	-	23,200	951,280
	6,753,498	22,101,913	6,444,662	13,061,500	21,802,902	37,034,958	33,862,482	34,674,066	9,309,805	25,328,224	210,374,010
<b>Expenses</b>											
Wages and salaries	4,131,571	8,709,588	522,005	7,755,299	16,189,462	5,547,925	15,196,739	12,033,212	1,147,421	3,553,432	74,786,654
Contracted services	1,290,537	3,208,012	2,294,985	2,186,647	1,841,158	29,688,260	6,930,210	8,038,508	983,675	1,543,481	58,005,473
Amortization	-	892,725	1,770,719	475,185	548,318	309,202	4,102,116	11,203,489	1,150,065	6,235,445	26,687,264
Other	405,351	(1,273,849)	255,138	1,110,814	1,853,988	1,585,474	3,825,491	(2,043,055)	2,241,053	3,798,430	11,758,835
Materials and supplies	301,260	205,658	47,406	161,862	1,449,348	78,799	1,598,409	3,539,538	211,216	966,711	8,560,207
Interest payments on debt	-	-	(36,111)	-	196,659	-	-	24,883	103,990	644,042	933,463
(Gain) Loss on disposal of assets	-	2,756	(226,432)	-	79,506	-	211,922	62,548	24,728	22,319	177,347
	6,128,719	11,744,890	4,627,710	11,689,807	22,158,439	37,209,660	31,864,887	32,859,123	5,862,148	16,763,860	180,909,243
<b>ANNUAL SURPLUS</b>	624,779	10,357,023	1,816,952	1,371,693	(355,537)	(174,702)	1,997,595	1,814,943	3,447,657	8,564,364	29,464,767
Capital projects	\$ -	\$ 1,565,479	\$ 6,499,868	\$ 8,210	\$ 9,428,503	\$ 137,451	\$11,043,129	\$18,279,326	\$ 6,264,495	\$ 6,185,775	\$ 59,412,236

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2022

	COST				ACCUMULATED AMORTIZATION					NET BOOK VALUE
	Balance December 31, 2021	Additions	Disposals	Transfers	Balance December 31, 2022	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022	
Land	\$ 109,826,420	\$ 3,030,644	\$ 938,928	\$ (181,752)	\$ 111,736,384	\$ -	\$ -	\$ -	\$ -	\$ 111,736,384
Land improvements	46,933,500	3,657,747	9,700	255,442	50,836,989	20,523,199	1,678,541	9,700	22,192,040	28,644,949
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,963,977	81,512	-	2,045,489	1,074,812
Marine structures	1,592,257	33,031	-	-	1,625,288	440,048	64,762	-	504,810	1,120,478
Buildings	208,481,398	5,913,684	1,472,480	15,335,958	228,258,560	97,533,567	6,276,927	1,440,183	102,370,311	125,888,249
Vehicles and equipment	42,112,673	5,420,521	2,720,230	1,244	44,814,208	24,274,898	2,808,287	2,548,782	24,534,403	20,279,805
IT Infrastructure	9,866,279	199,815	77,600	32,934	10,021,428	9,186,247	341,218	77,600	9,449,865	571,563
Drainage	116,336,647	3,815,412	215,400	1,005,930	120,942,589	35,906,520	1,782,896	199,277	37,490,139	83,452,450
Transportation	341,963,681	6,980,407	980,487	2,364,384	350,327,985	195,508,379	7,647,908	966,174	202,190,113	148,137,872
Sewer	68,982,803	3,769,679	292,400	292,572	72,752,654	16,251,270	1,260,799	223,038	17,289,031	55,463,623
Water	291,329,446	5,206,283	323,374	1,422,195	297,634,550	90,852,240	6,093,142	292,332	96,653,050	200,981,500
Work In Progress	33,450,045	19,314,117	-	(20,528,907)	32,235,255	-	-	-	-	32,235,255
	\$1,273,995,450	\$ 57,341,340	\$ 7,030,599	\$ -	\$1,324,306,191	\$ 492,440,345	\$ 28,035,992	\$ 5,757,086	\$ 514,719,251	\$ 809,586,940

**CITY OF NANAIMO**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

for the year ended December 31, 2021

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance December 31, 2020	Additions	Disposals	Transfers	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021		
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	26,410,301	
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,882,465	81,512	-	1,963,977	
Marine structures	1,028,367	699,970	208,200	72,120	1,592,257	598,991	49,257	208,200	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	
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	
IT Infrastructure	9,832,423	312,728	278,872	-	9,866,279	9,134,521	330,597	278,871	9,186,247	
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	
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	
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	
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	
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

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

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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, 2022, 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, 2022

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### (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, 2022

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### (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, 2022

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**(j) Non-Financial Assets**

**(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, 2022

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**(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.

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

for the year ended December 31, 2022

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**(l) Revenue Recognition**

**(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.

**(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>2022</u>	<u>2021</u>
Utilities	\$ 12,970,833	\$ 11,887,924
Trade and Other	3,721,732	2,923,113
Property Taxes	3,595,561	3,401,049
Interest on Investments	1,891,339	579,250
Due from Federal Government	1,464,341	901,484
Due from Provincial Government	1,004,436	1,174,845
Municipal Finance Authority Debt Reserve	984,822	960,536
Due from Regional Government	239,557	303,303
	<u>\$ 25,872,621</u>	<u>\$ 22,131,504</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

**NOTE 3 - DEVELOPMENT COST CHARGES RECEIVABLE**

	<u>Water</u> <u>Distribution</u>	<u>Roads</u>	<u>Drainage</u>	<u>Sewer</u>	<u>Parks</u>	<u>Water</u> <u>Supply</u>	<u>2022</u>	<u>2021</u>
Installments:								
2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,924
2023	16,487	313,369	1,496	96,160	34,734	302,371	764,617	357,984
2024	9,002	171,198	353	52,530	8,362	165,188	406,633	-
	<u>\$ 25,489</u>	<u>\$ 484,567</u>	<u>\$ 1,849</u>	<u>\$ 148,690</u>	<u>\$ 43,096</u>	<u>\$ 467,559</u>	<u>\$ 1,171,250</u>	<u>\$ 1,258,908</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>2022</u>	<u>2021</u>
Term deposits	\$ 170,000,000	\$ 115,527,789
MFA pooled investment funds	1,942,522	2,012,319
Debenture	-	4,985,435
	<u>\$ 171,942,522</u>	<u>\$ 122,525,543</u>

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

	<u>2022</u>	<u>2021</u>
RCMP Contract	\$ 15,744,828	\$ 18,291,784
Trade and Other	13,828,704	13,731,082
Deposits	11,421,026	12,334,301
Other governments	7,408,118	4,627,892
Accrued wages and benefits	3,743,054	3,404,163
Contaminated sites	1,460,000	380,000
	<u>\$ 53,605,730</u>	<u>\$ 52,769,222</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

**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, 2022 and the results are extrapolated to December 31, 2025. The current valuation was completed in 2023. Significant assumptions used in the valuation include a discount rate of 5% (2021 - 3.5%), inflation of 2% (2021 - 1.75%) and compensation increases, excluding merit and promotion, of 3% (2021 - 2.75%). There is an unamortized actuarial gain of \$660,516 (2021 – loss of \$536,130).

	<u>2022</u>	<u>2021</u>
Actuarial Benefit Obligation, beginning of year	\$ 9,302,294	\$ 8,990,293
Unamortized Actuarial Loss, beginning of year	(536,130)	(607,289)
	<u>8,766,164</u>	<u>8,383,004</u>
Current Service Cost	776,355	735,393
Interest Costs	325,091	314,615
Benefits Paid	(804,276)	(738,007)
Amortization of Actuarial Loss	71,159	71,159
	<u>9,134,493</u>	<u>8,766,164</u>
Actuarial Benefit Obligation, end of year	8,473,977	9,302,294
Unamortized Actuarial Gain (Loss), end of year	660,516	(536,130)
Accrued Benefit Liability, end of year	<u>\$ 9,134,493</u>	<u>\$ 8,766,164</u>

Actuarial gains and losses are amortized over 13 (2021 - 12) years for retirement benefits and 12 (2021 - 12) years for sick leave benefits, these being the expected average remaining service period of the related employee groups, commencing the year after the gain or loss arises. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$1,172,605 (2021 - \$1,121,167).

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

for the year ended December 31, 2022

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

	<u>2022</u>	<u>2021</u>
Tax Prepayments	\$ 16,700,317	\$ 15,637,525
Other Prepayments	9,446,223	8,571,703
	<u>\$ 26,146,540</u>	<u>\$ 24,209,228</u>

**NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES**

	<u>2022</u>	<u>2021</u>
Deferred Development Cost Charges - beginning of year	\$ 60,614,941	\$ 56,751,703
Additions	8,402,167	5,274,135
Interest Earned	1,498,399	887,774
Revenue Recognized	(5,099,130)	(2,298,671)
	<u>\$ 65,416,377</u>	<u>\$ 60,614,941</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.

\$41,301,913 (2021 – \$45,947,100) of debt is with the MFA. Payments and actuarial allocations of \$37,819,677 on the gross amount borrowed of \$79,121,590 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 4.51% per annum.

	<u>2022</u>	<u>2021</u>
Total Outstanding Debt - beginning of year	\$ 45,947,100	\$ 39,306,835
Reduction of Long-term Debt	(4,925,456)	(4,519,735)
Proceeds from long-term borrowing	280,269	11,160,000
	<u>\$ 41,301,913</u>	<u>\$ 45,947,100</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 2022 at December 31, 2021 was \$47,198,318. The actual liability servicing cost was \$5,453,198 and the estimated cost on unissued debt is \$206,027, leaving \$41,539,093 of liability servicing capacity available.

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

for the year ended December 31, 2022

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

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>
2023	\$ 3,310,418	\$ 1,058,526	\$ 4,368,944
2024	2,957,577	1,100,867	4,058,444
2025	3,044,290	1,144,902	4,189,192
2026	3,067,356	1,190,698	4,258,054
2027	2,062,765	1,238,326	3,301,091
Thereafter	11,932,932	9,193,256	21,126,188
	<u>\$ 26,375,338</u>	<u>\$ 14,926,575</u>	<u>\$41,301,913</u>

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>Balance Outstanding</u>	
					<u>2022</u>	<u>2021</u>
<u>General Fund - Tax Supported</u>						
5750	99	Port of Nanaimo Centre	1.53	2026	\$ 4,006,411	\$ 4,913,593
5750	101	Port of Nanaimo Centre	3.39	2027	4,913,593	5,785,884
7050	102	Fire Station #4	3.90	2027	1,228,398	1,446,471
7257	146	Fire Station #1	3.20	2038	2,731,620	2,863,191
7257	152	Fire Station #1	0.91	2040	1,829,758	1,915,618
7257	156	Fire Station #1	2.58	2041	10,712,015	11,160,000
7257	158	Fire Station #1	4.09	2042	280,269	-
		Garbage Trucks - Equipment	4.51	2022	-	268,588
		Garbage Trucks - Equipment	4.51	2023	446,260	1,343,852
		Garbage Trucks - Equipment	4.51	2025	227,014	305,515
					<u>26,375,338</u>	<u>30,002,712</u>
<u>Waterworks Fund - User Fee Supported</u>						
7127	126	Water Treatment Plant	3.85	2033	8,573,329	9,184,583
7127	127	Water Treatment Plant	3.30	2034	6,353,246	6,759,805
					<u>14,926,575</u>	<u>15,944,388</u>
					<u>\$ 41,301,913</u>	<u>\$ 45,947,100</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

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**NOTE 10 - TANGIBLE CAPITAL ASSETS**

<u>Net Book Value</u>	<u>2022</u>	<u>2021</u>
Land	\$ 111,736,384	\$ 109,826,420
Land Improvements	28,644,949	26,410,301
Leasehold Improvements	1,074,812	1,156,324
Marine Structures	1,120,478	1,152,209
Buildings	125,888,249	110,947,831
Vehicles and Equipment	20,279,805	17,837,775
IT Infrastructure	571,563	680,032
Drainage	83,452,450	80,430,127
Transportation	148,137,872	146,455,302
Sewer	55,463,623	52,731,533
Water	200,981,500	200,477,206
	<hr/>	<hr/>
	777,351,685	748,105,060
Work In Progress	32,235,255	33,450,045
	<hr/>	<hr/>
	<u>\$ 809,586,940</u>	<u>\$ 781,555,105</u>

See schedule of tangible capital assets (page 10) for more information. There were no write downs of tangible capital assets for 2021 and 2022. Developer contributed assets recognized in 2022 were \$2,563,598 (2021 - \$7,485,948) 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, 2022

**NOTE 11 - ACCUMULATED SURPLUS**

	<u>2022</u>	<u>2021</u>
Reserve Accounts (Note 21)	\$ 91,636,368	\$ 89,723,172
Investment in Tangible Capital Assets (Note 18)	762,309,770	732,605,556
Community Works Reserve Fund (Gas Tax Agreement)	11,334,551	15,016,599
Equipment Depreciation Reserve	10,470,572	10,830,275
Facility Development (Recreation) Reserve	3,727,612	3,091,890
Property Sales Reserve	2,283,297	1,303,226
Knowles Estate Reserve	426,613	416,659
Parkland Dedication Reserve	787,065	790,121
Old City Neighborhood Parking Reserve	98,651	96,350
General Asset Management Reserve	17,041,030	13,725,330
Sewer Asset Management Reserve	5,618,996	4,099,117
Water Asset Management Reserve	10,309,745	10,636,466
Copier Replacement Reserve	411,061	389,760
Information Technology Reserve	2,512,523	2,084,446
NDSS Community Field Reserve	164,723	128,041
Parking Reserve	1,239,407	1,003,998
911 Reserve	274,057	436,481
Property Acquisition Reserve	5,361,482	2,741,145
Housing Legacy Reserve	3,656,306	3,200,571
Strategic Infrastructure Reserve	5,213,745	4,429,681
Off-Street Parking Reserve	73,450	71,737
Climate Action Reserve	850,670	880,246
	<u>\$ 935,801,694</u>	<u>\$ 897,700,867</u>

# CITY OF NANAIMO

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

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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, 2022, there were various appeals pending with respect to assessed values of properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes a provision against property taxes receivable for the impact of appeals where the losses are likely and the amounts are reasonably determinable.

#### (c) Joint and Several Liabilities

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

The City issues its debt instruments primarily through the MFA. Demand notes are executed in connection with each debenture whereby the City may be required to pay certain amounts to the Regional District of Nanaimo. These demand notes of \$1,926,056 (2021 – \$1,918,171) 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, 2022

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### NOTE 12 - COMMITMENTS AND CONTINGENCIES

#### (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 \$52,200,000 (2021 - \$31,500,000) 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, 2022, the balance of funds held in trust was \$636,658 (2021 - \$622,968).

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

---

**NOTE 14 - ANNUAL BUDGET**

These financial statements include the Annual Budget as approved by Council on May 9, 2022. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2022 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 22,152,721
Cemetery Care Fund - not in reporting entity	10,000
Net Development Cost Charges	(7,284,815)
	<hr/>
Annual Surplus from the 2022 Financial Plan	14,877,906
Amortization, not funded	29,655,473
Capital Expenditures	(113,537,850)
Proceeds from Borrowing	4,829,441
Principal Repayment of Debt	(4,955,741)
Transfers from Accumulated Surplus	69,130,771
	<hr/>
Net Annual Budget - as approved	\$ -

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

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

	<u>Municipal</u>	<u>Other</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
Property Taxes	\$ 130,343,495	\$ 84,863,755	\$ 215,207,250	\$ 196,565,661
Business Improvement Area Levies	201,500	-	201,500	192,430
Taxes in Lieu of Licenses	1,423,348	-	1,423,348	1,426,076
Payments in Lieu of Taxes	2,566,901	747,362	3,314,263	2,819,355
	<u>\$ 134,535,244</u>	<u>\$ 85,611,117</u>	<u>\$ 220,146,361</u>	<u>\$ 201,003,522</u>
			<u>2022</u>	<u>2021</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 45,664,995	\$ 42,863,742
Regional District of Nanaimo			28,148,088	25,892,397
Nanaimo Regional Hospital District			10,500,636	5,536,766
Other Agencies			1,297,398	1,174,167
			<u>85,611,117</u>	<u>75,467,072</u>
Taxation and Payments in Lieu			<u>\$ 134,535,244</u>	<u>\$ 125,536,450</u>

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

	<u>2022</u>	<u>2021</u>
Waterworks	\$ 24,603,139	\$ 23,974,508
Sewer System	9,116,959	8,704,109
Garbage Collection	7,748,400	6,796,415
Recreation Programs	5,662,866	3,728,308
Vancouver Island Conference Centre	1,890,117	454,926
Parking	1,344,505	1,033,290
Public Works	1,060,555	928,478
Other	203,037	256,573
Fire Rescue	155,542	127,008
Police Services	83,253	86,874
	<u>\$ 51,868,373</u>	<u>\$ 46,090,489</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

**NOTE 17 - TRANSFERS FROM OTHER GOVERNMENTS**

	<u>2022</u>	<u>2021</u>
<u>Federal</u>		
Capital	\$ 453,403	\$ 10,000
Gas Tax	4,041,138	7,907,567
Other	988,219	504,730
	<u>5,482,760</u>	<u>8,422,297</u>
<u>Provincial</u>		
Capital	6,000	525,364
Casino Gaming	2,569,865	1,296,018
Revenue Sharing	1,235,430	1,325,884
Climate Action Plan Funding	325,082	-
Other	285,531	203,852
	<u>4,421,908</u>	<u>3,351,118</u>
<u>Other Governments</u>		
Other	56,762	6,039
	<u>56,762</u>	<u>6,039</u>
Total transfers from other governments	<u>\$ 9,961,430</u>	<u>\$ 11,779,454</u>
Transfers from other governments - capital	\$ 4,500,541	\$ 8,442,931
Transfers from other governments - operating	5,460,889	3,336,523
	<u>5,460,889</u>	<u>3,336,523</u>
Total transfers from other governments	<u>\$ 9,961,430</u>	<u>\$ 11,779,454</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

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

	<u>2022</u>	<u>2021</u>
Investment in Tangible Capital Assets - beginning of year	\$ 732,605,556	\$ 707,273,665
Add:		
Capital Additions	57,341,340	59,412,236
Reductions in Long-term Debt	4,925,456	4,519,735
Unused Borrowing - Fire Hall	-	3,113,972
Funding repaid to Deferred Capital Fund	337,006	272,633
Less:		
Amortization	(28,035,992)	(26,687,264)
Funding from Deferred Capital Fund	(195,843)	(2,379,042)
Used Borrowing - Fire Hall	(3,113,972)	(1,238,850)
New Borrowing - Fire Hall	(280,268)	(11,160,000)
Net Book Value of Asset Disposals	(1,273,513)	(521,529)
Investment in Tangible Capital Assets - end of year	<u>\$ 762,309,770</u>	<u>\$ 732,605,556</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. As at December 31, 2022, the Plan has about 227,000 active members and approximately 118,000 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, 2022

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### NOTE 19 - MUNICIPAL PENSION PLAN

The most recent valuation for the Municipal Pension Plan as at December 31, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. During 2022, City of Nanaimo contributions to the plan were:

	<u>2022</u>	<u>2021</u>
Employer Portion	\$ 5,675,930	\$ 5,997,240
Employee Portion	4,962,886	5,021,516
	<u>\$ 10,638,816</u>	<u>\$ 11,018,756</u>

The next valuation will be as at December 31, 2024 with results available in 2025.

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.

# CITY OF NANAIMO

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2022

### NOTE 20 - FINANCIAL INSTRUMENTS

#### (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 2022.

### NOTE 21 - RESERVES

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2022</u>	<u>2021</u>
<u>General Revenue Fund Reserve Accounts</u>				
Brechin Boat Ramp	\$ 93,260	\$ 44,423	\$ 137,683	\$ 124,273
Pipers Park	-	116,843	116,843	94,365
Strategic Partnerships	200,000	43	200,043	200,043
General Capital	2,665,666	2,211,435	4,877,101	4,111,094
Prior Year Carry Forwards	7,338,196	-	7,338,196	5,442,197
RCMP Contract Financial Stability	1,400,000	3,133,433	4,533,433	1,533,433
Fitzwilliam Street Parking	-	142,868	142,868	142,868
Vancouver Island Conference Centre	233,790	587,407	821,197	828,519
Snow and Ice Control Financial Stability	-	1,330,000	1,330,000	1,200,000
General Financial Stability	660,000	15,862,062	16,522,062	16,511,688
Special Initiatives	7,402,048	720,641	8,122,689	9,069,353
Casino	157,067	330,000	487,067	576,301
Sanitation Levelling	548,536	581,247	1,129,783	874,479
	<u>20,698,563</u>	<u>25,060,402</u>	<u>45,758,965</u>	<u>40,708,613</u>
<u>Sewer Revenue Reserve Accounts</u>				
Sewer General	6,350,329	8,266,339	14,616,668	16,711,771
Sewer Financial Stability	-	500,000	500,000	500,000
	<u>6,350,329</u>	<u>8,766,339</u>	<u>15,116,668</u>	<u>17,211,771</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
Water General	29,059,680	-	29,059,680	30,101,733
Water Financial Stability	-	1,701,055	1,701,055	1,701,055
	<u>29,059,680</u>	<u>1,701,055</u>	<u>30,760,735</u>	<u>31,802,788</u>
Total Reserve Accounts	<u>\$56,108,572</u>	<u>\$ 35,527,796</u>	<u>\$91,636,368</u>	<u>\$89,723,172</u>

# **CITY OF NANAIMO**

## **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended December 31, 2022

---

### **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 Information Technology, and Financial Services and Purchasing.

##### **Corporate & Business Development**

Corporate & Business Development is responsible for managing the City's real estate assets, delivering economic development services, and providing oversight of the City's external agencies (Nanaimo Prosperity Corporation, Tourism Nanaimo Society, and Nanaimo Systems Planning Organization Society). In addition, the contractor for the Vancouver Island Conference Centre is overseen by this department.

##### **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.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2022

---

**NOTE 22 - SEGMENT REPORTING**

**Fire**

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

**Police**

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

**Parks, Recreation 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, 2022

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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:

2023	\$ 1,048,912
2024	1,050,744
2025	1,050,745
2026	1,050,744
2027	1,050,745
	<u>\$ 5,251,890</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 - SUBSEQUENT EVENT

Subsequent to year-end, the Province publicly announced the Growing Communities Fund that will provide local governments in the province with one-time funding to address the needs of their growing communities. The City of Nanaimo has received \$16,088,000 under this program which will be spent in accordance with the guidelines provided by the Province.

### NOTE 25 - COMPARATIVE FIGURES

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

The City changed its organizational structure in 2022, so the 2021 comparatives have been adjusted to reflect the new organizational layout. This reclassification has no impact on surplus.



# City of Nanaimo

**Audit Findings Report  
year ended December 31, 2022**

*KPMG LLP*

For the meeting on April 19, 2023

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



# KPMG contacts

## Key contacts in connection with this engagement

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# Table of contents

## Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.



**Audit highlights**



**Status of the audit**



**Audit risks and results**



**Control deficiencies and improvement observations**



**Additional matters**



**Appendices**

The purpose of this 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 as at and for the period ended December 31, 2022. This report builds on the Audit Plan we presented to the Finance and Audit Committee. This report 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 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 report is to assist you, as a member of the Finance and Audit Committee (the "Committee"), in your review of the results of our audit of the financial statements of the City of Nanaimo (the "City" or "Entity") as at and for the year ended December 31, 2022.

## Status of the audit

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on page 5 of this report.

## Significant changes to our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

## Audit risks and results

Findings related to significant risks are discussed on page 6.

## Audit risks and results – other focus areas

Findings related to other focus areas are discussed on pages 7 - 9.

## Uncorrected audit misstatements

Professional standards require that we request of management and the Finance and Audit Committee that all identified audit misstatements be corrected. We have already made this request of management. We identified one misstatement that remains uncorrected in relation to a reduction in an estimated accrued liability to reflect finalized amounts being settled after year end. This is a timing issue and management will adjust in fiscal 2023. See page 10.

## Corrected audit misstatements

We identified one misstatement that was communicated to management and subsequently corrected in the financial statements. The commitments disclosure note was reduced by \$4 million to remove potential transactions that did not yet have contracts or purchase orders in place at year end.

The management representation letter includes all misstatements identified as a result of the audit, communicated to management, and subsequently corrected in the audited financial statements.

## Control deficiencies and improvement 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

Findings related to significant accounting policies and practices are discussed on page 12.

## Independence

As required by professional standards, we have considered all relationships between KPMG and the City that may have a bearing on 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 other standards or applicable legislation or regulation from January 1, 2022 up until the date of this report.



# Status of the audit

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

- Completing our discussions with the Finance and Audit Committee
- Obtaining evidence of Council's acceptance of the financial statements
- Obtaining a signed management representation letter
- 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 auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.





# Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.



## Fraud risk from management override of controls

This is a presumed fraud risk. 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. We have not identified any specific additional risks of management override relating to this audit.

### Our response

Our procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

### Significant findings

We noted no issues as a result of our testing.



# Audit focus areas



## Tangible capital assets and developer contributed assets

### Our procedures

- We tested a sample of 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 evaluating the amount of revenue and assets recognized.
- 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 noted no issues as a result of our testing.



# Audit focus areas



## Cash and investments

### Our procedures

- We confirmed cash and investment balances held as at December 31, 2022 with the appropriate financial institutions and reviewed bank reconciliations for all key operating accounts to identify and verify any significant period end reconciling items.

### Results

We noted no issues as a result of our testing.



## Revenues and receivables

### 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.

### Results

We noted no issues as a result of our testing.



# Audit focus areas



## Salaries and benefits

### 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 from prior year. 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.

### Results

We noted no issues as a result of our testing.



## Expenses, procurement and payables

### 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 expenses and liabilities to expectations taking into account known significant changes in operations and costs.

### Results

We noted no issues as a result of our testing.



# Uncorrected audit misstatements

Uncorrected audit misstatements include financial presentation and disclosure omissions.



## Impact of uncorrected audit misstatements – Not material to the financial statements

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 auditor's report.

Below is a summary of the impact of the uncorrected misstatement:

Description	Statement of operations	Financial position		
	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Reduction in accrued liability	200,000	-	(200,000)	-
<b>Total misstatements</b>	<b>200,000</b>	<b>-</b>	<b>(200,000)</b>	<b>-</b>



# Control deficiencies and improvement observations

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



In planning and performing our audit, we considered internal controls over financial reporting (“ICFR”) relevant to the City’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.

## A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

## Significant deficiencies in internal control over financial reporting



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.

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



# Significant accounting policies and practices



## Significant accounting policies



- There were no initial selections of or changes to significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



## Significant qualitative aspects of financial statement presentation and disclosure



- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.



## Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.

# Appendices

1

Other required communications

2

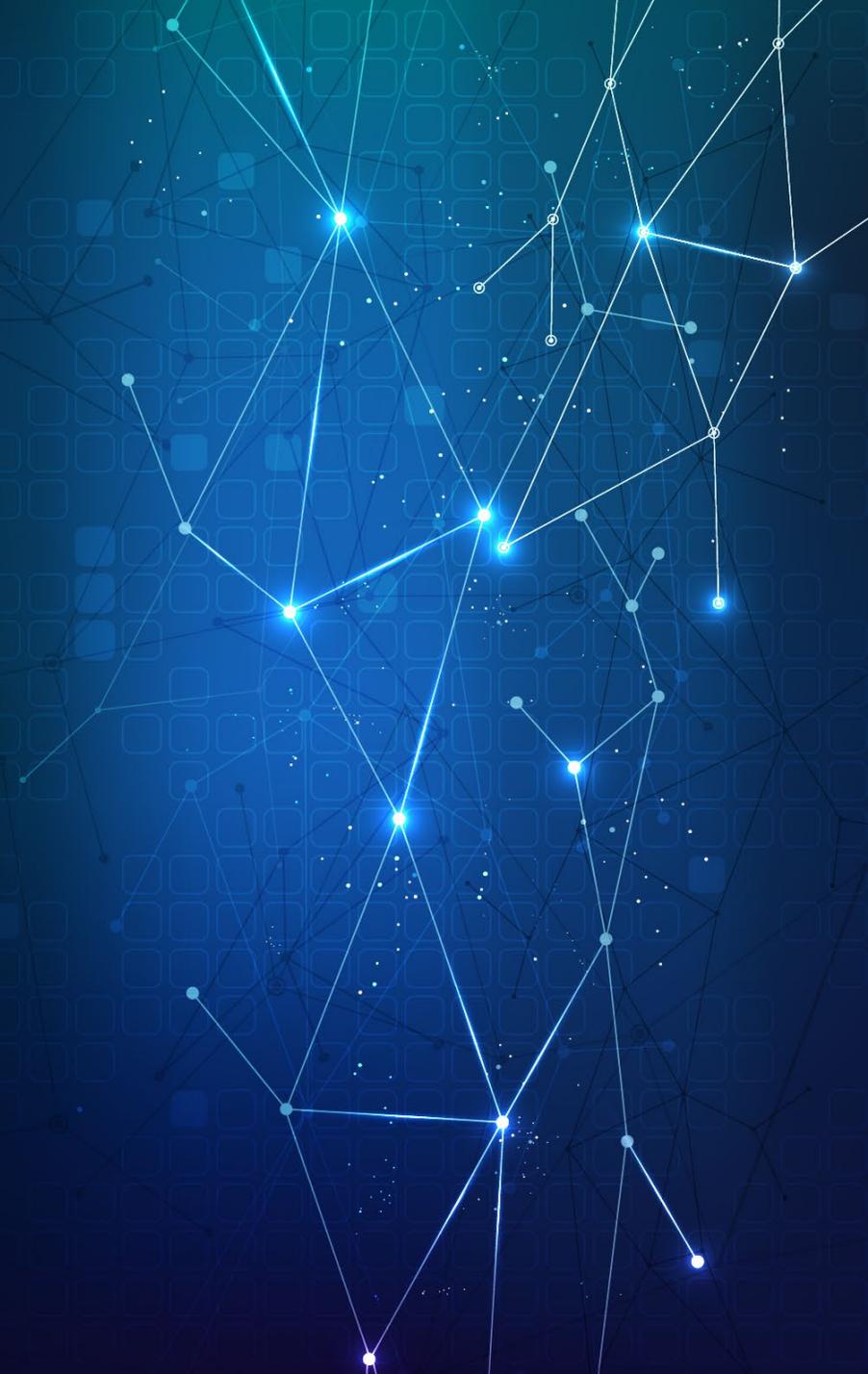
Management representation letter

3

Changes in accounting standards

4

Thought leadership and insights





# Appendix 1: Other required communications



## Auditors' report

Refer to the draft report attached to the financial statements.

## Engagement letter

A copy of the engagement letter and any subsequent amendments has been provided to management.



## Reports to Council

At the completion of the audit, we will provide our findings report to Council.

## Management representation letter

A copy of the management representation letter is attached.



# Appendix 2: Management representation letter

April 19, 2023

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 Entity”) as at and for the period ended December 31, 2022.

## **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 November 23, 2022, 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 Entity 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:



# Appendix 2: Management representation letter (continued)

- management;
- employees who have significant roles in internal control over financial reporting; or
- others

where such fraud or suspected fraud could have a material effect on the financial statements.

- a) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
- b) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
- c) 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 Entity'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 Entity's ability to continue as a going concern.

## **Misstatements:**

11) We approve the corrected misstatements identified by you during the audit described in Attachment II.

12) 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:**

13) We confirm that the final version of Annual Report 2022 will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your required procedures in accordance with professional standards.



# Appendix 2: Management representation letter (continued)

## Assets & Liabilities - General

14) The City has satisfactory title to all owned assets.

15) 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.

16) We have no knowledge of any plans or interactions that may materially affect the carrying value or classification of assets and liabilities.

17) All developer contributed assets accepted by the City have been included in the financial statements.

## Contractual Agreements:

18) 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:

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

## Non-Financial Assets:

20) 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:

21) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

22) 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.

23) 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.

24) 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.

25) 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.



## Appendix 2: Management representation letter (continued)

26) 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-named financial statements, in accordance with PS 3255.

27) In arriving at these assumptions, management has obtained the advice of Nexus, but has retained the final responsibility for them.

28) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

29) 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:

30) 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:

31) 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:

32) 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).

33) 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:

34) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.

35) 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

36) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.



# Appendix 2: Management representation letter (continued)

Yours very truly,

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Jake Rudolph, Chief Administrative Officer

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Laura Mercer, Director, Finance



# Appendix 2: Management representation letter (continued)

## **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.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

### **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.



# Appendix 2: Management representation letter (continued)

## **Attachment II – Summary of Audit Misstatements Schedule**

**Year ended December 31, 2022**

### **Summary of Corrected Audit Misstatements**

The commitments disclosure note was reduced by \$4 million relating to potential transactions that did not yet have contracts or purchase orders.

**Year ended December 31, 2022**

### **Summary of Uncorrected Audit Misstatements**

Description	Statement of operations	Financial position		
	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Reduction in accrued liabilities	200,000	-	(200,000)	-
<b>Total misstatements</b>	<b>200,000</b>	<b>-</b>	<b>(200,000)</b>	<b>-</b>



# Appendix 3: Changes in accounting standards

Standard	Summary and implications
<b>Asset retirement obligations</b>	<ul style="list-style-type: none"><li>• The new standard PS 3280 <i>Asset retirement obligations</i> 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. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.</li><li>• The asset retirement obligations (“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 if the asset is in productive use.</li><li>• As a result of the new standard, the public sector entity will:<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 ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.</li></ul></li></ul>



# Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.</li> <li>The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.</li> <li>The standard notes that in the case of revenue 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 revenue arises 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>
<b>Employee benefits</b>	<ul style="list-style-type: none"> <li>The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.</li> <li>The intention is 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, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.</li> <li>The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively.</li> <li>This proposed section would result in public sector entities 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> <li>The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.</li> </ul>



# Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Public Private Partnerships</b>	<ul style="list-style-type: none"><li>• The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023.</li><li>• The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.</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 public private partnership 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><li>• The standard can be applied retroactively or prospectively.</li></ul>



# Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.</li> <li>The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.</li> <li>Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.</li> <li>The guideline can be applied retroactively or prospectively.</li> </ul>
<b>Financial instruments and foreign currency translation</b>	<ul style="list-style-type: none"> <li>The new standards PS 3450 <i>Financial instruments</i>, PS 2601 <i>Foreign currency translation</i>, PS 1201 <i>Financial statement presentation</i> and PS 3041 <i>Portfolio investments</i> are effective for fiscal years beginning on or after April 1, 2022.</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>PS 3450 <i>Financial instruments</i> was amended subsequent to its initial release to include various federal government narrow-scope amendments.</li> </ul>



# Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.</li> </ul>
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.</li> <li>The proposed section includes the following: <ul style="list-style-type: none"> <li>Relocation of the net debt indicator to its own statement called 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 total assets followed by total 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> <li>The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.</li> </ul>



# Appendix 4: Thought leadership and insights

## ESG needs to be on the board agenda

### 01

#### ESG and climate risk\* are linked to access to funding

An entity's climate resiliency and ESG management is impacting access to funding. Government grants, for example, will be increasingly tied to ESG initiatives and performance.

\*Climate risk is an element of ESG

### 02

#### E&S and climate risk factors are impacting business models

Business models are being impacted by ESG and climate transition requirements in the face of higher operating risks and costs, e.g. capex planning for low carbon technologies and solutions.

### 03

#### ESG is linked to the cost of capital

Developments such as BlackRock's communication to CEOs, S&P's credit downgrade of several oil & gas companies, and rapid growth in ESG investment or divestment, has highlighted that climate is a near term financial and strategic risk for many companies. Cost of capital can be further impacted by ESG risk ratings from leading ratings agencies (S&P, Sustainalytics, MSCI).

### 04

#### Talent expectations and attraction

Stakeholder expectations of Boards now include diversity in gender and ethnicity as well as expertise in ESG or climate areas, e.g. human rights and emissions. Employees are increasingly seeking purpose from their work and looking to leadership and company values to reflect this. This complements a high student demand for sustainability, diversity and inclusion.

### 05

#### Regulatory requirements on ESG and climate risk disclosure

Failing to manage and disclose ESG and climate risks is beginning to carry litigation risk and link to executives' fiduciary duty. Both SEC and ISSB have proposed disclosure rules for climate risk and emissions. Now is the time for entities to address management and reporting gaps.

Sources: 10 Business Myths on Climate Change (2021) – [KPMG UK](#); <sup>2</sup> ESG: The board's perspective (2021) – KPMG India



# Appendix 4: Thought leadership and insights (continued)

## ESG Discovery | Client journey



### What is ESG Discovery?

ESG Discovery through KPMG Ignition is a 3-hour session held virtually or in-person, bringing you relevant insights to inspire thinking and inspire change.



### Why book an ESG Discovery session?

The consideration of ESG (Environmental, Social and Governance) factors has become critical to the success of organizations across all sectors including yours.



### Time commitment for you and selected individuals

- Sponsor attends 30-min kick-off call
- Provided ESG 101 material and a 15-minute ESG self-assessment questionnaire.
- All participate in a 3-hour ESG Discovery session.
- Sponsor attends a 30-minute debrief following session with KPMG



### What we'll cover

- Overview of ESG and how it applies to your organization and industry
- Results and analysis of self-assessment
- Identification of ESG stakeholders and their interests
- Scenario planning exercises
- Prioritization of key actions



### Exceptional experience

Explore and better understand your organization's ESG challenges and opportunities through a highly interactive ideation session that will help you prioritize next steps on your ESG journey.



### What you'll get

- An understanding of current and future state impacts of ESG to your organization
- Clarity of the ESG priority areas for your organization going forward – and how KPMG can help



### Next steps

Connect with your KPMG Partner to explore booking an ESG Discovery session for your organization



# Appendix 4: Thought leadership and insights (continued)

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

Note: Click on images to visit document link.

### Getting started on the inclusion and diversity journey

In the age of transparency, businesses must implement inclusion and diversity practices

In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity (“I&D”) practices.

This link is a guide for organizations on their own transformation journey.

### Climate change, human rights and institutional investors

The adverse impacts to people from a changing climate will create risks for institutional investors throughout the value chain

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

### KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

[Click here](#) to access KPMG’s portal.

### How the 'S' in ESG is changing the way we do business

The social component of ESG calls for more heart, empathy and interconnectedness

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

### The numbers that are changing the world

Revealing the growing appetite for responsible investing



This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.

### A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report ([click here](#)) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.



# Appendix 4: Thought leadership and insights (continued)

## Thought leadership – Public sector

### Voices on 2030: Digitalizing Government

What will the world look like in 2030? How will citizen and customer expectations evolve? And what can public sector organizations be doing today to help ensure they can meet these expectations? We spoke with leaders and disruptors from around the world, across the public and private sector to explore answers to these questions.

[Click here](#) to access KPMG's portal.

### Global Economic Outlook

2022 has arguably been one of the most challenging years the world has experienced in modern times. KPMG's Global Economic Outlook is an invaluable asset, helping to map out some of the challenges and opportunities ahead and enables corporate leaders to plan for the future and prepare for an eventual return to sustainable, long-term growth.

[Click here](#) to access KPMG's portal.

### Why Audit Committees Should Know About Asset Retirement Obligations

Many public sector entities are currently working through the various aspects of the implementation of the Asset Retirement Obligation standard. In this publication we have provided some key insights to make this complex topic easy to understand by senior level management and those charged with governance at these organizations.

[Click here](#) to access KPMG's portal.

### Perspectives on PS 3280 Asset Retirement Obligations

This guide provides KPMG's perspective on key implementation issues and technical interpretations of the guidance in PS 3280.

[Click here](#) to access KPMG's portal.



# Appendix 4: Thought leadership and insights (continued)

## Thought leadership – Local government

### The Future of Cities

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.

[Click here](#) to access KPMG's portal.

### The Future of Local Government

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.

[Click here](#) to access KPMG's portal.

### The Future of Government

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.

[Click here](#) to access KPMG's portal.

### Cities Portal

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.

[Click here](#) to access KPMG's portal.



# Appendix 4: Thought leadership and insights (continued)

## Thought leadership – Local government (continued)

### CX Coffee Chats: Modernizing Government

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.

[Click here](#) to access KPMG's portal.

### 20 Predictions for the Next 20 Years

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.

[Click here](#) to access KPMG's portal.

### Gov take 5

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.

[Click here](#) to access KPMG's portal.

### Principles for Digital Transformation in Cities

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.

[Click here](#) to access the World Government Summit portal.



# Appendix 4: Thought leadership and insights (continued)

## Thought leadership – Boards, Audit Committees and C-Suite

### 2022 CEO Outlook – Canadian Insights

With a potential recession on the horizon, Canadian CEOs are preparing for some rocky roads ahead. However, they remain optimistic about the growth of their businesses and believe any turbulence will be mild and short lived.

These are among the core themes in the latest KPMG CEO Outlook survey and small and medium-sized business poll.

[Click here](#) to access KPMG's portal.

### Audit Committee Guide – Canadian Edition

The 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.

[Click here](#) to access KPMG's portal.

### Board Leadership Centre

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.

[Click here](#) to access KPMG's portal.

### Momentum

Offering curated insights for management, boards and audit committees, our quarterly newsletter provides the latest thought leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[Click here](#) to access KPMG's portal.

### Accelerate Series

The role of the audit committee is expanding, and their expertise has never been more in need. In today's environment it's hard to stay fully informed of the issues, never mind manage for them. In this year's Accelerate insights series, KPMG examines some of the pressing issues organization will face in 2023 and spotlight questions audit committees should be asking.

[Click here](#) to access KPMG's portal.



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KPMG member firms around the world have 227,000 professionals, in 145 countries.

