

DATE OF MEETING April 19, 2023

AUTHORED BY [DAN BAILEY, MANAGER OF ACCOUNTING SERVICES]

SUBJECT 2022 ANNUAL FINANCIAL STATEMENTS

OVERVIEW

Purpose of Report

To present the 2022 Annual Financial Statements for acceptance by the Finance and Audit Committee

Recommendation

That the Finance and Audit Committee recommend that Council accept the 2022 Annual Financial Statements for the City of Nanaimo

BACKGROUND

The Canadian audit standards require that “those with the recognized authority have asserted that they have taken responsibility for the financial statements” prior to the issuance of the audit report. The City’s auditors, KPMG, have completed the audit work and are prepared to issue an unqualified opinion that the financial statements fairly represent the financial position of the City as at 2022-DEC-31, once the Council has approved the statements.

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

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

DISCUSSION

Highlights of the Financial Statements:

- The general fund operating surplus was \$8,544,855 at 2022-DEC-31. This surplus was allocated to reserves as follows:

Source	Amount
RCMP Contract Reserve	\$ 3,000,000
Snow and Ice Control Reserve	130,000
Special Initiatives Reserve	2,300,000
Property Acquisition Reserve	2,100,000
General Capital Reserve	1,014,855
Total	\$ 8,544,855

- The sewer fund operating surplus was **\$224,302** at 2022-DEC-31. This surplus was transferred to the sewer reserve.
- The water fund operating surplus was **\$198,344** at 2022-DEC-31. This surplus was transferred to the water reserve.
- Funds held in reserves total \$238.9 million at 2022-DEC-31 (2021 – \$225.7 million), allocated as follows:

Work in progress	\$ 56.1	million
Reserve accounts (surplus appropriations)	35.5	
Development Cost Charges (developer contributions)	65.4	
Statutory Reserves	<u>81.9</u>	
	\$238.9	million

- A listing of operating reserve accounts is shown on page 31 of the 2022 Financial Statements (Attachment A). The majority of the funds have been set aside for specific projects or purposes. Work in progress funds have been targeted to be used towards existing operating or capital projects in the 2023 – 2027 financial plan.
- Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2022 totaled \$8.4 million (2021 – \$5.3 million). The City continues to construct growth-related projects, which are funded from DCC's (\$5.1 million in 2022).
- Statutory Reserves are established by bylaw and can only be used for the purposes specified in the bylaw. A listing of each statutory reserve fund and their balance at 2022-DEC-31 are as follows:

Reserve	Amount
Community Works (Gas Tax Agreement)	\$ 11,334,551
Equipment Depreciation	10,470,572
Facility Development (Recreation)	3,727,612
Property Sales	2,283,297
Knowles Estate	426,613
Parkland Dedication	787,065
Old City Neighborhood Parking	98,651
General Asset Management	17,041,030
Sewer Asset Management	5,618,996
Water Asset Management	10,309,745
Copier Replacement	411,061
Information Technology	2,512,523

NDSS Community Field	164,723
Parking	1,239,407
911	274,057
Property Acquisition	5,361,482
Housing Legacy	3,656,306
Strategic Infrastructure	5,213,745
Off-Street Parking	73,450
Climate Action	850,670
Total	\$ 81,855,556

- Outstanding debt and debt servicing costs:

	<u>2022</u>	<u>2021</u>
Outstanding debt	\$ 41.3 million	\$ 45.9 million
Per capita debt	\$ 397	\$ 451
Net increase (decrease) in debt during the year	\$ (4.6) million	\$ 6.6 million

Pages 20 and 21 of the 2022 Financial Statements provide note disclosure of the outstanding debt and details of the principal reductions for the next five years.

Tangible capital assets net book value totals \$810 million at 2022-DEC-31 (2021 - \$782 million). A detailed schedule is found on page 10 of the financial statements. Capital asset acquisitions were \$57.3 million (2021 – \$59.4 million), including developer contributed assets of \$2.6 million (2021 - \$7.5 million).

OPTIONS

1. That the Finance and Audit Committee recommend that Council accept the 2022 Annual Financial Statements for the City of Nanaimo.
 - **Budget Implication:** If Council does not approve the 2022 Financial Statements, it could significantly impact the City's ability to borrow from the Municipal Finance Authority, as the City would not be compliant with Provincial reporting requirements.
2. The Finance and Audit Committee could request further information pertaining to the 2022 Financial Statements.

SUMMARY POINTS

- The City's auditors, KPMG, have completed the audit work and are prepared to issue an unqualified opinion that the financial statements fairly represent the financial position of the City as at 2022-DEC-31, once Council has accepted the statements.
- By May 15th in each year, a municipality must submit to the Inspector its audited financial statements for the preceding year.
- Funds held in reserves at 2022-DEC-31 were \$238.9 million.
- Outstanding debt at 2022-DEC-31 was \$41.3 million.
- Net book value of tangible capital assets at 2022-DEC-31 was \$810 million.

ATTACHMENTS:

Attachment A: 2022 Annual Financial Statements (Including KPMG Audit Findings Report for the year ending December 31, 2022)

Submitted by:

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Concurrence by:

Laura Mercer
Director, Finance