

DATE OF MEETING April 17, 2024

AUTHORED BY [DAN BAILEY, MANAGER OF ACCOUNTING SERVICES]

SUBJECT 2023 ANNUAL FINANCIAL STATEMENTS

OVERVIEW

Purpose of Report

To present the 2023 Annual Financial Statements for acceptance by the Finance and Audit Committee

Recommendation

That the Finance and Audit Committee recommend that Council accept the 2023 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 2023-DEC-31, once 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 **\$8,713,706** at 2023-DEC-31. This surplus was allocated to reserves as follows:

Source	Amount
RCMP Contract Reserve	\$ 1,700,000
General Financial Stability Reserve	1,200,000
Special Initiatives Reserve	2,870,000
Property Acquisition Reserve	500,000
General Capital Reserve	2,443,706
Total	\$ 8,713,706

- The sewer fund operating surplus was **\$519,078** at 2023-DEC-31. \$100,000 of this surplus was transferred to the sewer financial stability reserve, and the remaining \$419,078 was transferred to the sewer reserve.
- The water fund operating surplus was **\$394,584** at 2023-DEC-31. \$48,945 of this surplus was transferred to the water financial stability reserve, and the remaining \$345,639 was transferred to the water reserve.
- Funds held in reserves total \$257.6 million at 2023-DEC-31 (2022 – \$238.9 million), allocated as follows:

Operating Reserves	\$ 90.1 million
Development Cost Charges (developer contributions)	63.0
Statutory Reserves	<u>104.5</u>
	<u>\$257.6 million</u>

- A listing of operating reserve accounts is shown on page 36 of the 2023 Financial Statements (Attachment A). This includes financial stability reserves which help ensure the ongoing financial stability and fiscal health of City operations as per the City's Reserve Policy and other operating reserves that will be used to help fund operating or capital projects in the 2024 – 2028 Financial Plan.
- Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2023 totaled \$6.3 million (2022 – \$8.4 million). The City continues to construct growth-related projects, which are funded from DCC's (\$11.5 million in 2023).
- 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 2023-DEC-31 are as follows:

Reserve	Amount
Community Works (Gas Tax Agreement)	\$ 12,396,391
Equipment Depreciation	11,339,981
Facility Development (Recreation)	4,520,120
Property Sales	2,389,598
Knowles Estate	446,473
Parkland Dedication	285,702
Old City Neighborhood Parking	103,244
General Asset Management	20,962,550
Sewer Asset Management	8,561,081
Water Asset Management	5,526,573

Cart Replacement	1,103,260
Copier Replacement	400,813
Information Technology	2,224,402
NDSS Community Field	208,412
Growing Communities	14,933,659
Parking	1,440,512
911	153,185
Property Acquisition	5,430,761
Housing Legacy	4,178,222
Strategic Infrastructure	6,800,803
Off-Street Parking	76,870
Climate Action	1,059,850
Total	\$ 104,542,462

- Outstanding debt and debt servicing costs:

	<u>2023</u>	<u>2022</u>
Outstanding debt	\$ 38.2 million	\$ 41.3 million
Per capita debt	\$ 352	\$ 397
Net increase (decrease) in debt during the year	\$ (3.1) million	\$ (4.6) million

Pages 22 and 23 of the 2023 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 \$857.5 million at 2023-DEC-31 (2022 - \$809.6 million). A detailed schedule is found on page 10 of the financial statements. Capital asset acquisitions were \$77.3 million (2022 – \$57.3 million), including developer contributed assets of \$5.4 million (2022 - \$2.6 million).

OPTIONS

1. That the Finance and Audit Committee recommend that Council accept the 2023 Annual Financial Statements for the City of Nanaimo.
 - **Budget Implication:** If Council does not approve the 2023 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 2023 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 2023-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 2023-DEC-31 were \$257.6 million.
- Outstanding debt at 2023-DEC-31 was \$38.2 million.
- Net book value of tangible capital assets at 2023-DEC-31 was \$857.5 million.

ATTACHMENTS:

Attachment A: 2023 Annual Financial Statements (Including KPMG Audit Findings Report for the year ending December 31, 2023)

Submitted by:

Dan Bailey
Manager, Accounting Services

Concurrence by:

Wendy Fulla
Director, Finance

Laura Mercer
General Manager, Corporate Services