

DATE OF MEETING April 16, 2025

AUTHORED BY DAN BAILEY, MANAGER OF ACCOUNTING SERVICES

**SUBJECT 2024 ANNUAL FINANCIAL STATEMENTS**

## **OVERVIEW**

### **Purpose of Report**

To present the 2024 Annual Financial Statements for acceptance by the Finance and Audit Committee

### **Recommendation**

That the Finance and Audit Committee recommend that Council accept the 2024 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 2024-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 **\$7,795,983** at 2024-DEC-31. This surplus was allocated to reserves as follows:

Source	Amount
RCMP Contract Reserve	\$ 1,411,438
General Financial Stability Reserve	1,094,545
Special Initiatives Reserve	5,290,000
<b>Total</b>	<b>\$ 7,795,983</b>

- The sewer fund operating surplus was **\$342,240** at 2024-DEC-31. This surplus was allocated to the sewer reserve.
- The water fund recorded a deficit of **\$1,195,340** at 2024-DEC-31. To mitigate the water fund deficit, the annual transfer from water operations to the water reserve was reduced by \$1,195,340.
- Funds held in reserves total \$255.2 million at 2024-DEC-31 (2023 – \$257.6 million), allocated as follows:

Operating Reserves	\$ 86.8 million
Development Cost Charges (developer contributions)	62.2
Statutory Reserves	<u>106.2</u>
	<u>\$255.2</u> million

- A listing of operating reserve accounts is shown on page 36 of the 2024 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 2025 – 2029 Financial Plan.
- Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2024 totaled \$3.6 million (2023 – \$6.3 million). The City continues to construct growth-related projects, which are funded from DCC's (\$7.6 million in 2024).
- 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 2024-DEC-31 are as follows:

Reserve	Amount
General Fund Asset Management	\$ 23,368,226
Equipment Depreciation	13,298,521
Community Works	11,870,489
Growing Communities	10,169,702
Sewer Fund Asset Management	8,987,607
Water Fund Asset Management	8,119,115
Strategic Infrastructure	5,864,250
Facility Development	5,157,877
Property Sales	3,854,096
Cart Replacement	2,736,497
Information Technology Replacement	2,615,659
Property Acquisition	2,043,834
Housing Legacy	2,030,307

Climate Action	1,783,964
Parking	1,548,780
Online Accommodation Platform	914,067
Knowles Estate	470,802
Copier Replacement	424,767
Parkland Dedication	382,340
NDSS Community Field	256,482
Old City Neighborhood Parking	108,869
Off-Street Parking	81,058
911	70,380
Harewood Centennial Turf Field	50,633
<b>Total</b>	<b>\$ 106,208,322</b>

- Outstanding debt and debt servicing costs:

	<u>2024</u>	<u>2023</u>
Outstanding debt	\$ 33.9 million	\$ 38.2 million
Per capita debt	\$ 306	\$ 352
Net increase (decrease) in debt during the year	\$ (4.3) million	\$ (3.1) million

Pages 23 and 24 of the 2024 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 \$901.3 million at 2024-DEC-31 (2023 - \$857.5 million). A detailed schedule is found on page 10 of the financial statements. Capital asset acquisitions were \$75.7 million (2023 – \$77.3 million), including developer contributed assets of \$5.6 million (2023 - \$5.4 million).

## **OPTIONS**

- That the Finance and Audit Committee recommend that Council accept the 2024 Annual Financial Statements for the City of Nanaimo.
  - Financial Implications:** If Council does not approve the 2024 Financial Statements, it could significantly impact the City's ability to borrow from the Municipal Finance Authority, as the City would not be compliant with Provincial reporting requirements.
- The Finance and Audit Committee request further information pertaining to the 2024 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 2024-DEC-31 once Council has accepted the statements.

- By May 15<sup>th</sup> in each year, a municipality must submit to the Inspector its audited financial statements for the preceding year.
- Funds held in reserves at 2024-DEC-31 were \$255.2 million.
- Outstanding debt at 2024-DEC-31 was \$33.9 million.
- Net book value of tangible capital assets at 2024-DEC-31 was \$901.3 million.

**ATTACHMENTS:**

- Attachment A: 2024 Annual Financial Statements
- Attachment B: KPMG Audit Findings Report

**Submitted by:**

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**Concurrence by:**

Wendy Fulla  
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Laura Mercer  
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